

The original documents are located in Box 16, folder “Energy - Oil Decontrol: General (5)” of the John Marsh Files at the Gerald R. Ford Presidential Library.

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Baker	✓
Bartlett	✓
<u>Beall</u>	
Belimon	✓
Brock	✓
Brooke	
Buckley	✓
<u>Case</u>	
Curtis	✓
Dole	✓
Domenici	✓
Fannin	✓
Fong	✓
Garn	✓
Goldwater	X
Griffin	✓
Hansen	✓
Hatfield	✓
Helms	✓
Hruska	✓
<u>Javits</u>	
Laxalt	✓
Mathias	
McClure	✓
Packwood	✓
<u>Pearson</u>	
<u>Percy</u>	
<u>Roth</u>	
Schweiker	
Scott (Pa)	✓
Scott (Va)	✓
<u>Stafford</u>	
Stevens	✓
Taft	✓
Thurmond	✓
Tower	✓
Weicker	
Wyman(?)	
Young	✓
COTTON	X

Abourezk	
<u>Allen</u>	
Bayh	
<u>Bentsen</u>	
Biden	
<u>Bumpers</u>	
Burdick	
Byrd (Va)	
Byrd (W Va)	
<u>Cannon</u>	
Chiles	
Church	
Clark	
Cranston	
Culver	
Eagleton	
<u>Eastland</u>	
Ford	
Glenn	
Gravel	✓
Hart (Colo)	
Hart (Mich)	
Hartke	
Haskell	
Hathaway	
Hollings	
Huddleston	
Humphrey	
Inouye	
Jackson	
<u>Johnston</u>	X
Kennedy	
Leahy	
Long	✓
Magnuson	
Mansfield	
McClellan	
McGee	✓
McGovern	
McIntyre	
Metcalf	
Mondale	
Montoya	
<u>Morgan</u>	

Moss	
Muskie	
Nelson	
<u>Stennis</u>	
Pastore	
Pell	
Proxmire	
Randolph	
Ribicoff	
Sparkman	
<u>Stennis</u>	
Stevenson	
Stone	
Symington	
Talmadge	
Tunney	
Williams	

<u>Republicans (39)</u>	
YEAS	
NAYS	
?	
Absent	
(R) Total	
<u>Democrats (61)</u>	
YEAS	
NAYS	
?	
Absent	
(D) Total	
<u>GRAND TOTAL (100)</u>	
YEAS	
NAYS	
?	
Absent	
Total	

* Up for Election
** Announced Retirement

32 - SURE (if held)
plus X's.
1 - PEARSON
1 - NEEDED
34 - TOTAL TARGETS.

DATE: _____
SUBJ: S-1849

FOR ONE NEEDED VOTE THESE ARE THE TARGETS:
BEALL
CASE
JAVITS
PERCY
ROTH
STAFFORD
ALLEN
BENTSEN
BUMPERS
CANNON
EASTLAND
MORGAN
MUNN
STENNIS

[Sept. 1975]

RESOLUTION

WHEREAS, The Emergency Allocation Act under which all authority to assure adequate production and supply of propane, heating oil and other petroleum products, as well as a ceiling on their prices, has expired and

WHEREAS, The President has requested the Congress to re-enact the Allocation Act for a period of 45 days to forestall the economic and social consequences of total and sudden decontrol of the price of crude oil which results from his successful veto of the Allocation Act, be it

RESOLVED, That the Democratic Conference urges the leadership to introduce and seek immediate consideration and enactment of a measure that will provide for the following:

(1) A re-enactment of an Emergency Allocation Act for a period of 60 days commencing on the date of enactment with authority for the President to adjust the price of old oil only if he can meet the criteria of his own Executive Order requiring the economic and inflationary impact of such an adjustment in price

(2) To permit the Congress this 60-day period to determine a fair pricing policy on other than a take-it-or-leave-it basis and to specifically prohibit the submission of a decontrol plan under 4(g)(2) authority during the first 45 days of the extension of the Act, and be it

RESOLVED, further, that the leadership is requested to seek from the President, forthwith, his legislative proposals.

[Sept. 1975?]

NEED FOR DECONTROL

WHY ACT NOW?

- Action on decontrol has been delayed for too long already. The President has already submitted several compromise proposals and has gone more than half way towards decontrol. Each has been rejected, but the Congress has offered no positive program of its own.
- Unless the veto of the 6-month extension is sustained action will be stalled until after the 1976 elections. We must get on with reducing our import vulnerability now.
- If the veto is sustained, and the Congress wants to compromise and enact a program like the President's 39-month decontrol plan, the President will sign a 45-day extension of the EPAA.

EFFECTS OF DECONTROL

- Decontrol, even with removal of current import fees, will reduce imports by about 700,000 barrels per day by 1977. Higher energy prices have been documented to reduce demand.
- Decontrol will provide an incentive for the use of increased high-cost recovery techniques in currently declining fields. These advanced recovery techniques would not be economic at \$5.25 per barrel controlled prices, but could add about 1.4 million barrels per day of production by 1985.
- Decontrol would remove a complex and burdensome regulatory program which was enacted to deal with an embargo and is unwarranted now.

ECONOMIC IMPACTS

- If a compromise cannot be reached and complete decontrol continues, the President will take several actions to ease the transition.

- The President will remove the current \$2.00 import fee on crude oil and \$.60 fee on petroleum products when his veto is sustained. This action will keep the average petroleum product price increase to about three cents per gallon.
- Further, the President will take steps to ease the following potential problems:
 - ° He will ask for authority to allocate propane at reasonable prices to farmers, rural households, and other historical users.
 - ° He will seek authority to allow retail dealers to challenge in court any unfair practices by major oil companies.
 - ° He will request legislation to provide an incentive for small and independent refiners equal to their current benefits under the entitlement program, which gradually phases out.
- The President will continue to press for a windfall profits tax on the oil industry with rebates of the revenues collected to the American consumer.

FARMERS

[Sept. 1975?]

CURRENT SITUATION

- Farmers are faced with rising production costs generally.
- Fuels represent about 3 percent of the cost of farming.

ACTIONS TO ALLEVIATE POTENTIAL PROBLEM

- To reduce any increased inflationary pressures on food, the Administration will request a direct tax rebate on the increased price of gasoline and diesel oil as a result of the President's decontrol proposal.

SMALL AND INDEPENDENT REFINERS

CURRENT SITUATION

- Small and independent refiners have received some form of protection since 1959.
 - . Under the Mandatory Oil Import Program a "sliding scale" was used to provide greater than proportionate shares of imports.
 - . Under the Old Oil Entitlement Program provision was made for a "small refiner bias" which effectively duplicated the maximum subsidy under the oil import program.

ACTION TO ALLEVIATE POTENTIAL PROBLEM

- Since protection of the small and independent refiners is important to ensure competition and since a sudden removal of subsidies could adversely affect some of these refiners, the Administration is prepared to take action to provide an orderly transition from price controls.
 - . A gradual phase-out of subsidies will be provided for up to three years under new legislation.
 - . This subsidy will assure continued viability of these firms.

PROPANE

CURRENT SITUATION

- Propane is a petroleum product which is used in agriculture for crop drying, rural home heating and in industrial and electrical utilities.
- Under the Emergency Petroleum Allocation Act (EPAA), the FEA allocated propane and controlled its price. Using these authorities, historical users such as farmers were assured needed supplies.
- Because of the natural gas shortage, large industrial and utility users who are curtailed may attempt to substitute propane. Such purchases could divert large quantities of propane from historical users or cause large price increases.

ACTIONS TO DEAL WITH POTENTIAL PROBLEMS

- Because the President intends to veto the six month extension of the EPAA, new authorities are needed to protect historical propane users.
- The President will request legislation as part of comprehensive emergency legislation to deal with the natural gas shortage, which will:
 - o Provide allocation and pricing authorities for all propane use.
 - o Assure historical users of adequate supplies at reasonable prices.
 - o Regulate the use of propane by new industrial users who are experiencing natural gas curtailments.

[ca. 9/4/75]

RESOLUTION TO THE SENATE DEMOCRATIC CONFERENCE

Whereas, the Congress is continuing to seek a responsible consensus on the question of energy prices;

Whereas, enactment of S. 1849 would prevent the immediate decontrol of energy prices with such decontrol's implicit threat of halting economic recovery and stimulating inflation;

Whereas, enactment of S. 1849 would preserve the competitive protections of the Emergency Petroleum Allocation Act;

Whereas, a brief extension of the existing energy price control authority is the step best designed at this time to provide the time needed by Congress and the Administration to reach an acceptable agreement on energy prices;

THEREFORE, The Senate Democratic Conference urges the President to sign into law S. 1849; and, in the event of a veto, the Senate Democratic Conference urges that the veto be overridden.

B. Regardless of the outcome of the override vote in Congress the Senate Democratic Conference also urges the Majority Leader in cooperation with the Speaker of the House to immediately consult with the President to resolve our differences and develop an acceptable agreement on energy prices.

OP IMMED
DE WTE #5147 2472153
O 042137Z SEP 75
FM JACK MARSH

TO DONALD RUMSFELD FOR THE PRESIDENT

~~C O N F I D E N T I A L~~ WH51779

SEPTEMBER 4, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: JACK MARSH

MAX HAS OBTAINED A COPY OF THE RESOLUTION ADOPTED BY THE SENATE DEMOCRATS IN THEIR CONFERENCE TODAY IN REFERENCE TO THE ENERGY MATTER. A COPY OF THIS RESOLUTION IS SET OUT BELOW.

IT SHOULD BE NOTED THAT SO FAR A VOTE COUNT ON THE RESOLUTION IS NOT AVAILABLE AND PROBABLY WAS ADOPTED BY A VOICE VOTE. MAX AND I FEEL THE LAST PARAGRAPH IS SIGNIFICANT.

ADDITIONALLY, YOU SHOULD BE AWARE OUR WHIP COUNT IS IMPROVING AND SHOWS 34 VOTES TO SUSTAIN. HOWEVER, MAX AND I ARE KEEPING THIS ON A VERY CLOSE HOLD BASIS IN AN EFFORT TO AVOID COUNTER PRESSURE ON SWING VOTES.

ADDITIONALLY, WE ARE DEXING TO YOU THE MANSFIELD STATEMENT MADE AT THE CONFERENCE.

ON ANOTHER SUBJECT, MAX SAYS THAT CHAIRMAN MADDEN OF THE RULES COMMITTEE, HAS BALKED AGAIN AT SCHEDULING THE TURKISH AID MATTER BEFORE THE RULES COMMITTEE AND DOC MORGAN INDICATED HE WILL NOT PRESS THE ISSUE UNTIL AFTER THE YOM KIPPER RECESS OF SEPTEMBER 12-17. IT MEANS THAT WE ARE UNLIKELY TO HAVE A VOTE IN THE HOUSE UNTIL LATE SEPTEMBER.

THE RESOLUTION FOLLOWS:

RESOLUTION TO THE SENATE DEMOCRATIC CONFERENCE

*****WHSR COMMENT*****

MARSH

PSN:054174

PAGE 01

TOR:247/21:53Z

DTG:042137Z SEP 75

*****~~C O N F I D E N T I A L~~*****S COPY

Determined to be an administrative marking
Cancelled per E.O. 12356, Sec. 1.3 and
Archivist's memo of March 16, 1983

By 849 NARS date 1/9/86



WHEREAS, THE CONGRESS IS CONTINUING TO SEEK A RESPONSIBLE CONSENSUS ON THE QUESTION OF ENERGY PRICES;

WHEREAS, ENACTMENT OF S. 1849 WOULD PREVENT THE IMMEDIATE DECONTROL OF ENERGY PRICES WITH SUCH DECONTROL'S IMPLICIT THREAT OF HALTING ECONOMIC RECOVERY AND STIMULATING INFLATION;

WHEREAS, ENACTMENT OF S. 1849 WOULD PRESERVE THE COMPETITIVE PROTECTIONS OF THE EMERGENCY PETROLEUM ALLOCATION ACT;

WHEREAS, A BRIEF EXTENSION OF THE EXISTING ENERGY PRICE CONTROL AUTHORITY IS THE STEP BEST DESIGNED AT THIS TIME TO PROVIDE THE TIME NEEDED BY CONGRESS AND THE ADMINISTRATION TO REACH AN ACCEPTABLE AGREEMENT ON ENERGY PRICES;

THEREFORE, THE SENATE DEMOCRATIC CONFERENCE URGES THE PRESIDENT TO SIGN INTO LAW S. 1849; AND, IN THE EVENT OF A VETO, THE SENATE DEMOCRATIC CONFERENCE URGES THAT THE VETO BE OVERRIDDEN.

B. REGARDLESS OF THE OUTCOME OF THE OVERRIDE VOTE IN CONGRESS THE SENATE DEMOCRATIC CONFERENCE ALSO URGES THE MAJORITY LEADER IN COOPERATION WITH THE SPEAKER OF THE HOUSE TO IMMEDIATELY CONSULT WITH THE PRESIDENT TO RESOLVE OUR DIFFERENCES AND DEVELOP AN ACCEPTABLE AGREEMENT ON ENERGY PRICES.

0443



OP IMMED
DE WTE #5149 2472148
O 042259Z SEP 75
FM JACK MARSH

TO DON RUMSFELD FOR THE PRESIDENT

UNCLAS WH51781

REMARKS OF SENATOR MIKE MANSFIELD (D., MONTANA)

BEFORE THE SENATE DEMOCRATIC CONFERENCE

THURSDAY, SEPTEMBER 4, 1975, THE CAPITOL, ROOM S-207, 12:00 NOON

LAST FRIDAY, THE SPEAKER AND I MET WITH PRESIDENT FORD. THE MEETING WAS AT MY REQUEST. MY PURPOSE WAS TO URGE THE PRESIDENT NOT TO VETO S. 1849, THE SIX-MONTH EXTENSION OF THE EMERGENCY PETROLEUM ALLOCATION ACT, BECAUSE OF THE DISASTROUS EFFECTS THAT ABRUPT TERMINATION OF ALL PRICE RESTRAINTS ON ENERGY WOULD HAVE ON THE COUNTRY. AS I SAW IT, IF THE PRESIDENT VETOED AND NOTHING FURTHER WAS DONE, PRICES OF ALL PETROLEUM PRODUCTS--GAS AND HEATING OIL--WOULD GO SKY-HIGH. INDEPENDENT REFINERS AND SERVICE STATION OPERATORS WOULD BE DRIVEN TO THE WALL; THE SOLVENCY OF THE AIRLINES WOULD BE THREATENED; INFLATION WOULD GET ANOTHER LONG RIDE ON THE MERRY-GO-ROUND; THE RECESSION WOULD DEEPEN INTO DEPRESSION AND UNEMPLOYMENT WOULD SPREAD.

WITH THESE THOUGHTS IN MIND, THE SPEAKER AND I MET WITH THE PRESIDENT AND HIS ADVISERS, MESSRS. ZARB, MORTON, FRIEDERSDORF, MARSH AND GREENSPAN. WE EXPLORED THE POSSIBILITY OF PROVIDING TIME FOR FURTHER CONSIDERATION OF MORE GRADUAL AND LESS DISRUPTIVE PLANS TO MEET THE ENERGY PROBLEM. PERSONALLY, I HAD PROPOSED A PERIOD OF FOUR TO SIX YEARS FOR DECONTROL ON JULY 22 AND AS LONG AS TWO YEARS AGO HAD SUGGESTED RATIONING AS THE ONLY REALLY EQUITABLE WAY OF DEALING WITH THE PETROLEUM PROBLEM. NEITHER SUGGESTION GOT ANYWHERE. AT THIS POINT, THEY ARE BOTH WATER UNDER THE BRIDGE. WHAT SEEMED MOST IMMEDIATELY NECESSARY WAS TIME--MORE TIME, FOR NEGOTIATION BETWEEN THE PRESIDENT AND THE CONGRESS. I APPROACHED THE PRESIDENT, THEREFORE, OUT OF A DEEP PERSONAL CONCERN OVER THE PERIL WHICH WOULD THREATEN THE NATION IN THE EVENT OF AN ABRUPT TERMINATION OF PRICE CONTROLS BY PRESIDENTIAL VETO. WHAT I DID AND THE REASONS THEREFORE ARE CONTAINED IN MY LETTER TO THE PRESIDENT WITH ACCOMPANYING MATERIALS,

*****HMSR COMMENT*****

MARSH

PSN:054201

PAGE 01

TOR:247/21:48Z

DTG1042259Z SEP 75



I INDICATED MY INTENTION TO CONVENE THIS CONFERENCE TODAY FOR THE PURPOSE OF REPORTING ON MY DISCUSSIONS. THE PRESIDENT RESPONDED BY OUTLINING WHAT HE WOULD CONSIDER AT THIS TIME AS A SOLUTION TO THE OIL-PRICING ISSUE, SHORT OF IMMEDIATE AND TOTAL DECONTROL. IT INCLUDED PHASED DECONTROL OF OLD OIL OVER A 39-MONTH PERIOD, AN \$11.50 PRICE ON "NEW" OIL INCREASING AT THE RATE OF 5 CENTS PER MONTH, A WINDFALL PROFITS TAX WITH FORGIVENESS OF UP TO 25 PERCENT FOR PLOWBACK INTO PRODUCTION AND A REMOVAL OF THE 60-CENT FEE ON IMPORTED DISTILLATES AND RESIDUAL OIL APPLICABLE MAINLY TO THE NORTHEAST.

TO BE SURE, THE SPECIFICS OF THE PLAN HE OUTLINED WERE THE SAME AS THOSE SUBMITTED UNDER THE ALLOCATION ACT LAST JULY WITH THE APPROPRIATE TAXING AND IMPORT FEE SUPPLEMENTS AND, I MUST POINT OUT, IT WAS A PLAN THAT THE HOUSE REJECTED BY A MARGIN OF 39 VOTES. THE ONLY CHANGE, SO FAR AS I AM AWARE, WAS HIS READINESS TO SIGN A 45-DAY EXTENSION OF THE ALLOCATION ACT--IN LIEU OF THE 6-MONTHS ALREADY PASSED BY THE CONGRESS--IF THE DECONTROL PLAN WHICH HE OUTLINED COULD BE AGREED UPON OR IF ITS APPROVAL BY BOTH HOUSES LOOKED FAVORABLE.

I HAVE HAD AN OPPORTUNITY NOW TO CONSIDER THIS PROPOSAL FULLY. IT WAS OFFERED IN GOOD FAITH BY THE PRESIDENT. IT HAS BEEN PRESENTED IN GOOD FAITH TO THIS CONFERENCE AND I WOULD EXPECT IT WILL BE CONSIDERED HERE IN THE SAME VEIN.

FOR THE PRESENT, HOWEVER, WE ARE UP AGAINST A PRESIDENTIAL DECISION TO VETO THE 6-MONTH EXTENSION. IF THE CONGRESS IS SUCCESSFUL IN THE OVERRIDE, THEN THE OIL-PRICING ISSUE CAN BE ADDRESSED PRUDENTLY, CALMLY AND OUTSIDE THE ATMOSPHERE PRODUCED BY THE SPECTRE OF ABRUPT AND TOTAL DECONTROL. THE ALTERNATIVE WHICH IS OFFERED IS THE 45-DAY EXTENSION WITHIN WHICH TO ACCEPT THE PRESIDENT'S PROPOSALS OR SOME MODIFICATION THEREOF TO WHICH HE MIGHT BE AGREEABLE. I HASTEN TO ADD THAT THE PRESIDENT HIMSELF GAVE NO INDICATION OF A READINESS TO COMPROMISE FURTHER. THIS MORNING, HOWEVER, THE DEPUTY MAJORITY LEADER, MR. BYRD, DID RAISE THE SUGGESTION OF A 60-MONTH EXTENSION, WHICH WAS DECLINED, THEN A 48-MONTH EXTENSION, WHICH LIKEWISE WAS NOT ACCEPTED. I THEN ASKED THE PRESIDENT IF HE WOULD BE FLEXIBLE ON AN EXTENDED TIME PERIOD AND, WHILE HE GAVE ME NO DIRECT ANSWER--AND I DID NOT PRESS HIM--IT IS MY FEELING THAT HE MIGHT CONSIDER SOMETHING IN EXCESS OF 39-MONTHS.

I ASK THIS CONFERENCE TO CONSIDER THIS SITUATION MOST CAREFULLY. UNLESS THIS PROBLEM, THIS CONFLICT BETWEEN



THE ADMINISTRATION AND THE CONGRESS CAN BE RESOLVED,
IT WILL BE THE PEOPLE OF THE NATION WHO WILL PAY THE PRICE
IN DEPRESSION AND UNEMPLOYMENT, IN SKYROCKETING PRICES
OF ALL PETROLEUM PRODUCTS AND IN SERIOUS BREAKDOWNS IN
THE STRUCTURE OF THE AMERICAN ECONOMY.
1259



THE WHITE HOUSE

WASHINGTON

September 4, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: JACK MARSH

Max has obtained a copy of the Resolution adopted by the Senate Democrats in their conference today in reference to the energy matter. A copy of this resolution is set out below.

|| It should be noted that so far a vote count on the resolution is not available and probably was adopted by a voice vote. Max and I || feel the last paragraph is significant.

Additionally, you should be aware our Whip count is improving and shows 34 votes to sustain. However, Max and I are keeping this on a very close hold basis in an effort to avoid counter pressure on swing votes.

Additionally, we are DEXING to you the Mansfield statement made at the Conference.

On another subject, Max says that Chairman Madden of the Rules Committee, has balked again at scheduling the Turkish aid matter before the Rules Committee and Doc Morgan indicated he will not press the issue until after the Yom Kipper recess of September 12-17. It means that we are unlikely to have a vote in the House until late September.

The resolution follows:

RESOLUTION TO THE SENATE DEMOCRATIC CONFERENCE

Whereas, the Congress is continuing to seek a responsible consensus on the question of energy prices;

Memorandum to the President
September 4, 1975

-2-

Whereas, enactment of S. 1849 would prevent the immediate decontrol of energy prices with such decontrol's implicit threat of halting economic recovery and stimulating inflation;

Whereas, enactment of S. 1849 would preserve the competitive protections of the Emergency Petroleum Allocation Act;

Whereas, a brief extension of the existing energy price control authority is the step best designed at this time to provide the time needed by Congress and the Administration to reach an acceptable agreement on energy prices;

THEREFORE, The Senate Democratic Conference urges the President to sign into law S. 1849; and, in the event of a veto, the Senate Democratic Conference urges that the veto be overridden.

B. Regardless of the outcome of the override vote in Congress the Senate Democratic Conference also urges the Majority Leader in cooperation with the Speaker of the House to immediately consult with the President to resolve our differences and develop an acceptable agreement on energy prices.

REMARKS OF SENATOR MIKE MANSFIELD (D., MONTANA)

BEFORE THE SENATE DEMOCRATIC CONFERENCE

Thursday, September 4, 1975, The Capitol, Room S-207, 12:00 noon

Last Friday, the Speaker and I met with President Ford. The meeting was at my request. My purpose was to urge the President not to veto S. 1849, the six-month extension of the Emergency Petroleum Allocation Act, because of the disastrous effects that abrupt termination of all price restraints on energy would have on the country. As I saw it, if the President vetoed and nothing further was done, prices of all petroleum products--gas and heating oil--would go sky-high. Independent refiners and service station operators would be driven to the wall; the solvency of the airlines would be threatened; inflation would get another long ride on the merry-go-round; the recession would deepen into depression and unemployment would spread.

With these thoughts in mind, the Speaker and I met with the President and his advisers, Messrs. Zarb, Morton, Friedersdorf, Marsh and Greenspan. We explored the possibility of providing time for further consideration of more gradual and less disruptive plans to meet the energy problem. Personally, I had proposed a period of four to six years for decontrol on July 22 and as long as two years ago had suggested rationing as the only really equitable way of dealing with the petroleum problem. Neither suggestion got anywhere. At this point, they are both water under the bridge. What seemed most immediately necessary was time--more time, for negotiation between the President and the Congress. I approached the President, therefore, out of a deep personal concern over the peril which would threaten the nation in the event of an

abrupt termination of price controls by Presidential veto. What I did and the reasons therefore are contained in my letter to the President with accompanying materials, copies of which were furnished each of you along with all Republican Senators and Members of the Joint House Leadership last Friday.

As has been reported, the effort to persuade the President not to veto was not successful. The President was appreciative but adamant. He stated again, as he has on past occasions, that he would veto the Allocation Extension in the form it was presented. Beyond that, there is little else to report on the meeting. There was no agreement, no compromise, no specifics, save those to which I will allude in a moment.

In short, the Administration stands committed to the veto. In my judgment, it is a commitment which as I have indicated, if it results in an abrupt end to energy price restraints, will wreak havoc in the economy. Yet, that is what confronts us. The Leadership has to deal with the reality of that possibility.

Unless this Conference recommends otherwise, therefore, the Leadership proposes to schedule a vote to override next Wednesday. If the Emergency Petroleum Allocation Act veto is overridden, here and then in the House, it will mean that controls will remain for an additional six months. It will mean that the allocation of gasoline, of propane and of the other vital materials refined out of the crude oil barrel will be possible throughout this winter. Those months can also be used to try to work out further compromises with the President and to give the House an opportunity to pass the many significant energy measures--most of them from Senator Jackson's Committee--which the Senate has already cleared.

If that scenario on energy emerges, then the immediate crisis will have been surmounted. But who can be sure that the situation will develop in that fashion? The Leadership cannot count on it. We cannot be sure that an override of the veto will carry. A two-thirds vote requires Republican votes as well as Democrats. It is a vote which is never easy to achieve in the Senate or the House since the President pits his strength and leadership against the Congress by a veto. It is the responsibility of the Leadership and of this Majority, therefore, to consider alternatives, to prepare fall-backs in the event the veto is sustained. Somewhere, in this government, in some branch of this government, initiatives must be taken on behalf of the general public to block off a gathering economic disaster.

In the course of my meeting with the President, therefore, I indicated my intention to convene this Conference today for the purpose of reporting on my discussions. The President responded by outlining what he would consider at this time as a solution to the oil-pricing issue, short of immediate and total decontrol. It included phased decontrol of old oil over a 39-month period, an \$11.50 price on "new" oil increasing at the rate of 5 cents per month, a windfall profits tax with forgiveness of up to 25 percent for plow-back into production and a removal of the 60-cent fee on imported distillates and residual oil applicable mainly to the Northeast.

To be sure, the specifics of the plan he outlined were the same as those submitted under the Allocation Act last July with the appropriate taxing and import fee supplements and, I must point out, it was a plan that the House rejected by a margin of 39 votes. The only change, so far as I am aware, was his readiness to sign a 45-day extension of the Allocation Act--in lieu of the

6-months already passed by the Congress--if the decontrol plan which he outlined could be agreed upon or if its approval by both Houses looked favorable.

I have had an opportunity now to consider this proposal fully. It was offered in good faith by the President. It has been presented in good faith to this Conference and I would expect it will be considered here in the same vein.

For the present, however, we are up against a Presidential decision to veto the 6-month Extension. If the Congress is successful in the override, then the oil-pricing issue can be addressed prudently, calmly and outside the atmosphere produced by the spectre of abrupt and total decontrol. The alternative which is offered is the 45-day extension within which to accept the President's proposals or some modification thereof to which he might be agreeable. I hasten to add that the President himself gave no indication of a readiness to compromise further. This morning, however, the Deputy Majority Leader, Mr. Byrd, did raise the suggestion of a 60-month extension, which was declined, then a 48-month extension, which likewise was not accepted. I then asked the President if he would be flexible on an extended time period and, while he gave me no direct answer--and I did not press him--it is my feeling that he might consider something in excess of 39-months.

I ask this Conference to consider this situation most carefully. Unless this problem, this conflict between the Administration and the Congress can be resolved, it will be the people of the nation who will pay the price in depression and unemployment, in skyrocketing prices of all petroleum products and in serious breakdowns in the structure of the American economy.

THE WHITE HOUSE

WASHINGTON

September 4, 1975

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BEFORE THE SENATE DEMOCRATIC CONFERENCE

Thursday, September 4, 1975, The Capitol, Room S-207, 12:00 noon

Last Friday, the Speaker and I met with President Ford. The meeting was at my request. My purpose was to urge the President not to veto S. 1849, the six-month extension of the Emergency Petroleum Allocation Act, because of the disastrous effects that abrupt termination of all price restraints on energy would have on the country. As I saw it, if the President vetoed and nothing further was done, prices of all petroleum products--gas and heating oil--would go sky-high. Independent refiners and service station operators would be driven to the wall; the solvency of the airlines would be threatened; inflation would get another long ride on the merry-go-round; the recession would deepen into depression and unemployment would spread.

With these thoughts in mind, the Speaker and I met with the President and his advisers, Messrs. Zarb, Morton, Friedersdorf, Marsh and Greenspan. We explored the possibility of providing time for further consideration of more gradual and less disruptive plans to meet the energy problem. Personally, I had proposed a period of four to six years for decontrol on July 22 and as long as two years ago had suggested rationing as the only really equitable way of dealing with the petroleum problem. Neither suggestion got anywhere. At this point, they are both water under the bridge. What seemed most immediately necessary was time--more time, for negotiation between the President and the Congress. I approached the President, therefore, out of a deep personal concern over the peril which would threaten the nation in the event of an

abrupt termination of price controls by Presidential veto. What I did and the reasons therefore are contained in my letter to the President with accompanying materials, copies of which were furnished each of you along with all Republican Senators and Members of the Joint House Leadership last Friday.

As has been reported, the effort to persuade the President not to veto was not successful. The President was appreciative but adamant. He stated again, as he has on past occasions, that he would veto the Allocation Extension in the form it was presented. Beyond that, there is little else to report on the meeting. There was no agreement, no compromise, no specifics, save those to which I will allude in a moment.

In short, the Administration stands committed to the veto. In my judgment, it is a commitment which as I have indicated, if it results in an abrupt end to energy price restraints, will wreak havoc in the economy. Yet, that is what confronts us. The Leadership has to deal with the reality of that possibility.

Unless this Conference recommends otherwise, therefore, the Leadership proposes to schedule a vote to override next Wednesday. If the Emergency Petroleum Allocation Act veto is overridden, here and then in the House, it will mean that controls will remain for an additional six months. It will mean that the allocation of gasoline, of propane and of the other vital materials refined out of the crude oil barrel will be possible throughout this winter. Those months can also be used to try to work out further compromises with the President and to give the House an opportunity to pass the many significant energy measures--most of them from Senator Jackson's Committee--which the Senate has already cleared.

If that scenario on energy emerges, then the immediate crisis will have been surmounted. But who can be sure that the situation will develop in that fashion? The Leadership cannot count on it. We cannot be sure that an override of the veto will carry. A two-thirds vote requires Republican votes as well as Democrats. It is a vote which is never easy to achieve in the Senate or the House since the President pits his strength and leadership against the Congress by a veto. It is the responsibility of the Leadership and of this Majority, therefore, to consider alternatives, to prepare fall-backs in the event the veto is sustained. Somewhere, in this government, in some branch of this government, initiatives must be taken on behalf of the general public to block off a gathering economic disaster.

In the course of my meeting with the President, therefore, I indicated my intention to convene this Conference today for the purpose of reporting on my discussions. The President responded by outlining what he would consider at this time as a solution to the oil-pricing issue, short of immediate and total decontrol. It included phased decontrol of old oil over a 39-month period, an \$11.50 price on "new" oil increasing at the rate of 5 cents per month, a windfall profits tax with forgiveness of up to 25 percent for plow-back into production and a removal of the 60-cent fee on imported distillates and residual oil applicable mainly to the Northeast.

To be sure, the specifics of the plan he outlined were the same as those submitted under the Allocation Act last July with the appropriate taxing and import fee supplements and, I must point out, it was a plan that the House rejected by a margin of 39 votes. The only change, so far as I am aware, was his readiness to sign a 45-day extension of the Allocation Act--in lieu of the

6-months already passed by the Congress--if the decontrol plan which he outlined could be agreed upon or if its approval by both Houses looked favorable.

I have had an opportunity now to consider this proposal fully. It was offered in good faith by the President. It has been presented in good faith to this Conference and I would expect it will be considered here in the same vein.

For the present, however, we are up against a Presidential decision to veto the 6-month Extension. If the Congress is successful in the override, then the oil-pricing issue can be addressed prudently, calmly and outside the atmosphere produced by the spectre of abrupt and total decontrol. The alternative which is offered is the 45-day extension within which to accept the President's proposals or some modification thereof to which he might be agreeable. I hasten to add that the President himself gave no indication of a readiness to compromise further. This morning, however, the Deputy Majority Leader, Mr. Byrd, did raise the suggestion of a 60-month extension, which was declined, then a 48-month extension, which likewise was not accepted. I then asked the President if he would be flexible on an extended time period and, while he gave me no direct answer--and I did not press him--it is my feeling that he might consider something in excess of 39-months.

I ask this Conference to consider this situation most carefully. Unless this problem, this conflict between the Administration and the Congress can be resolved, it will be the people of the nation who will pay the price in depression and unemployment, in skyrocketing prices of all petroleum products and in serious breakdowns in the structure of the American economy.

THE WHITE HOUSE

WASHINGTON

September 4, 1975

CABLE TO THE PRESIDENT

FROM: DICK CHENEY AND JACK MARSH

This cable is to confirm that Max Friedersdorf is setting up a meeting with key Democratic Senators at 9:00 a.m. on Saturday and a meeting with key Republican Senators at 7:30 a.m. for breakfast on Monday.

Max is inviting the following Democrats for Saturday:

Senator Harry Byrd (Va)
Senator John McClellan (Ark)
Senator Robert Morgan (N. C.)
Senator Sam Nunn (Ga)
Senator John Sparkman (Ala)
Senator Jennings Randolph (W. Va.)
Senator Herman Talmadge (Ga)
Senator John Stennis (Miss)

Invitees to the Monday morning meeting are:

Senator William Brock (Tenn)
Senator Robert Dole (Kan)
Senator Strom Thurmond (S. C.)
Senator Robert Taft (Ohio)
Senator Norris Cotton (N. H.)
Senator Lowell Weicker (Conn)
Senator William Roth (Del)
Senator Charles Mathias (Md)

We have just learned that the Senate Democratic Caucus rejected the Mansfield energy compromise. More detailed information, when we have it, will follow in another message.

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 FM JAMES CONNOR

Determined to be an administrative marking
 Cancelled per E.O. 12356, Sec. 1.3 and
 Archivist's memo of March 16, 1983

By MP NARS date 1/9/86

TO DONALD RUMSFELD - SEATTLE -

~~C O N F I D E N T I A L~~ WH51777

SEPTEMBER 4, 1975

CABLE FOR THE PRESIDENT

FROM: DICK CHENEY AND JACK MARSH

THIS CABLE IS TO CONFIRM THAT MAX FRIEDERSDORF IS SETTING UP
 A MEETING WITH KEY DEMOCRATIC SENATORS AT 9:00 A.M. ON SATURDAY
 AND A MEETING WITH KEY REPUBLICAN SENATORS AT 7:30 A.M. FOR
 BREAKFAST ON MONDAY.

MAX IS INVITING THE FOLLOWING DEMOCRATS FOR SATURDAY:

SENATOR HARRY BYRD (VA)
 SENATOR JOHN MCCLELLAN (ARK)
 SENATOR ROBERT MORGAN (N.C.)
 SENATOR SAM NUNN (GA)
 SENATOR JOHN SPARKMAN (ALA)
 SENATOR JENNINGS RANDOLPH (W.VA)
 SENATOR HERMAN TALMADGE (GA)
 SENATOR JOHN STENNIS (MISS)

INVITEES TO THE MONDAY MORNING MEETING ARE:

SENATOR WILLIAM BROCK (TENN)
 SENATOR ROBERT DOLE (KAN)
 SENATOR STROM THURMOND (S.C.)
 SENATOR ROBERT TAFT (OHIO)
 SENATOR NORRIS COTTON (N.H.)
 SENATOR LOWELL WEICKER (CONN)
 SENATOR WILLIAM ROTH (DEL)
 SENATOR CHARLES MATHIAS (MD)

WE HAVE JUST LEARNED THAT THE SENATE DEMOCRATIC CAUCUS RE-
 JECTED THE MANSFIELD ENERGY COMPROMISE. MORE DETAILED INFORMATION,



~~*****CONFIDENTIAL*****~~ COPY

WHEN WE HAVE IT, WILL FOLLOW IN ANOTHER MESSAGE.
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~~CONFIDENTIAL~~

~~THE WHITE HOUSE~~

WASHINGTON

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Senator Charles Mathias (Md)

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decontrol

September 4, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: JACK MARSH

Just to be on the safe side--and because of the intervention of Labor Day--I think it would be well to establish for sure the deadline for the veto on the six-month extension.

I know that the information that we have is a deadline on Tuesday evening; however, you might want to be certain from the Senate Parliamentarian that that is the deadline.

JOM/dl



September 6, 1975

ROUGH DRAFT MEMO

MEMORANDUM TO: PAUL THEIS
FROM: JACK MARSH

It is my view that this message could change substantially because of the meeting the President has decided to have Monday with the Joint Bipartisan Leadership on the veto and other legislative proposals in reference to an energy program.

My suggestion on the veto message is along the lines of the format of the strip mining veto which summarized on the first page the reasons for his action. As I recall this used hard hitting information bullets set out sequentially.

In reference to several precise points, on page 1, paragraph 2, I think should be reworded since inference can be drawn that we are already living with 40 percent imports and in ten years this might increase only somewhat better than ten percent.

In the next paragraph \$25 billion should be described as a projection for '75 or at "the rate of".

First paragraph, page 5 goes back to the earlier comment that the text of the message might change because of the Monday meeting.

Because Frank Zarb is having a meeting on Friday afternoon, I am sending him a copy of these comments.

cc: FZarb

JOM:cb



SEP 6 1975

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7ECONOMIC-ENERGY BJT A004 LEAD 350

7BY JONATHAN WOLMAN

7ASSOCIATED PRESS WRITER

WASHINGTON (AP) - SEVEN DEMOCRATIC SENATORS MET WITH PRESIDENT FORD TODAY AND VOICED GUARDED OPTIMISM THAT A COMPROMISE CAN BE WORKED OUT ON DOMESTIC OIL PRICE CONTROLS.

THE PRESIDENT SUMMONED THE SENATORS TO THE WHITE HOUSE TO DISCUSS FORD'S PROMISED VETO OF A BILL EXTENDING CONTROLS FOR SIX MONTHS.

THE CONTROLS, WHICH HELD THE PRICE OF 60 PER CENT OF DOMESTIC OIL AT \$5.25 A BARREL, EXPIRED LAST SUNDAY. BUT FORD HAS DELAYED THE VETO UNTIL THE LAST POSSIBLE MOMENT - NEXT TUESDAY - IN HOPES OF WORKING OUT A COMPROMISE.

SEN. JOHN SPARKMAN OF ALABAMA SAID AFTER TODAY'S HOUR-LONG MEETING THAT THE PRESIDENT MIGHT ACCEPT A 45-DAY EXTENSION ON CONTROLS TO GIVE CONGRESS AND THE ADMINISTRATION SOME TIME TO WORK OUT A COMPROMISE.

SEN. SAM NUNN OF GEORGIA SAID ALL THE SENATORS PRESENT AGREED THAT SOME SORT OF PHASED-OUT CONTROL WOULD BE THE MOST ACCEPTABLE ROUTE TO TAKE.

PRESIDENT FORD ORIGINALLY PROPOSED A BILL WHICH WOULD GRADUALLY ELIMINATE CONTROLS OVER A 39-MONTH PERIOD AND HE HAS BEEN PUSHING FOR A COMPROMISE BASED ON THAT PROPOSAL.

SPARKMAN SAID THE SENATORS TODAY URGED THE PRESIDENT TO MEET AGAIN WITH SENATE MAJORITY LEADER MIKE MANSFIELD AND HOUSE SPEAKER CARL ALBERT TO DISCUSS A SOLUTION.

HE SAID THE PRESIDENT PROMISED TO DO SO AND "I THINK THEY'LL START THE MACHINERY IN MOTION TO GET A SOLUTION WE CAN LIVE WITH,"

SPARKMAN SAID.

SEN. JOHN STENNIS OF MISSISSIPPI, SAYING "THERE IS A GOOD CHANCE TO FIND AN AREA OF AGREEMENT," SAID HE THOUGHT SUCH A MEETING COULD COME AS EARLY AS MONDAY.

IF A COMPROMISE CANNOT BE WORKED OUT AND THE PRESIDENT VETOES THE BILL, THE SENATE HAS SCHEDULED AN OVER-RIDE ATTEMPT ON WEDNESDAY.

DEMOCRATS ARE CONFIDENT THE VETO WILL BE OVER-RIDDEN, BUT FORD REPORTEDLY WAS TOLD BY ADVISERS THAT THE VETO COULD BE SUSTAINED BY A NARROW MARGIN.

EARLIER, JOHANNES WITTEVEEN, DIRECTOR OF THE INTERNATIONAL MONETARY FUND, SAID OIL-PRODUCING NATIONS, IN A GESTURE OF COOPERATION WITH OTHER COUNTRIES, MAY DECIDE NOT TO INCREASE PRICES AS EXPECTED.

"I THINK THEY ARE AWARE OF THE IMPACT A BIG PRICE INCREASE COULD HAVE ON THE WORLD ECONOMY," WITTEVEEN SAID FRIDAY IN WINDING UP THE IMF AND WORLD BANK ANNUAL MEETING HERE.

THE ORGANIZATION OF OIL EXPORTING COUNTRIES MEETS IN VIENNA SEPT. 23 TO DISCUSS PRICES. A U.S. TREASURY DEPARTMENT OFFICIAL AGREED THERE WAS A CHANCE THAT NO INCREASE, OR ONLY A MINIMAL ONE, WILL BE IMPOSED.

7CONTROLS: 6TH GRAF A004.

1100AED 09-06



THE WHITE HOUSE
WASHINGTON

September 8, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF *m.l.f.*SUBJECT: S.1849

Attached is the current assessment of the vote status on the veto of S.1849, The Six Month Extension of the Emergency Petroleum Allocation Act.

You will note on the second page the best contacts for you to make personally between now and 3 P.M. Wednesday would be Senators Javits, Mathias, Cotton, Eastland, McClellan and Montoya.

It would probably be best to bring Eastland down if time permits, rather than a phone call.

cc: ~~Jack Marsh~~
Don Rumsfeld

THE WHITE HOUSE

WASHINGTON

September 8, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

FROM: WILLIAM T. KENDALL *WK*

SUBJECT: S. 1849

We believe, from personal contact, that the following will support the President on the S. 1849 veto:

REPUBLICANS (31)

Baker
Bartlett
Beall
Bellmon
Brock
Buckley
Curtis
Dole
Domenici
Fannin
Fong
Garn
Goldwater
Griffin
Hansen
Hatfield
Helms
Hruska
Laxalt
McClure
Packwood
Pearson
Percy
Roth
Scott (Pa.)
Scott (Va.)
Stevens
Thurmond
Tower
Weicker
Young

DEMOCRATS (4)

Gravel
Johnston
Long
McGee

The following are believed to be the best prospects:

REPUBLICANS

Case (Kendall will follow up w/
Zarb memo)
Javits (President should call
him)
Mathias (President should call
him)
Schweiker (Kendall will follow
up)
Cotton (President and POD)
Taft (weakest, Zarb should
reassure)

DEMOCRATS

Bentsen (says, if needed)
Eastland (President should call)
McClellan (leaning, needs Presidential
call, POD, and Senator Long)
Montoya (President, Zarb and Long)
Morgan (weak, but for compromise)
Nunn (outside possibility, WK will
contact)
Sparkman (POD)

September 9, 1975

Office of the White House Press Secretary
-----THE WHITE HOUSE
STATEMENT BY THE PRESIDENT

I have today vetoed S. 1849, which would have extended for six months price controls on domestic oil. So there is no doubt in the minds of the American people and the Congress, let me tell you why I have taken this action:

- First, to save American jobs.
- Second, to protect our future economic stability and national security.
- Third, to assure that this Nation after months and months of delay achieves a comprehensive national energy program for future independence from foreign suppliers.

Since Federal price controls were placed on domestic oil four years ago, America's bill for imported oil has continued to rise -- from just over \$3 billion annually to more than \$25 billion today -- an increase of seven hundred percent. I am talking about American dollars -- your dollars -- to pay for foreign oil and for foreign jobs. This \$25 billion could provide more than one million jobs for Americans here at home.

Put another way, the average American family today is paying out \$350 a year to foreign oil producing nations -- which could and should be spent in this country to put Americans to work.

If I signed this bill continuing controls, America's start on the road to energy independence could be delayed indefinitely. I am well aware of the reluctance of Members of the Congress to face up to such a difficult problem just as an election campaign is getting underway.

For more than eight months, I have tried to get the members of this Congress moving on a solution to this urgent problem of national energy independence. My latest effort at a compromise with the Congress has resulted in nothing more than this proposed six-month extension of the existing law -- which is no answer at all to a program of energy independence for the United States.

During the four years that Federal controls have been in operation -- controls which Members of Congress now want to extend -- the cost of energy to American consumers has soared, and our dependence on foreign oil has doubled. Still, Congress refuses to enact a national energy program.

(MORE)

If this veto is sustained, I would accept a 45-day extension of controls to provide time to work with the leaders of the Congress who have again assured me they will seek an acceptable compromise during this period.

If all efforts at compromise fail, I will act to ensure an orderly transition from government controls to the free market.

Resolution of the oil price controls issue is an essential first step toward a total energy independence program. We must have a national energy program before we have a national energy emergency. Our time to act instead of react grows shorter with each day. I urge Members of the Senate and the House to sustain this veto and get on with the job of meeting this problem head-on.

The continued failure of Members of the Congress to enact a National Energy Program puts us increasingly at the mercy of foreign oil producers and will certainly result in Americans paying substantially higher prices for their fuel.

#



SEPTEMBER 9, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE SENATE OF THE UNITED STATES:

I am today vetoing S. 1849, which would extend price controls on domestic oil another six months. I am taking this action because:

1. An extension of price controls would increase our dangerous and growing dependence on imported oil.
2. It would increase the export of jobs and dollars from our economy.
3. It would jeopardize our future economic stability and national security.
4. It would retard conservation of energy.
5. It would postpone the badly needed development and production of new domestic energy.
6. It would negate the possibility of long-range compromise on this problem because of expected Congressional reluctance to tackle the issue of higher oil prices in an election year.

Since 1971, America's bill for imported oil has climbed from just over \$3 billion annually to \$25 billion today -- a 700% increase. This \$25 billion could provide more than one million jobs for Americans here at home. We cannot delay longer.

Last January in my State of the Union Message, I proposed to the Congress a comprehensive energy program to make the United States independent of foreign oil by 1985.

The need for such a program grows with each passing day. Right now, the United States is dependent on foreign oil for almost 40 percent of its current needs. If we do not act quickly to reverse this trend, within 10 years, we will import more than half of the oil we need at whatever price is demanded by foreign producers who can cut off our supply any time they want to.

The more foreign oil we import, the more dollars and the more jobs we lose from our economy. And as American jobs and dollars flow out of the country, so does our economic and national security.

The 1973 embargo cost us more than \$15 billion in Gross National Product and threw hundreds of thousands of persons out of work. It dramatically showed our vulnerability. Another disruption would be even more costly in dollars and jobs -- and could throw us into a new recession.

The detailed legislative program I sent to the Congress last winter involved tough measures to put us immediately on the road to energy independence. It would have conserved the

more

energy we now have and accelerated development and production of more energy here at home.

Because this program would have increased energy prices somewhat until new domestic supplies were developed, I also proposed tax legislation to prevent undue profit-taking by oil companies and to return energy tax dollars to American consumers to offset the slightly higher prices they would pay.

Since I could not gamble with our Nation's security while waiting for the Congress to act on my comprehensive program, I raised the import fees on each barrel of foreign crude oil in February as an interim measure to reduce imports.

The Congress still has not acted. Throughout these months, I have compromised again and again and again to accommodate Congressional requests.

I delayed putting the second dollar fee on imported oil for 90 days, finally imposing it June 1. I delayed the third dollar indefinitely. Still, the country has seen no Congressional action.

In my State of the Union Message last January, I announced a decision to remove the ceiling on price-controlled domestic oil April 1, permitting it to rise from \$5.25 per barrel to the free market price. This action would have immediately stimulated production and development of needed additional energy supplies and also encouraged conservation. At the request of Congressional leaders, I postponed such action to give them time to work out a different solution.

After nearly six months without Congressional passage of a decontrol bill or any other positive legislation, I proposed in early July a compromise 30-month phased oil decontrol plan. This program represented an effort to meet the concerns raised by many members of Congress and showed the Administration's willingness to compromise. The House of Representatives rejected this plan.

I made another effort to reach a solution before the August Congressional recess by submitting another decontrol plan, which would have gradually phased out price controls over a 39-month period and put a price ceiling on all domestic oil.

I believe this decontrol plan went more than halfway to meet concerns raised by the Congress. Although it would achieve energy objectives more slowly than warranted, I offered it in the spirit of compromise, because action was desperately needed.

Instead, the House also rejected this compromise attempt and Congress passed this bill which would simply extend the pricing and allocation authorities for another six months. This proposed action would only ensure the continued growth of our dependence on foreign oil.

I cannot approve six more months of delay -- delay which would cost needed jobs and dollars and compound our energy and economic problems.

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From my experience in the Congress, I am well aware that it will be easier to pass the tough legislation needed to begin solving the energy problem this year rather than during the 1976 election year. The six-month price controls extension contained in the bill I am vetoing would postpone possible action until at least the Spring of 1976 and in all likelihood would mean an indefinite delay in our efforts to begin solving this problem.

Despite last minute attempts made in good faith by the Democratic and Republican leadership, their effort to achieve a compromise in the Congress has failed. It is clear that too many Members of the Congress have not come to grips with the decontrol issue -- much less the overall energy problem.

We must have a national energy program before we have a national energy emergency. Our time to act instead of react grows shorter with each day and with each delay.

Without price controls on domestic oil, we can reduce dependence upon imported oil by reducing domestic consumption by more than 700,000 barrels per day within two years. We can reduce dependence in the long run by increasing domestic production by nearly one and one-half million barrels per day by 1985. By continuing controls, imports will increase because of a lack of incentives to spur domestic production and the energy problem will get worse and worse.

If my veto is sustained, I still will accept a 45-day extension of price controls to provide time to work with the Congressional leaders who have assured me that they will seek an acceptable compromise during this period. If this further compromise fails, however, I will take the following actions to ensure an orderly transition from government controls to the free market:

-- I will remove the previously imposed \$2 per barrel import fees on crude oil and a 60 cents fee on petroleum products.

-- I will again press the Congress to enact a windfall profits tax with plow back provisions and to return the money collected to the American consumer.

-- I will propose legislation to provide a gradual transition from price controls for small and independent refiners.

-- I will propose legislation to provide authority to allocate liquified petroleum gases, such as propane, to supply these important fuels at reasonable prices to farmers, rural households and curtailed natural gas users.

-- I will seek authority to provide retail service station dealers legal remedies to protect their interests against unwarranted actions by the major oil companies.

Since January, I have gone more than halfway in order to reach a responsible compromise. Obviously, we have talked and delayed long enough. We must act now to protect not only

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ourselves, but future generations of Americans. I urge Members of the Senate and the House to sustain my veto and get on with the job of meeting this problem head-on.

The continued failure of Members of the Congress to enact a National Energy Program puts us increasingly at the mercy of foreign oil producers and will certainly result in Americans paying substantially higher prices for their fuel.

GERALD R. FORD

THE WHITE HOUSE,

September 9, 1975.

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SEPTEMBER 9, 1975

Office of the White House Press Secretary

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Despite last minute attempts made in good faith by the Democratic and Republican leadership, their effort to achieve a compromise in the Congress has failed. It is clear that too many Members of the Congress have not come to grips with the decontrol issue -- much less the overall energy problem.

We must have a national energy program before we have a national energy emergency. Our time to act instead of react grows shorter with each day and with each delay.

Without price controls on domestic oil, we can reduce dependence upon imported oil by reducing domestic consumption by more than 700,000 barrels per day within two years. We can reduce dependence in the long run by increasing domestic production by nearly one and one-half million barrels per day by 1985. By continuing controls, imports will increase because of a lack of incentives to spur domestic production and the energy problem will get worse and worse.

If my veto is sustained, I still will accept a 45-day extension of price controls to provide time to work with the Congressional leaders who have assured me that they will seek an acceptable compromise during this period. If this further compromise fails, however, I will take the following actions to ensure an orderly transition from government controls to the free market:

-- I will remove the previously imposed \$2 per barrel import fees on crude oil and a 60 cents fee on petroleum products.

-- I will again press the Congress to enact a windfall profits tax with plow back provisions and to return the money collected to the American consumer.

-- I will propose legislation to provide a gradual transition from price controls for small and independent refiners.

-- I will propose legislation to provide authority to allocate liquified petroleum gases, such as propane, to supply these important fuels at reasonable prices to farmers, rural households and curtailed natural gas users.

-- I will seek authority to provide retail service station dealers legal remedies to protect their interests against unwarranted actions by the major oil companies.

Since January, I have gone more than halfway in order to reach a responsible compromise. Obviously, we have talked and delayed long enough. We must act now to protect not only

more

ourselves, but future generations of Americans. I urge Members of the Senate and the House to sustain my veto and get on with the job of meeting this problem head-on.

The continued failure of Members of the Congress to enact a National Energy Program puts us increasingly at the mercy of foreign oil producers and will certainly result in Americans paying substantially higher prices for their fuel.

GERALD R. FORD

THE WHITE HOUSE,

September 9, 1975.

#

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON VETOING
S. 1849

THE OVAL OFFICE

1:58 P.M. EDT

I have today vetoed S. 1849 which would have extended for six months price controls on domestic oil. So there is no question in the minds of the American people and the Congress, let me tell you why I have taken this action.

First, to save American jobs. Second, to protect our future economic stability and our national security. Third, to assure that this Nation, after months and months of delay, achieves a comprehensive national energy program for future independence from foreign suppliers.

Since Federal price controls were placed on domestic oil four years ago America's bill for imported oil has continued to rise from just over \$3 billion annually to more than \$25 billion today, an increase of 700 percent.

I am talking about American dollars, your dollars, to pay for foreign oil and for foreign jobs. This \$25 billion could provide more than 1 million jobs for Americans here at home.

Put another way, the average American family today is paying out \$350 a year to foreign oil producing nations which could and should be spent in this country to put Americans to work.

If I signed this bill continuing controls, America's start on the road to energy independence could be delayed indefinitely. I am well aware of the reluctance of Members of the Congress to face up to such a very difficult problem just as an election campaign is getting underway.

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For more than eight months I have tried to get the Members of this Congress moving on a solution to this urgent problem of national energy independence. My latest effort at a compromise with the Congress has resulted in nothing more than this proposed six-month extension of the existing law, which is no answer at all to a program of energy independence for the United States.

During the four years that Federal control programs have been in operation, controls which Members of Congress now want to extend, the cost of energy to American consumers has soared and our dependence on foreign oil has doubled. Still Congress refuses to enact a national energy program.

If this veto is sustained, I would accept a 45-day extension of controls to provide time to work with the leaders of the Congress who have again assured me they will seek an acceptable compromise during this period. If all efforts at compromise fail, I will act to insure an orderly transition from government controls to the free market.

Resolution of the oil price controls issue is an essential first step toward a total energy independent program. We must have a national energy program before we have a national energy emergency.

Our time to act instead of react grows shorter with each day. I urge Members of the Senate and the House to sustain this veto and get on with the job of meeting this problem head-on.

The continued failure of Members of Congress to enact a national energy program puts us increasingly at the mercy of foreign oil producers and will certainly result in Americans paying substantially higher prices for their fuel.

Thank you.

END (AT 2:03 P.M. EDT)



OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE
PRESS CONFERENCE
OF
FRANK ZARB
ADMINISTRATOR OF THE
FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

2:15 P.M. EDT

MR. NESSEN: You have the copy of the statement that the President read. There was a longer official message to Congress. This is being typed on the official copy, and when it is ready, the President will sign it, somewhere around 3:15 or 3:30, so I would anticipate that that will be available to give you somewhere between 3:30 and 4:00.

You know the usual problem of Congressional courtesy requires that it be delivered to Congress before it appears on the wires.

Q It has been at least simultaneous.

MR. NESSEN: It will be simultaneous, Ted.

Q Did you say that is embargoed? I am sorry.

MR. NESSEN: I think it will be handed out pretty much simultaneously with its delivery to Congress.

Q But this other was not?

MR. NESSEN: The other we have just given out?

Q Yes.

MR. NESSEN: No. I say it will be available between 3:30 and 4:00, the longer message to Congress. The statement that the President just read now is available in the Press Office.

To answer your questions about the veto and the attempted override tomorrow and all the other questions about economic effects and so forth, we have Frank Zarb.

MORE

MR. ZARB: Let's answer your questions.

Q How many votes have you got?

MR. ZARB: It is going to be a close vote in the final analysis, but we think we are going to have enough to sustain. I don't have a final, up-to-date last count.

Q Which House, Frank, are you talking about?

MR. ZARB: The vote goes to the Senate first, and that is where the first vote must occur.

Q You say this is a critical test point, according to the Senate?

MR. ZARB: I think that is a mighty important vote, and it is the place where we must sustain.

Q What happens if it does not get sustained?

MR. ZARB: It is overridden?

Q Yes. Then what do you do?

MR. ZARB: After I finish crying?

Q Yes.

MR. ZARB: It would mean that controls would be reinstated and it would also mean, as the President indicated, in my view, that there would be no compromise to decontrol and the issue won't even be faced again until after the election, which, carried to its endpoint, means less production and no meaningful movement in the energy program at all.

Q Did you change a lot of votes this weekend or the last two or three days?

MR. ZARB: It is hard to say because I don't know where many of these folks were before we talked to them.

Q Do you think these conversations down here with these Senators and Southerners and these Republicans have --

MR. ZARB: I think we have helped because we have had an opportunity to look at the issues as they really were Member to Member, and they got a much clearer understanding as to the President's willingness to compromise.

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The President was able to make it clear that his 39-month program was a reasonable compromise. Most of them, it seemed to me, conceded that it was a reasonable compromise. He further said that upon sustaining of my veto, I will accept a 45-day extension and work toward effecting this compromise, which left most of the folks involved to conclude that it seems to be a reasonable way to go.

Q Frank, how can you call the 39 months a reasonable compromise when the House rejected it?

MR. ZARB: I don't know what that has to do with whether I characterize it as reasonable or not. It answered all of the substantive questions raised by individual Members of the House, and indeed, there were a number of Members of the House, both Democrats and Republicans, who contributed to its construction.

It failed in the last days, the last hours prior to recess, by 39 votes. Twenty switches would have carried it with a number of votes absent. So, I can't characterize it as unreasonable because of that set of circumstances.

Let me take the follow-up.

Q Have you been told by the Democratic leadership that they would accept a compromise of 48 months and a \$10 cap as opposed to 39 and \$11.50?

MR. ZARB: I have not.

Q Would that be acceptable?

MR. ZARB: I would say just as a quick reaction, Tom, that that would not be. It is not a question of where the numbers are for the sake of the numbers. It is a question of what it achieves, how many barrels produced and how many barrels do we save.

Q Let's realistically -- if the veto is sustained, what is acceptable to you? Where do you think that there will be, given your position as you have outlined it now?

MR. ZARB: The 39-month program had a result attached to it. It saved -- I can't recall the exact numbers -- but as I recall a million barrels a day by the end of 1978 as compared to the end of 1977. I might have to correct those numbers later, but it also began to increase production over that same period of time.

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Within that 39-month context, there are numbers that could be moved around to achieve the same result, and as long as we can achieve the same goals within the same general time frame, then there is still some flexibility for discussion, but the thing the President is firm on is extending the program or modifying it in a way which reduces our achievement in terms of barrels saved or barrels produced, and that is where we need to, as a Nation, draw the line.

Q Mr. Zarb, most people are under the impression that controlling oil, the price of domestic oil, keeps the price down. The President says that, continuing these controls, they will raise prices. How do you arrive at that conclusion?

MR. ZARB: The first support for that conclusion is what has happened to prices in the last four years. Prices went on oil in August of 1971, price controls. That has not contained the increase in energy prices, nor has it improved production.

But, the alternative has occurred. Our imports have increased -- as I recall, in 1971 we imported about 3.3 million barrels a day, and we are now well over six million barrels a day, so our imports have doubled during that same period.

It is clear that if we are going to keep prices under some reasonable constraint and at the same time have those prices feed the American economy rather than somebody else's economy, that we need a domestic program to produce domestic oil and not a program that will have us increase consumption but have us increase consumption of imported oil. You have to make that connection.

The controls have historically worked in a format that have been counterproductive where virtually wherever we tried them as a Nation, and indeed wherever any other Nation has tried them.

Q If you are successful tomorrow in sustaining the veto, are there any conditions on signing the 45-day extension? When you originally talked about it, you said "if there was evidence of movement toward acceptance of the 39 months!" Today it sounds as though that is flat. If they have sustained, will you sign the extension?

MR. ZARB: No, I think the same general attitude prevails, but if you are really interested in compromise and not just the cosmetics of those words, you have to say that if, in the President's judgment, there is a reasonable attempt being made to effect that compromise, that he would be in favor of signing the 45-day extension.

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That will obviously occur after he has talked with Members of Congress, the leadership, and made his own judgment as to what the prevailing attitude is. It would be clearly, I don't think in anybody's best interest, to sign an extension after he is told that at the end of the extension time we are going to be back to confrontation because there is absolutely no opportunity to compromise or add to that, that in my view in talking with the various leaders who have been here in the last five days, that the feeling for compromise is there, the willingness to compromise is there, and I think a very positive attitude.

I feel better about it now than I did before recess.

Q Senator Muskie's office said today that this would cost 600,000 jobs by the end of 1977, and increase the wholesale prices 4 percent and reduce overall growth as much as 200 percent. What would be your response to that?

MR. ZARB: We have looked at those numbers, and that analysis, as has the Council of Economic Advisers, and I guess I would simply say we don't agree with those estimates, nor the way they were derived.

Q Are you predicting that a veto will be sustained and, if so, by how many votes?

MR. ZARB: You know, it is not done until it is done, and I have said right along that it is going to be a tight vote because it is a tough issue, and I am not going to predict how many votes.

I think by tomorrow, from everything I know, we are going to have enough votes to sustain because there are going to be enough Members that believe as I do, that we have to move forward and not backward.

Q Are you hoping this will have a psychological effect of allowing more Democrats in Congress to lay the blame on the President and say we did all we could to fight off controls and if it is sustained, that the President can carry the bag and the Democrats, enough, can switch to bring it through?

MR. ZARB: You mean as a matter of strategy?

Q Yes, on their part.

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MR. ZARB: I don't know if anything ever gets that well organized. I would say that one of the problems we have had in describing the nature of the energy problems and the American people is precisely that kind of issue.

Rather than often time people being told that we do have a serious problem that is growing worse each year and that we need to make some very tough decisions -- and I don't mean that those decisions should support the Administration's views of how it should be solved, but rather than having that kind of explanation to the American people -- demonstrating what has happened to our imports over the last four years and what that means to us nationally, we seem to feel that a lot of rhetoric that says, well, prices are up and this action will increase them and we ought to keep them down.

Now, that is political discussion. That is substantively counterproductive to the national energy program. I don't know how much of that will go on. I have seen some of it in recent weeks, and I think it is unfortunate because --

Q But you are not claiming, are you, that decontrol over the long haul actually holds down prices or lowers oil prices? Isn't it just different people who are making the money? Instead of the Shah of Iran, isn't it domestic oil producers who are going to be making money?

MR. ZARB: I guess it becomes an order of magnitude question. No one in the Administration has attempted to deceive people by saying that under any circumstances, under anybody's program, prices can be held or will come down.

If we don't have a domestic program, prices will indeed go up, raises will be arbitrary, they will be dependent upon the state of the world economy, or whatever, and in some cases they might even be politically motivated.

The money that goes into those raises will go from here to those other countries. That money will oil other economies and put other people to work, as compared to a domestic energy program which would have the effect, indeed, of producing more energy. Prices will not be held stable or be driven downward, but will be producing American oil and putting Americans to work, and it really is that simple.

Q Your earlier answers, Frank, have left rather unclear as to whether the President might be willing to accept a longer phase-out period than 39 months.

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MR. ZARB: The question is, would we be willing to accept a longer phase-out period than 39 months.

I guess I have to say that 39 months has never been the critical path with respect to Congressional compromise. Let me spell that out more clearly. The 39 months is important because it presents a time dimension in which we achieve real results. We save barrels of oil, and we produce other barrels of oil within a relatively constrained time frame.

When the 39-month program was rejected, there were any number of Democrats who said they would vote for that plan if the Congress had already enacted a windfall tax program to be in place when that plan occurred.

The President received a letter from the majority leader of the Senate in August, and it said that within 30 to 45 days we could affect a compromise. Now, the President is saying let's again re-examine my 39-month plan and let's look at what your real concerns were and get done what has to be done within that 30 to 45 days.

Now, that is not to say within that framework of time some pieces could not be changing to affect the same result because clearly they can be. I am not going to get into what all the combinations might be because there are any number of combinations.

Q Frank, what result is that you are saying could be achieved? The same thing as a windfall profits tax without windfall legislation, or what? The windfall seems to be the stumbling block.

MR. ZARB: If the windfall is the stumbling block and we have 45 days to fix the stumbling block, then we ought to just get it done.

Q Is that a compromise or what? The problem seems to be up on the Hill. What do you have to offer?

MR. ZARB: It was not a question of what we had to offer. We offered a 39-month plan which was a considerable movement from where we were.

Q You keep talking about compromise. I don't see where the trade offs come in here. The Congress says okay, we have not passed the windfall. Without a windfall we don't pass 39 months and we do pass six-months extension, and you say no six-month extension.

Where is the compromise coming in? You are really throwing it back in the court, aren't you?

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MR. ZARB: I don't think so. A compromise, or a great deal of it, took place before the recess when we went from two years to 30 months to 39 months, and then rearranged the numbers so that we had, as you recall, the first year release at 1.5 percent, second year 2.5, and the last 15 months 3.5 percent.

We also lowered the ceiling of new oil to \$11.50 and had it go up at 5 cents per barrel per month. Now, that was a meaningful compromise. Having done that, you are quite right and that the reaction was, that is pretty reasonable, but now we need a windfall tax program to go along with it.

If that is the constraining path, then the thing to do is to re-examine that program and get on with the enactment of the windfall tax program. If, within the 39-month program, there are some pieces that people would feel more comfortable with respect to moving around, we ought to be willing to discuss that.

Q What do you think you could do to make that more palatable now than it was before since the windfall is the problem? You don't seem to have had any disagreement with them on that. That is not what you are talking about. Are you compromising on the windfall package?

MR. ZARB: That is correct, and the only problem is the windfall, and that is the way it was before recess. Then, we can help in every way that we can by supporting a windfall and helping it to be enacted.

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Q Why haven't, after all these months, you come up with your windfall tax plan? Why are you saying it will help? Why don't you come up with one and lay it on the table?

MR. ZARB: Well, we have, and let me tell you how we have. In January we put forward a windfall tax program that was a very stiff program. It was pre-depletion, but it was spelled out in quite some detail.

Now depletion changed and we started talking about phase-out and when we started talking about the 39-month program we worked with the Ways and Means Committee and Congressman Conable, from New York, introduced a formula for windfall. We told the Chairman we would accept that formula or be prepared to sit down and talk about modifications to it.

When it looked like we were not going to have a compromise at the end of July and we were headed for abrupt decontrol, we worked with the Senate Finance Committee Chairman. He put forward a windfall program that had 90 percent--25 percent plowback.

We said in principle we embraced that program. So I think that that is just so much smoke, the fact that we have not put forward our principles with respect to a windfall tax program -- keeping in mind that one of the reasons that occurs is that traditionally the Treasury Department does not send up a piece of legislation on tax stuff. It sends up a memorandum and then the rest is worked out.

Q In January you did send a detailed, involved proposal and since then you have simply said, as you have described it, that in principle you would accept various proposals by other people. Why don't you follow up now with the detailed thing? That is what some of the House energy people are saying -- Dingell and others. We need to have the President's name on a plan here. You can't deal with Conable or Long or somebody like that, you know.

MR. ZARB: Dick, I guess I fail to see the difference when Conable introduced a bill and we said we support it, and I made the public statement at that time that the President supported it and that seemed to me to be adequate.

When Long proposed his bill we said that we embraced that. That seemed to be enough. I guess perhaps part of the reason is, Dick, that again historically we worked in tandem with Ways and Means and Senate Finance in working out the details of this legislation. It becomes a Treasury Department-to-committee kind of thing.

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I am sorry, I skipped one over here.

Q When I asked you a while ago about these figures put out by the Congressional Budget Office you said you just didn't agree with the analysis. There is also a study put out by the Library of Congress -- I guess you have seen this piece on the wire -- which says this will cost the consumer \$72 billion over the next five years by raising the price of everything from gas to food. Do you agree with that?

MR. ZARB: No.

Q Can you give us some idea? I mean, you are saying it is going to save jobs and save money. They are saying it is going to cost jobs. Why is there such a disparity? Why are your fingers better than theirs?

MR. ZARB: I can't give you all the reasons why there is such a disparity and if you want an analytical analysis of these projections and their differences from our own, both Eric Zausner's operation and FEA and Alan Greenspan's people, we will give you the breakdown but --

Q Let's hear that. I think it is very important.

Q That is what we are concerned about.

MR. ZARB: I can give you some of the differences in our method of calculation. I guess I probably won't recall them all.

I also ought to start off by saying that on Sunday a week ago I was on national television with Bob Eckhardt, who has been close to the House side of this thing and, as I recall, in answer to a question he used the three cents per gallon that I have been using in calculating the difference.

I would also say that we are running after everybody's estimates. Senator Jackson had some estimates. These two have different estimates and their numbers are different. So every time somebody comes out with a new set of numbers, we have to take the time as we do to run down what some of their assumptions were.

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Some of them assumed giant increases in OPEC. Some of them assume leaps in coal prices that we simply don't agree with and I think can prove that we are correct.

Coal prices do not run parallel with oil. They have not and, as a matter of fact, coal prices in recent weeks have been coming down as production has increased because it is demand-constraining.

There were other calculations with respect to natural gas. The import fee was left in some of those estimates and we have said that in complete decontrol the import fee would come off. The rebate to the consumers was not calculated in some of the estimates and was calculated in others.

Those are the moving parts and if you want an analysis of any given model at any given time with their assumptions as it compares to us, we are prepared to provide it to you in detail.

Q You are still contending that this will have only a minimal impact on the economy overall?

MR. ZARB: Yes.

Q How much of this \$350 average cost to a family is the result of administrative action, including the import fee?

MR. ZARB: It is without the import fee, the \$350 per family.

Q Frank, in the President's message he says, "If all efforts at compromise fail, I will act to insure an orderly transition from government controls to the free market."

What actions is he contemplating in that?

MR. ZARB: Okay. Are we talking about the event of no compromise, no phase-out decontrol, in which case the \$2 tariff will come off. We will submit legislation and probably submit it anyway this week because we have got to get it up there and to be prepared for either contingency that will take care of the propane markets.

We will ask for standby authorities to intercede with respect to price control or allocation in propane that relates to natural gas inasmuch as propane is a substitute for natural gas. We will ask for legislation to assist independent refiners.

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The basics of that program will be to provide those independent refiners with three years within which to become adjusted to a full decontrol environment. As you know, right now we provide the entitlements program which keeps them going.

We will submit legislation designed to protect the best interests of independent service station dealers which is a long-standing problem somewhat mitigated because of the Allocation Act, but that will go forward.

I mentioned the propane markets which would be part of the Natural Gas Emergency Act. We have already acted with FEA and Secretary of Transportation in asking the CAB to permit certain pass-throughs at the airlines' level.

Q Mr. Zarb, you talk about you being optimistic that compromise is in the air--at least I interpret your remarks to be that -- that you are more hopeful now, but yet Speaker Albert came here to the White House yesterday and left and he said all you are able to do is talk about compromise.

Now just what specific evidence do you have that the Executive and Legislative Branches of the Government are about to get together on this?

Q Well, I don't have I guess what you would call specific evidence, but I have a better feeling that more Members understand the issue, understand the nature of the compromise and feel that the characteristics of the 39-month program were really not only reasonable but in the best interests of the country. I think that more and more Members have seen that we ought to move toward decontrol and move now.

I think, in addition to that, the time that we have to work out some of these obvious constraints, or at least those that we were told were obvious before recess, are now going to be there. If you are told that your program is all right but we don't have time to enact the windfall tax program so we are not going to take your program, and you come back and say okay, here is the program and here is some more time to enact it, that would seem to remove that constraint.

When you put all those pieces together, I feel more positive than I did before recess with respect to the opportunities for compromise, and I really think that many more Members, as the President feels, that it is time for the Government to govern on this issue and not be separated and polarize each other.

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Q Let me follow up on this. Is one of the problems you had so far the fact that there is no Democratic leadership on the Hill?

MR. ZARB: I would say that one of the problems we have had with respect to leadership in the energy area is that there are so many committees that are tied to the energy question within the legislature, and when you have some 14 or so individual committees that have jurisdiction of one sort or another it is very difficult to isolate that group with whom you can negotiate out all of the problems and then have that negotiation result in a final conclusion, so I would suspect that that is correct.

Mike Mansfield himself has said that he felt that things would be substantially better if there were a select committee for energy on both sides, and I certainly agree that it would be helpful.

Q Is your answer, then, that one of the problems is that there is no Democratic leadership? Yes or no?

MR. ZARB: I am just not going to answer that question yes or no because I think that implies a criticism that I am not prepared to make. I think in the energy business things would be helpful if we didn't have so many committees with jurisdiction.

Q Mr. Zarb, is there any change in overall Administration policy to increase oil prices in an effort to induce conservation?

MR. ZARB: You are saying, is that an effort?

Q No. Is there any change in the Administration policy that the President announced some time ago and that I have heard you speak to, to increase oil prices in order to induce conservation?

MR. ZARB: Of course, that has been written to the point where we are being shown as compared to those who would seek mandatory measures to get the same result. Let me tell you a little bit about that.

First, if you don't price this product at its real value to our economy, it is not going to be used with the kind of efficiency it needs to be used with. It is going to be wasted or squandered. You are not going to get the kind of smaller automobiles and the more effective use of appliances and construction of buildings and storm windows and all those other things that we have talked about right down to the industrial sector. You have to price it at its true and real replacement value or you are kidding yourself. You wind up consuming it at a rate below its real value.

Let me point out that where we felt that this value mechanism would not do the job, we submitted different kinds of legislation. In building standards, for example, we felt strongly that the relationship between the builder and the buyer didn't work such that the price increase would have that kind of an impact, so we proposed mandatory building standards in January, a very narrow range of thermal efficiencies that would have to do with any new construction anywhere in the country.

The builder would have to provide the bank with the certificate and if that bank were Federally assisted it would demand such a certificate. That bill has been up there now for eight months and it has gotten nowhere.

Our mandatory authorities to order the conversion to coal from other fuels at utility level expired in June. I have been asking for an extension of that authority; we have not gotten it.

So yes indeed, we need to price this product at its real value to our society if we are going to create this new ethic.

That is not the only measure we put forward or not the only measure we believe in. We have not gotten action on either, so those that say I am in favor of mandatory measures while the other fellows are in favor of price are simply not telling the whole story.

Q Excuse me, Mr. Zarb. If that is an answer to my question, I really didn't see it.

The question is, is there any change in the Administration policy to increase oil prices in order to induce conservation? I believe the President himself said that was the policy when he imposed the \$1-a-barrel levy in two months totaling \$2.

Now, has that policy changed at all?

MR. ZARB: No. If that is the way you have analyzed the policy and concluded that those four sentences sum it up, then I would just say that our policy has not changed. But, to simply say that we are in favor of higher prices to drive down conservation does not tell the whole story.

Q Would you estimate again how much decontrols will cost consumers per gallon per product?

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MR. ZARB: If we have abrupt decontrol, no compromise, then I say the three-cent per gallon per product seems to be the most reasonable projection. Now, we are not going to see all that.

Q Over how long?

MR. ZARB: It will depend, product by product. I would not expect gasoline to move at all for the next three to five months, and if it did very marginally because in the fall gasoline prices come down as the market gets soft. We have talked about this before.

We have had in the industry \$1 billion of costs which, under law, I had to permit the industry to pass through the so-called bank costs. This \$1 billion has been sitting there and they have not passed them through because the market won't take it. They either get an immediate softening of demand, they get a problem with keeping their share of the market, and some parts of the country they immediately face the fact that there are importers sitting off the coast with refined product that would meet their price so they have not upped the price to the extent that they could have.

I have got to say between one and nine months just to be fair, but I think it will be a triple process.

Q You talk about gasoline repeatedly. What about heating fuel, and what about aviation fuel, which is going up and which is going up?

MR. ZARB: The average opportunity to increase per gallon will be three cents across the board. I think many of those fuels that you just mentioned won't be absorbing that kind of increase, certainly not right away.

Let me put it another way. Technically, if you look at the computer runs, you get three cents per gallon that technically could be passed through. I don't think we are going to see that passed through, at least not over an immediate period of time, but those prices have been steadily creeping up anyway. Gasoline has gone up six cents since January in legal pass-throughs that the law provides for, which generally are attributable to increased product costs, which are generally attributed to a higher mix of imported oil as domestic production declines.

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There are some other costs in there that have gotten into this system, but that has been the major push. If we sit still and do nothing, maintain these controls, those costs will still go up and move upward and it will be because of a higher mix of imported oil. How fast will depend upon the rate of economic recovery because rate of economic recovery dictates consumption.

Q Frank, you said that a lot of the Members understand the nature of the compromise better. I still don't. Can I try one more time?

MR. ZARB: Sure.

Q I think, if I am reading you right, you are using compromise as synonymous with gradual phased out decontrol as a middle ground between no decontrol, which is what you see Congress doing with the six-month extension, which would get them into an election year and then they passed over --

MR. ZARB: Right.

Q -- or between sudden decontrol, which is what the President would impose if his veto is sustained. Is that what you are saying, that he is giving them a choice to pass what you call a compromise, a gradual decontrol, or face the prospect of repeated Presidential vetoes and extensions? Is that what the phase-out is here?

MR. ZARB: A phase-out program is obviously the grounds for compromise.

Q You say it is not 39 months, it is not 30 months? It seems to be the very principle of gradual phase-out now.

MR. ZARB: Gradual phase-out is the essence of compromise. I will go back to what I said before. I am not trying to confuse you.

Q Now, not after the election?

MR. ZARB: Now, not after the election.

Q All right.

MR. ZARB: I go back to what I said before. We were told we had that part settled. The reasonable compromise with respect to phase-out was completed with the 39-month program.

MORE

I was told in public by a number of committee chairmen as I testified that they would accept that, and their only reservation was the passing of a windfall tax program that would co-exist with such a phase-out.

What I am suggesting is that if we have taken care of that provision or if there are some details that need to be moved, so long as we stay within the constraints of what we try to achieve, we now have 45 days to complete a windfall tax program.

Q Is it your impression that the Members who could swing those votes have any real objections in principle to gradual phase-out?

MR. ZARB: No.

Q Are these details?

MR. ZARB: No. It is my view -- and I can only take them at their word -- that they approved and indeed supported the phase-out program. Their only hangup was the windfall tax package.

Q We are back to that. What can you do to ease that path or can you just stand back and say --

MR. ZARB: We can work with the Senate Finance and Ways and Means and other Members and be there to sign-off on formulas that we think are correct, and insure that we support legislation that in principle turns out to be correct in that area.

Q What is their hangup? We are back to the Ways and Means instead of 39 months. What is the problem with windfall?

MR. ZARB: I was told before recess there just was not enough time.

Q Have you talked to them since recess? They are back now.

MR. ZARB: I have talked with Chairman Ullman, who has said he is certainly prepared to go forward with the windfall tax program, and he was before the recess, but there was not enough time.

Q Is that what Senator Mansfield says when he comes in and says they can pass a package within 30 days? Does he think they have the votes now for windfall?

MORE



MR. ZARB: I don't know whether he thinks we do or not, but he said that in his view we could effectively eliminate all of our mutual problems within that 30- to 45-day period, and I think he meant his statement to be broad-reaching.

Q Frank, can you straighten something out for the record? At one point not too long ago you were talking about a seven-cent increase with the removal of controls. I have a feeling there is the import fee figured into that computation somehow.

Now you are talking about three cents and a while ago you were talking three to four cents. Can you bring that all together and explain it?

MR. ZARB: I will. I used seven cents, correctly, in my view. The staff kept telling me it was six cents, plus a small fraction, and I rounded upward to be relatively conservative. That is the six to seven cents that we are talking about. The staff, in their analytical work, still demonstrates in the stuff they publish six cents.

The tariff is worth three cents so that you immediately cut that in half. Whenever I said three to four cents or six to seven cents I have tried to err on the high side just to be conservative, particularly if there was a fraction involved.

MORE

Q Can you follow that up, please, and give us the status of the 60 cent import fee and the \$2 crude import fee and the two different scenarios; one, immediate decontrol and the other the 39-month program?

MR. ZARB: If there is immediate decontrol and it appears that compromise is hopeless, the entire \$2.60 will come off and these other measures that I mentioned to you we will pursue very aggressively -- the propane, the independent refiner and the service stations.

In the event we have a compromise program that assimilates our 39-month program, we will immediately remove the 60 cents in that context.

The other provisions are taken care of within the act as it now exists, and that would be extended, so we would hold on those and discuss them further with the Congress during that 45-day period.

Then the tariff, although it was an integral part of the 39-month program, would be re-examined in the light of any other numbers that might be changed within that context. I think that is just about as clear as I can make it with respect to the two paths we are going to follow, and we are going to follow them both and be prepared to execute both.

MR. SPEAKES: One more question. Frank has a meeting to go to.

Q Did you say you were going to take off the 60 cent fee only or both fees immediately under a 39-month program?

MR. ZARB: Under the 39-month program, the 60 cents comes off immediately.

Q What about the \$2?

MR. ZARB: The \$2 would be re-examined in the light of whatever changes might be made within the 39-month program and so it does not automatically or not. If the settlement is reached earlier, there could be a change.

Q Do we impose quotas at all here?

Q What do you expect to see happen to old oil prices in the next days or immediate weeks?

MORE



MR. ZARB: If it appears as though there is going to be a compromise--and I truly hope that the President's veto is sustained and the Congress passes the 45-day act--and a real indication there is going to be a compromise, I would see virtually no movement.

If, on the other hand, it appears as though controls would remain off, then movement of old crude oil would move rather quickly. How quickly I cannot say for sure, but there are many contracts which are under royalty arrangements, and those royalty arrangements dictate that the shaling company must seek the highest market value as soon as possible.

I think that is as clear as I can get on what will happen in the early days. How that will be transmitted to the pumps is substantially less certain because the pump price will pretty much dictate what the market will accept and we won't see that kind of flow through to the retail level as quickly as it might occur at the wholesale level.

Q Frank, just one more. Quickly, since you are talking about the \$2 fee and that has been declared illegal by the court of appeals and you are expecting to go to the Supreme Court, that will probably take a while. How important is that in your negotiations to try and start working something out within 30 to 45 days? Is that a significant factor in the talks back and forth? You don't have the authority now.

MR. ZARB: For the tariff?

Q Yes.

MR. ZARB: Well, we do.

Q It has been stayed.

MR. ZARB: It will go to the Supreme Court, and the issue in that area really rises above at least one abstraction above the energy policy and that gets to the Presidential authorities to affect such tariffs for his findings on the national security basis.

Q Since it is in the court, it is not a very firm bargain on the point with Congress. How important is it in your talks with them?

MR. ZARB: I think it is always important, but I would rather see it as a technical feature in these negotiations and coming to an agreement that we want to achieve savings and production within 39 months that we set out.

MORE

Q You don't think it is crucial?

MR. ZARB: We work backwards from there in how we move the numbers.

Q It is not a vital factor in reaching this compromise?

MR. ZARB: I would not classify it as a vital factor. I would as a factor.

Last question, Dick.

Q Does the Administration have any plan now to submit some variation on the 39 months or did the Republicans in Congress? Are you going to wait for the Democrats to put something on the table?

MR. ZARB: I would see the sequence this way: If the President's veto is sustained, the President or his representatives, I think, would then meet with the leadership or whoever the leadership indicates they should meet with, and look at the 39-month plan, and whatever other pieces should be figured into the equation and, at the same time, move the 45-day extension, which has been introduced on the Senate side.

I was told today, if it has not been already, it will be introduced on the House side, so that could be moving through the Congress and could be approved as these discussions get underway.

I would be hopeful that those discussions would early on indicate that we are awfully close, as I felt we were in July, and that would lead the President then to sign the 45-day extension when we have our details.

If we do within that 45-day period, then we can go forward with final legislation which would encompass a phase-out program, plus all of the ancillary aspects, including windfall profits.

Q You don't have a counterproposal ready now or expect to?

MR. ZARB: No, I mentioned the other day, before you have a counterproposal you have to learn what the other fellow's concerns are. We reacted that way once and came back with the 39-month program, which seemed to answer all their problems.

No one said, I need to have 44 months and not 39 months. No one said that the \$11.50 cap should escalate at 2.5 cents rather than 5. That was not part of the discussion. We worked very hard and long hours with a number of Democrats to come to that plan, answering the objections that they had to the 30-month program, and I would be hopeful that we can use that as a basis from which we go.

THE PRESS: Thank you, Frank.

END (AT 3:00 P.M. EDT)

SEP 11 1975

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September 18, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF

SUBJECT: Six Months Extension Veto

Bill Kendall and Pat O'Donnell did a superlative job on sustaining your extension veto, and deserve a major share of the credit.

bcc: Jack Marsh



SEP 12 1975

THE WHITE HOUSE
WASHINGTON

Date: 9-12-75

TO:

Jack Marsh

FROM: Max L. Friedersdorf

For Your Information ✓

Please Handle _____

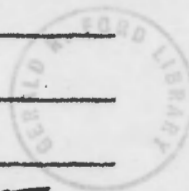
Please See Me _____

Comments, Please _____

Other

This letter

*went to all
39 supporting
the extension veto.*



✓
September 11, 1975

Dear Hugh.

Your support of my veto on S. 1849, the six-month extension of the Emergency Petroleum Allocation Act, was deeply appreciated and indicates a strong desire to achieve U.S. self-sufficiency in energy.

I regard your vote as a courageous one because the long-term attainment of energy independence cannot be achieved without some difficult decisions by Congress.

In the long run, it could well be a victory for homeowners who use heating oil, for drivers who buy gasoline, for factories and utilities which consume fuel to power their machinery, for farmers who use fuel to run their equipment and dry their crops -- for all Americans who depend on energy for their jobs and comfort and prosperity.

I am hopeful that with the veto now sustained, we can work together for a compromise on a phased decontrol plan that will stimulate new sources and supply of energy in the U.S. while not overburdening the American consumer.

Please be assured that I shall continue every effort possible to work with the Congress to achieve a compromise program that we can all support.

With cordial regards,

Sincerely,

The Honorable Hugh Scott
United States Senate
Washington, D.C. 20510

GRF:MLF:RW:jem



NAYS—39

Baker	Goldwater	Pearson
Bartlett	Gravel	Percy
Beall	Grisson	Roth
Bellmon	Hansen	Scott, Hugh
Bentsen	Hatfield	Scott,
Brock	Helms	William L.
Buckley	Hruska	Stevens
Curtis	Johnston	Taft
Dole	Laxalt	Thurmond
Domenick	Long	Tower
Eastland	McClure	Weicker
Fannin	McGee	Young
Fong	Montoya	
Garn	Packwood	

The PRESIDING OFFICER. On this vote, the yeas are 61 and the nays 39. Two-thirds of the Senators present and voting, not having voted in the affirmative, the bill, on reconsideration, falls of passage.

APPOINTMENT BY THE VICE PRESIDENT

The PRESIDING OFFICER. The Chair, on behalf of the Vice President, pursuant to Senate Concurrent Resolution 44, 94th Congress, appoints the Senator from Minnesota (Mr. HUMPHREY) and the Senator from Nebraska (Mr. HRUSKA) as members of the Joint Committee on Arrangements for Commemoration of the Bicentennial of the United States.

EDUCATION DIVISION AND RELATED AGENCIES APPROPRIATION ACT, 1977—VETO

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of the President's veto message on H.R. 5901.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

The House of Representatives having proceeded to reconsider the bill (H.R. 5901) entitled "An Act making appropriations for the Education Division and related agencies, for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes", returned by the President of the United States with his objections, to the House of Representatives, in which it originated, it was

Resolved, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

The Senate proceeded to reconsider the bill (H.R. 5901), the Education Division and Related Agencies Appropriation Act, 1977, returned to the House by the President on July 25, 1975, without his approval, and passed by the House of Representatives, on reconsideration, on September 9, 1975.

The PRESIDING OFFICER. Debate on the veto message has been limited to 20 minutes, to be equally divided between and controlled by the Senator from Massachusetts (Mr. BROOKS) and the Senator from Washington (Mr. MAGNUSON), the vote to follow immediately.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the galleries and in the Senate Chamber?

The PRESIDING OFFICER. The Senate will be in order.

Mr. ROBERT C. BYRD. Mr. President,

ask unanimous consent that the time not be charged.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MAGNUSON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MAGNUSON. Mr. President, we agreed to 20 minutes on debate before the vote to override the President's veto of the education bill, which will be divided, 10 minutes to myself and 10 minutes to the Senator from Massachusetts. I do not know whether anyone wants to speak against the bill or against the override proposition, but there will be time for them if they do.

Mr. President, I would like to say a few words at this time, before we vote on the education bill.

As you know, I serve as the chairman of the subcommittee which worked on this bill over the last 8 months. We all worked hard to make this bill a reasonable and responsible contribution to this country's educational system. It is not a new, fancy approach, but rather a commitment to programs developed over the last several decades. Naturally, not everyone agrees on the interpretation of this commitment. The President, in his veto message, views the education of school children in terms of budget deficits—even though many of the programs in the bill are being forced to operate at last year's level. The President views impact area aid—which is part of the bill—as a bad investment—yet, last year he signed the authorizing legislation which extended the program. I do not believe the President's own views are advanced by his position on this bill. More importantly, I do not believe his position is in the best interest of our children.

This vote could not come at a more appropriate time. Many schools are in the process of opening for the new school year. I am sure some of you come from districts where the schools are not opening. I am also sure that many more of you can point to schools in your State that are suffering severe hardships.

Granted, Federal aid to education is small by comparison to this country's total investment—it amounts to less than 7 percent of the total. That does not make it any less important. When it comes to helping the millions of children who are disadvantaged, the Federal dollar is important as a catalyst for progress, not as a handout. When it comes to the 7 million handicapped children in this country, I cannot think only in terms of budget deficits. I think in terms of the millions that are not getting a good education or the 1 million who are not going to school at all.

The real significance of this education bill is not what effect it will have on an inadequate budget over the coming months, but what the long-term benefit will be to the children—our future leaders. We must understand that

whole foundation to a strong and prosperous society. We cannot build a foundation with the sort of unrealistically low investment the President is talking about in the veto message. We can rely on short bursts of attention to problems. The children will not away; nor will the problems that school people and teachers face every day.

For this reason, we must join with the House in overriding the President's veto. The House overrode the veto by a vote of 379 to 41. As far as I am concerned, this bill serves in our deepest national interest—our children. I want to advance their cause and I hope my colleagues here this afternoon will agree.

I yield to the Senator from Massachusetts.

The PRESIDING OFFICER. Will the Senator suspend until I can maintain some order. The Senate will be in order. Senators will please take their seats and adjourn to the cloakroom.

The Senator from Massachusetts.

Mr. BROOKE. Mr. President, I and my colleagues do as the House of Representatives has done and to vote to override the veto of H.R. 5901, the Education Appropriations bill for fiscal year 1976.

At the time of the veto I stated that the reason the conference bill is over the budget by \$1.3 billion is that the administration's requests were inadequate to begin with.

In the areas of grants for disadvantaged children, emergency school aid, handicapped, vocational and high education and many more, the administration's requests were below the fiscal year 1975 appropriations, or less than realistically could be accepted.

Indeed as we began consideration of the fiscal year 1976 education appropriations bill we were working with requests that were some \$785 million below appropriations for fiscal year 1975.

When Congress finished its work and sent the bill to the President, that measure was some \$560 million above the approved 1975 level.

Our increase of \$1.3 billion over the requests must be viewed in that context.

We in Congress were working with budget requests that were not realistic and not adequate, particularly in the period of high unemployment and high prices. We could not accept them and we did not.

For example, the new impact aid law establishes "tiers" of eligibility for different categories of students. The law requires that if Congress wants to fund the first two "tiers," it must fund tier in full. To assure this funding, Congress was required to add almost \$500 million to the amount the administration sought.

With many schools just opening under court orders to desegregate, we know how important it is to provide adequate funds for the basic emergency school aid program which helps smooth the transition to unitary schools. Against this