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THE WHITE HOUSE

PRESS CONFERENCE

OF

ALAN GREENSPAN, CHAIRMAN,
COUNCIL OF ECONOMIC ADVISERS,

AND

FRANK ZARB, ADMINISTRATOR-DESIGNATE,
FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

12:20 P.M. EST

MR. NESSEN: The President met for an hour and forty-five minutes this morning to begin his role in developing a national energy policy. The participants were: Secretary Morton; Frank Zarb, who is Executive Director of the Energy Resources Council; Alan Greenspan, the Chairman of the Council of Economic Advisers; Michael Duvall, of the Domestic Council; Richard Cheney, who is a deputy to Don Rumsfeld; Bill Seidman, whom you know; some staff members from the FEA; Secretary Simon and General Scowcroft.

As we told you yesterday, the purpose of the meeting was not to make decisions, but rather to give the President, first of all, a broad look at the problem, to sketch out for him in very broad terms what the strategies might be to solve this problem and to outline for the President the procedures that will be followed over the next few weeks to prepare for him, first of all, a comprehensive set of recommendations, which will then lead to the President's national energy policy.

We are going to have the briefing this morning by Frank Zarb and by Alan Greenspan. Let me give you one quote from the President, which will give you some idea of his reaction to this meeting.

After hearing the presentation, he said, "It is impressive in the complexity it spotlights. It's complex as the devil."

The reason I tell you that is that we are going to be discussing energy in some depth in the next couple of weeks in preparation for the national energy policy, and it is a complex problem which involves more than what we have talked a lot about here, a gas tax or gas rationing.

I think by having Frank and Alan here today they can give you not only information you can have for your readers and broadcasters tonight and tomorrow, but some of the complexities of the problem, as the President says, which you will need in the next few weeks as you follow this story and as you report on it.

With that, I am going to give you Frank Zarb and Alan Greenspan..

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(OVER)

MR. ZARB: Good morning.

This is my first occasion to "brief the press" so you are going to have to -- I hope -- be tolerant of my not knowing your customs and procedures.

I think Ron has fairly well described the essence of the meeting. The purpose was to review with the President the nature of the total problem, where we have been, where we are today, and the procedures which we are using, which will enable him to choose from a selective set of options in determining where we may be going in the future.

We covered a very wide range of energy planning. The two major areas of the national energy plan will be the short-term problem, in terms of conservation, and in terms of what is available to us in increasing our resource developments over the short term.

The time frame, for your information, is generally between now and 1977 in the short-term range.

We then talked about the longer term and, again, the same two areas where we described the ability for conservation, change of our methodology and treatment of using energy and also our ability to generate a larger percentage of domestic production and thereby get to the point of independence.

I think it is important to note that the work that we reviewed this morning represents the work of all of the agencies that are participants on the Energy Resources Council, that the issues which we described are issues which have been discussed by the total Federal family.

We further described our process for fine-tuning those issues. You are all aware of a meeting which we will have, at the senior staff level, at Camp David next weekend where we will pull together all of that work and come back with the first draft for the President outlining both recommendations and options.

Do you wish to add anything?

MR. GREENSPAN: No.

MR. ZARB: I think rather than the gospel according to me, why don't we see what questions you have.

Q Frank, did the President express any further feelings about some of the leading possibilities? I guess that has been mentioned so often I am ashamed to ask it again but, for example, what did he say this time about the gasoline tax as a possibility?

On the other hand, perhaps you had an alternative to offer him in terms of an outright reduction of the imports program and a tightening up of the allocation procedure to accompany it that would be an interim step between volunteer approach and something as severe as a gasoline tax.

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Could you talk on those subjects?

MR. ZARB: Next question. (Laughter.)

We started the meeting by pointing out that it was not a decision meeting, nor did we intend for it to become a meeting where we would take one or two of the elements of a national energy plan and debate the benefits or the losses to exercising either one.

It was intended to review with the President the wide range of options that will be at his disposal to effect selected goals once he has selected those precise goals.

We described the nature of what those goals might be and the range within which we thought he had to choose. We purposefully stayed away from -- when we talked about conservation both near term and long term--debating whether or not price was a better vehicle than mandating a limitation on our imports and using an allocation procedure.

Q Perhaps you could conduct a little academic discussion to edify us on the merits and the need for these two alternatives.

For example, we were discussing before you came out here -- and there is a general impression here -- that we have an obligation to cut our imports by about 15 percent in accordance with the importing nations' agreement which is now on the table in Europe.

If that would appear possible through an outright cut in imports through the existing oil import program, in effect duplicating what the embargo did last year but to a lesser degree, the impact on the economy, there would be some, but it would appear to be tolerable.

Could you talk on that subject and give us your own thinking on that as an interim step to something more severe, like a gasoline tax? Is that the way you conceive of it?

MR. ZARB: There are, really, three ways and three major areas in which we can effect conservation.

The first you adequately described, as you have in the past, Burt. We can pitch in for it, the import line, either with a volumetric limitation or a dollar limitation, saying that this nation, effective a given date, will not import more than a level that has been pre-selected.

When you start with that as an option, you also have some subabstractions of that option. You can say that effective January 1 we will do it to the tune of one million barrels a day, or you can say that effective January 1 we can do it at 50,000 barrels a day, and then escalate it up gradually.

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In each instance, you have a different set of economic impacts. In our work with Alan Greenspan and his good people in the economic area, we have undertaken to analyze carefully the economic impact of each of these steps so that when we do go before the President with our final paper, he will have at his disposal not only where we think we come out and where some other agencies may come out, but also some hard, cold, precise data on economic impact.

I said there were three major areas.

Q Before getting to area two, could you give us the high and low economic impacts for the gradual approach and intermediate approach?

MR. ZARB: I can't this morning.

Can you, Alan?

MR. GREENSPAN: There are actually two separate ways to come at imports. One is you can mandate an actual reduction in imports and then let the system readjust to that mandated cutback.

Of course, secondly, you can attempt to somehow reduce consumption of oil. Since imports are your residual source of supplies, whatever you reduce consumption by, you will obviously automatically reduce imports by.

The economic effects of these two different approaches are actually quite dissimilar. If you reduce from the consumption side in a manner which, for example, you shift from oil to coal in utilities, you will reduce oil consumption but not reduce electric power output, nor all of the secondary consequences of an electric power output curtailment.

Therefore, you have zero economic impact from the oil reduction which is indirect on the import side. That is the extreme form of where there is zero effect.

Obviously, there are numerous other means by which you can suppress demand and then, as a residual effect, imports. However, the problem with that is that you do not know in advance what your import curtailment will be since it is a calculated secondary, tertiary effect.

On the other hand, if you mandate a cutback in imports, you are forcing the system to adjust to that shortage. The shortages are essentially unknown because of the complexities of the problems, and you can have some very unexpected and adverse impacts on economic activity.

So, either way one goes, there are pluses and there are minuses, and I think it is up to us to try to filter out, in as much detail as possible, what these are, what their probabilities are, and present these various options to the President for decision.

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Q Mr. Greenspan, based on what you just said, doesn't it rather tend to point the President toward some form of consumption cut, tax increase, or price increase, as opposed to what has been talked about more consistently out here, which is the straight import quota?

MR. GREENSPAN: Not necessarily, because there are numbers of options on so curtailing the levels of imports and then doing it in such a manner that when you audit the effects, you are capable of calibrating the changes in imports.

I would certainly agree that if you took an arbitrary number and said we are going to cut imports by X million barrels a day, irrespective of what the consequences are, then I do think that is a high risk policy since one does not know in advance the secondary repercussions.

But I don't think that is what we are thinking of these gross bludgeoning type of effects. We are a little more calibrating in our views. There are feasible policies by which one can work from the import side, but do it in a way other than just a flat, specific, unequivocal number. That is not what our alternatives are.

Q Would you give us an example so we can understand what you mean by calibrating?

MR. GREENSPAN: I would just as soon not get into the specifics of some of the very details of our program because I think it would be inappropriate.

Q What was the President's reaction? Are you voicing just your own reaction or the President's reaction to what you call a flat bludgeoning attack on it?

MR. GREENSPAN: At this point, I am referring to my own as an economist on this type. This was not the type of detail which we discussed with the President.

MR. ZARB: May I add to that one thing, and perhaps this is something you can help me with, Alan. I wish we had an opportunity to ask you some questions and an opportunity to get some answers. Perhaps we will in subsequent days and weeks.

We tend always to get into a narrow discussion of one element of a national energy plan, and somehow I think we have to put it all into context that a national energy policy or a national energy plan contains not only two time frames, the short-term, because of the economic aspects of balance of payments as related to petroleum, but also both dimensions of the program in terms of improving our own domestic sources of availability and the change in our consumption patterns.

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I hope that we can continue to look at that total picture and talk of the total picture rather than striking at only one narrow area.

Q Sir, in that context, would you give us some indication of where we are now in terms of the energy situation and how Americans may have to change their consumption patterns? I want just a general statement.

MR. ZARB: I think Americans have already changed their consumption patterns in a rather major way because of the change in the cost of energy in this Nation.

If we look back some years ago and look at what it cost to buy a gallon of gasoline as compared to the new cost because of the change in cartel prices, I think we can see a change in lifestyle.

As we go forward and look toward the Project Independence period, it seems fairly clear that things will be different with respect to how this society treats the real value and worth of energy.

Automobiles probably will be smaller and fleet mixes will be different, technology within automobiles will be somewhat revamped, the construction of buildings undoubtedly will be impacted, so that in general terms, as we move toward this period of the eighties and early eighties, I think we will see a marked change.

Q I have a second question. The second question is where are we now in terms of the criticalness of the situation? How bad is the energy outlook right now for the American public?

MR. ZARB: If you are talking about supply-- and this is what makes this job so difficult--there is sufficient petroleum out there, if you are willing to pay the price, to meet almost any needs. The nature of the short-term problem, at least at the moment -- I think I ought to add that we also talked about the fact that we do have a system in place to accommodate an embargo kind of event that we had experienced before, so that goes without saying.

The problem at the moment is not one of supply, it is how much this society is paying for that supply. When a society pays too much for one of its products, vis-a-vis the rest of the economy, it gives it serious difficulties internally.

Alan, may want to speak to that more clearly, about our near-term problem is one of too much of our national wealth being devoted to the consumption of energy.

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Q You were answering the question in three parts, and we got through part one. I am just concerned that we might have missed parts two and three along the way.

MR. ZARB: We did because we didn't get back to them. We started with the pinch of imports.

The second major layer of conservation tools at our disposal is called allocation, and that means that after the product is refined, the Government would allocate to society, based upon some formula. If we did that, logically the refiners would be importing less and you would get the same results.

The third level -- and as I mentioned earlier, there are many subabstractions to each of these -- is the end use. That is through voluntary, or other means, limiting the consumption at the home, in the automobile, the farm, so that you actually affect consumption. In each case, as you go back to the beginning, you achieve the results.

Q One other thing that wasn't answered. I asked Mr. Greenspan to give us the topside number for the economy, and I guess that would be the price tag for the gross bludgeon method without saying you intend to use it, but I would like to have the outside range of this cost.

I had heard a figure you used at your confirmation hearing. Is that a correct figure, 400,000 jobs and about \$20 billion, \$30 billion or \$40 billion from one million barrels lost?

MR. ZARB: I don't remember the exact context in which I answered that along with so many other questions, but I did point out that an abrupt cutting off of imports as of a fixed date, let's just use -- I think the Senator said a million barrels as of January 1--a million barrels a day.

I pointed out it was my understanding that would have a negative impact of \$10 to \$25 billion in Gross National Product and somewhere around 100,000 jobs.

I may stand corrected here, in which case I will get red-faced.

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MR. GREENSPAN: You won't be red-faced, but I will say you have to realize those sorts of calculations by their very nature are crude and cannot be looked at other than in very broad orders of magnitude.

Q The question I had was: Is the million-barrel-a-day target the same as ever?

MR. ZARB: Yes.

Q Mr. Zarb, can you tell us whether the President is now willing to acknowledge that his voluntary system of conservation is not working and he is going to bite the bullet on some kind of mandatory controls and, if so, what, in simple terms -- because most of us here are not specialists -- what biting the bullet options are we talking about?

MR. ZARB: I am not prepared to say what you just said. One of the things we discussed during the course of the meeting is whether or not we should be doing more things to help make the voluntary program succeed.

We had a rather lengthy discussion on how we might explain both the nature of the program and the potential solutions to the American people. The President did instruct us to insure, as a part of our work in creating a national policy, that we fix on a method of describing in a candid, clear, honest form both the size and shape of the problem, the options available to the Government and the potential solutions.

I don't know if that answers your question.

Q You are saying then at the moment you don't have either an answer as to whether the President is willing to bite the bullet or how he is going to bite it, in effect?

MR. ZARB: That is correct. The President will make his decision after he has seen all the analytical work and all the options.

Q From our own point of view, would you advise the President the voluntary method is not working right now?

MR. ZARB: I am not going to dance around that question, a to be really honest with you, I am not sure. We have done a lot of work on that question, along with other questions related both to voluntarism and impact of mandatory steps.

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We are going to be spending the next few weeks pulling that analysis together and all next weekend working on questions such as that one. Intellectually, I am not there yet, but I will be.

Mr. Greenspan also reminded me it is too soon to make that kind of judgment. We have only been about it two or three weeks.

MR. GREENSPAN: There is almost no way to have a statistical evaluation in so short a period, and I think it would be a mistake to try to look at such small amounts of data and make a conclusion of that sort.

Q What is the period that you need?

MR. GREENSPAN: I would guess myself that we probably would need two to three months at a minimum to get a judgment, the reason being you have so many things going on in the economy which affect the levels of oil consumption that to ferret out of that those specific elements which refer to the voluntary program is something on which you need far more information than we have now available to us.

Q Does that mean three or four months before you can bite the bullet, if necessary, or come to a hard decision?

MR. GREENSPAN: No, it means basically to come to a definitive conclusion. I would suggest to you well before then we will have very early indications which make forecasts quite likely, and I think in this particular instance we will probably have to start moving on the issue of your best judgment as to about what will happen rather than wait until there is a wrapped up statistical report stamped and sent around, as those things generally are.

Q Can you describe some of the options discussed? I don't mean necessarily considered, but just some of the options discussed?

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MR. ZARB: Let me go over those with you in broad form, if you will.

In the area of constraining demand, as I tried to describe earlier, we had three major opportunities. Within each of those opportunities, we have other alternatives. Let's start with the end use.

At the end use we could effect a lesser demand by virtue of price, which breaks out into other strategies that may relate to tax questions or non-tax questions.

We have the availability of allocation, which says that the end user of a variety will receive 90 percent of 1972 as we did during the embargo.

I read this morning in the paper where we are being asked to consider seriously rationing, which is also an end-use type of strategy. Now, that is kind of a macro description of the opportunity in that sphere. They each break down into many, many different opportunities under those major headings.

If we go to the front end of this thing, the question is: How can we cut down on imports in a bold, dramatic way and controlled way? We can talk about barrel volume beyond which we will not import, we could talk about a dollar volume beyond which we will not import, and that breaks down into a number of different strategies which could be employed.

If we talk about just sheer allocation, we can talk about allocation similar to the program we had during the last embargo or a more selective allocation program which would affect the big uses and the big opportunities for saving over the short term which, for the most part, relate to gasoline in one form or another.

So, if you ask about the options that were discussed with the President, I think that covers them. We went into the subject a lot more detailed than that. He asked a good many very precise questions and this all leads, as we said earlier, to his having on his desk a more complete analysis of what each option does or doesn't do.

Q The President at one point had expressed his viewpoint on how he felt about some of the options. Is he now, after this briefing, open minded on any and all of them?

MR. ZARB: I think the President is open minded and has asked for a total energy policy draft plan with options -- I underline "with options" -- so that he can look at the total picture and then reach his judgments.

Q When is the target date for judgment, decisions, and announcements?

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MR. ZARB: I think it has been announced earlier that probably around the first of the year or at the State of the Union time is the target date for finalization.

Q Is there a dispute within the top energy and economic advisers on whether to consider majorly the impact on inflation or recession in these options?

MR. ZARB: Did everybody hear the question?

Q No.

MR. ZARB: The question was: Is there a dispute in the Administration with respect to inflation or recession, and how these strategies should treat either problem.

Is there what you might classify a dispute? The answer would be no.

On the other hand, I should point out we have 16 agencies working with us on one part or another of this total program. I am certain, as there have been in the past, there will be honest, good, intellectual disagreements as to what the benefits of one alternative or another are.

In each of those instances we will have complete analytical work done. The President will be aware of the opinions of his advisers at the time that he looks at the final document. It is a very orderly process.

MR. GREENSPAN: I would also like to point out that energy policy for the United States cannot be made in a vacuum, that essentially policy in this area has to interface and be consistent with domestic economic policy per se as well as the extraordinarily broad interface of both domestic economic policy and energy policy with those policies which constitute our position with the rest of the world.

I think that one thing which makes the whole body of policy-making in this area exceptionally difficult and complex at the moment is that we are dealing and have to deal with a very wide variety of problems and setting up of options.

I needn't say to you that anything that we do on the domestic economic front has repercussions throughout the world, and vice versa, and anything we do with respect to our domestic energy policies has international financial consequences.

So, one of the things that is incumbent upon us, in putting together these various sets of policies, is to recognize that these are really a single complex set of policies with different aspects, one aspect being that which relates to our energy policy, another to our domestic economic policy, and a third to our international economic policy.

Obviously, they must all interface and be consistent.

Q Is that, Mr. Greenspan, what the President was talking about when Mr. Nessen said he referred to the complexity of the overall situations?

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MR. GREENSPAN: I would believe that is one, certainly.

Q Was there any discussion about why the volunteer effort has not been as effective as it had been considered to be so far?

MR. ZARB: I think Alan's earlier comments are quite right in that regard. It is too early to come to that conclusion.

There was sizeable discussion, however, in how we articulate both the problem and the solutions, which we ultimately determine to be the correct solutions, to the American people.

Q That sounds like you feel you have not been articulating them right. Is that acceptable?

MR. ZARB: I will speak from a personal point of view, now, on this. This is not a report of the meeting.

I think it is fair to say the dimensions of this problem are so complicated, particularly when you begin to talk about short term and long term, and begin to talk about balance of payments and the impact on the economy, that we could probably do a better job of describing the nature of the problems to the people.

Q Can we assume that you are considering, in all of this, the possibility of another Arab oil embargo?

MR. ZARB: I think you can assume that we will keep intact our capability to react to any kind of abrupt shut-off of our oil imports.

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Q What about political implications, the realities of what you can or cannot do with the new Congress? Are you people considering it at your level? Is the President getting simultaneous readouts on the political side?

MR. ZARB: The process we have been using includes the talents of many folks around Government to help analyze not only the substantive impact of an alternative but also the ability to accomplish the task through that vehicle with consideration for what you call political -- that sometimes is a big "p" and sometimes a small "p".

It is clear that we cannot recommend a program to the President or offer him options where we have concluded that those options are not achievable.

We would obviously have to show them to him and tell him our conclusions were that this option or that is not "doable" because of one constraint or another.

Q This effect of voluntarism, without having any scientific polls to draw on, it seems obvious to me personally that the country is not talking about a change in lifestyle and certainly not the dramatic change that appears to be required.

There doesn't seem to be any awareness that the Federal Government is demanding this of the Nation's citizens. Is there any consideration being given to doing something more effective in explaining what voluntarism requires beyond the President's speech of October? Will there be nothing from then until his message to Congress in January?

MR. ZARB: The answer to that question is no. There has been a considerable amount of work done in recent weeks in analyzing how we might do a more complete job of relating to the public with respect to how they can conserve, not only from the standpoint of the benefit of the public, but also from the standpoint of the individual family budget.

I think you will see substantially more activity in this area, both in terms of discussion by various Cabinet officers and in Secretary Morton's various presentations, and the work with you we do on a day-to-day basis.

I want to point out one other thing I think is really important; that whatever plan, whatever strategy, whatever technique, it will need to have the support of the American people.

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I think we have all agreed that as a prerequisite to that support, we need to offer the American people not only a complete description of the problem, but a complete and candid description of how we intend to solve the problem, and that, of course, is what this is all about.

MR. NESSEN: Why don't you say a word about both the long-term and short-term supply, and maybe Alan wants to say a word about long-term reliance on imported oil, which was a fair subject of discussion today.

MR. ZARB: The short-term supply improvement situation can really be described in two categories. One is called coal and coal conversion. There is some opportunity there to get some short-term improvement.

Burt Schorr is going to ask me about the environmental aspects of that in a few minutes, so I will hold off and wait for his questions.

The other is the known reserves or the naval petroleum reserves and particularly Elk Hills. Over the short-term, which I define between today and 1977, that primarily is it. We are not going to make a big impact in the nuclear contribution or in some of the other exotic areas we have discussed earlier.

Over the longer-term, however, there are other opportunities. We will have an opportunity to more boldly convert to coal with the liquifaction and gasification processes now underway. Nuclear will make a bigger contribution, and hopefully we will have settled some of the environmental concerns with respect to both the environment and safety.

Of the known reserves, we have the Alaska pipeline, we hopefully, over the longer-term, can satisfactorily settle the question of OCS to the satisfaction of the Nation and get on with the job of determining where we do some additional work there.

Other questions will be resolved, one which is now a current question, such as the surface mining issue, will become clearer. The leasing question of public land for the use of coal, the impact in terms of ability to transport from the Arctic, both gas and oil, will become clearer so that as we look toward 1985 we can see the capability of achieving independence and making a real impact in additional sources of energy to be fairly optimistic, but I think you can see from earlier comments the ability on the short-term to improve additional supplies is fairly short.

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Q How many barrels are possible from coal conversion between now and 1977?

MR. ZARB: Bert, I don't have that in front of me. As I recall the earlier staff work, it went somewhere between 200,000 and 300,000 barrels a day, but that number may be corrected because I don't recall it specifically.

MR. NESSEN: Alan was going to talk about long-range reliance on imported oil.

Q I want to ask about economic effect, if that continues.

MR. GREENSPAN: One of our really basic dilemmas on long-term energy policy is that at these prices in the world markets it is fairly obvious that the amount of new oil that is being discovered, potentially exploited, then may well become available in the years ahead is quite heavy.

At \$11 or \$12 for oil you begin to create vast possibilities of exploration and development which were nowhere near feasible at \$2 and \$3 and \$4 oil.

It is very difficult to forecast oil supplies over the long-term worldwide. You have very large elements of risk in these forecasts, but there is some evidence, at least some weighting of opinion marginally -- I emphasize the word marginally -- that the oil price could be down significantly five, eight or ten years from now largely because consumption is falling relative to real GNP worldwide simply because of displacements of other forms of energy and the capital facilities to change the use of oil per unit of production.

One is confronted with the difficulty on the one hand, this country, for example, having a basic problem. Should it risk longer-term waiting for this event to occur, have vast amounts of oil at lower prices, or should it attempt to insure its industrial structure, its mechanism of economic activity over the very long run?

A very major dilemma is obviously confronting us, and it has confronted us for a very long period of time: can we depend on even low-cost oil which can be shut off at any particular point in time for reasons over which we have no control and which could, of necessity, cripple our industrial structure, or should we attempt to construct some form of insurance which--remember, insurance means you pay a premium--you pay a cost to try to lock in against the contingency which you hope will never happen.

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That is what insurance is all about, and much of our major, longer-term policies must rest on a valuation of this very complex issue.

If we knew for certain that the oil price would fall and fall sharply and, more importantly, that it would be always available in adequate flows to meet the financing, or rather the supplying of our industrial structure, then most of what we are talking about today makes very little sense.

Frankly, we don't believe that, and I think it is incumbent upon us to look very closely at the risks that are involved and to make the judgments which are not easy, but which have to be made on constructing a long-term energy plan for the United States which assures our capability of maintaining adequate industrial activity, adequate economic activity to sustain the level of economic well-being of the American people and not leave them vulnerable to actions outside of our control.

Q Mr. Greenspan, how much of the current discussion and analysis deals with an immediate energy crisis? It seems to me that the focus is on the long-range. What can the American people expect in the months of December, and in January, or February of next year?

MR. GREENSPAN: Frank is our expert.

MR. ZARB: Before I answer that, may I add to my colleague's comments. That is a very critical and cutting issue, and the issue that Alan describes is simply if the supplying countries broke their price to \$4 a barrel by the end of next year, would this Nation do anything different than it is currently planning to do to achieve independence. I think that is really a very important question.

When you ask what the American people expect in December, January and February, I think we will be in a better position to talk to that point after the President has made his decisions with respect to both near-term and long-term actions.

I tried to describe earlier that supply -- except in the area of natural gas where we do have a problem -- supply at a high price is not the problem as it was during the course of the embargo, so that the problem in December and in January is going to be one of having to pay a lot of money for the energy that we use.

Thank you very much.

THE PRESS: Thank you, gentlemen.

END (AT 1:05 P.M. EST)