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THE WHITE HOUSE
PRESS CONFERENCE
OF
FRANK ZARB
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION
AND
JOHN T. DUNLOP
SECRETARY OF LABOR

9:20 A.M. EDT

MR. NESSEN: The Leadership Meeting this morning had three subjects on the agenda. Number one was the question of regulatory reform. I think you know the President has laid out his views on regulatory reform. What he did this morning was he asked the leaders of the Senate and House to each nominate 10 Members -- 10 Members from the Senate and 10 Members from the House -- to come to a meeting at the White House later this month to plan a meeting with the heads and officials of the 10 regulatory agencies. As you know, the President wants to reform the regulatory agencies to lower the cost to consumers, to improve the use of energy, and to expedite the time taken for various regulatory decisions.

So he asked the leaders to get together 10 Members from the Senate, 10 Members from the House, to send to a meeting later this month to discuss that.

The second item on the agenda was energy. The President once again reiterated his strong feeling that the Nation needs an energy program, preferably his program. He said it is mandatory that we move; we just cannot wait for a crisis before we move. Time is running out.

Frank Zarb then gave a rundown on the status of 13 different pieces of energy legislation which are in the process of being considered by Congress.

The final item on the agenda this morning, and the one that we are going to have a briefing on, has to do with the construction of electric utilities, both nuclear-powered and otherwise. And you have been given three pieces of paper. One is a statement by the President. Two is a list of the members of the Labor Management Committee of the President. And the third is recommendations made by the Labor Management Committee on May 21.

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As you see, the President today endorses the recommendations of the Labor Management Committee. The President made the point that these were unanimous recommendations. All the Labor members -- one was absent, I believe -- and all the Management members unanimously approved these recommendations and the President said that was unique.

Now, to explain to you what the recommendations are ---

Q One thing, Ron. Is this the first time they have announced this Labor Management Committee was formed?

MR. NESSEN: Oh, no, they have had a whole series of meetings, and last fall made some recommendations which the President adopted as part of his tax cut package.

Q When was it created?

MR. NESSEN: John was here and he was the chairman before he became Labor Secretary, and he can answer.

Q One other thing on some of your previous subjects. Presumably the House and Senate leaders have agreed to this plan of the President. You have not said that.

MR. NESSEN: There was no agreement asked for today. You are talking about the utility plan?

Q No. I am talking about the nomination of 10 Members from House and Senate.

MR. NESSEN: They said they would go and do it, yes.

Now, to explain to you what the recommendations are, and the importance of them, we have John Dunlop, who is now the Labor Secretary, was the Chairman of the Labor Management Committee; and Frank Zarb, the head of the Federal Energy Administration.

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SECRETARY DUNLOP: As has been said, the Labor-Management Committee has been meeting every four or five weeks since last September 28th, when it was announced. The members of the Committee and the statement of the Committee, that I wish to say a word about, are the text fully in front of you, as well as the President's statement, I believe.

You will recall, also, on January 10th, the President announced that the Committee had made recommendations to him on a tax reduction package, both for business taxes and for personal income taxes. That statement, issued January the 10th, indicated that the Committee would go on from that statement to review a number of problems related to capital shortages and to special problems in the economy, and the Committee, on its own initiative, turned, then, its attention to this electric utilities problem and, over a period of several months, gathered the information about it and has come up with these recommendations.

Let me just summarize what should be said about them, in my view, in these terms: in energy terms, the proposals are a way to reduce the country's dependence upon imported oil. In economic terms, the program and proposals are a means to encourage economic expansion at the critical point of power capacity, which is essential for economic growth. In economic terms, it is also a program for the creation of good jobs, jobs in the operation and construction of electric utilities. In labor-management terms, it represents a desire, on the part of the Committee, to show consensus, to show that they can provide a sense of direction and leadership in the economic area by working together.

The substance of the recommendations, really, are, perhaps, divided into several parts, that I might comment on very briefly. First, there are, in a sense, two legislative packages. One which stands by itself is the Nuclear Indemnity Coverage Law, the so-called Price-Anderson Act, which goes to a separate committee of the Congress, and that is why it is in a separate piece of legislation. And secondly, the four other legislative proposals, which would go to the Ways and Means Committee, which are designed to stimulate electric utility construction and operation -- those four proposals are set forth on pages 2 and 3; the investment tax credit to 12 percent, the placing of the cost of construction into the rate base as they are incurred, instead of deferring them until construction is finished, the fast write-off of pollution control facilities and the method of stimulating equity capital formation in this industry, reducing the debt financing in a way.

In addition to these legislative proposals, I think it is important to recognize that it is the view of the Committee that a small task force ought to be established in the government to look at these particular plants that may have been held up, or shut down, or deferred, and see what measures are appropriate for each of them.

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In other words, in some cases, there may be a problem of environment. In some cases, there may be a siting problem. In some cases, there may be a design problem. In some cases, there may be a labor-management problem, a labor-management dispute. We need a group of people to look at each one of these separately and to design a solution for each plant to see what we can do to get them onstream.

I think, perhaps, that is all I ought to say about it this morning, and, Frank, you would like to say something, perhaps.

Q Mr. Dunlop, before you go, I would like to ask a question.

SECRETARY DUNLOP: I am not going to go. Let him say a word and then I will answer questions.

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MR. ZARB: I would just say that these proposals are entirely consistent with the thrust and direction and objectives of the President's energy program, and there is absolutely no conflict. As a practical matter, they are supportive of what the President attempts to achieve, particularly in the utilities sector.

Rather than take any more time with that kind of talk, why don't we get right to questions.

SECRETARY DUNLOP: We will both answer.

Q Secretary Dunlop, if the utility industry sees this vast market and knows the demand of the country, why haven't they taken this investment on themselves? Are the regulations such that they can't, or is the lack of confidence in the Nation's future such that they won't?

SECRETARY DUNLOP: Maybe Frank ought to comment on that since it is more in his own business.

I think the view of the Committee was that we have had very large increases in costs. We have had very high capital interest rate costs. We have had, of course, partly the short-term economic decline -- very sharp -- and those developments have led these utilities -- as the statement of the Committee makes clear in its very first sentence -- to shut down a lot of plants that it had planned -- coal fired, 129, this says; 106 nuclear. So the purpose of the Committee is to overcome these impediments that have shut it down.

MR. ZARB: I would just add, the impact of imported oil -- when import of residual oil was acquired by electric utilities at a rate of \$3 to \$5 a barrel, you had one set of circumstances and not a tremendous urgency to invest heavily in capital to shift away from oil to coal or nuclear. Even those that were on natural gas, as natural gas ran short they were able to look at a cheap oil supply to make up the deficit.

That change in supply price had an impact on the total capital picture because they then had to make a determination to invest in what is oftentimes a high capital program in the front-end. Even though after construction the consumer would benefit because nuclear power and coal power is cheaper per unit than is oil power right now, they have been unable to raise the sufficient capital in an equity way and have reached their debt limits frequently, and as a result we have a condition where a plant now takes six or eight years, and when it cost previously \$700 million it costs several times that amount and consumers wind up paying interest on it.

So the entire juxtaposition of the various parts of the capital position of utilities has changed considerably in view of the changes in the international oil prices.

Q Dr. Dunlop, how soon do you expect this task force to be working in the field?

SECRETARY DUNLOP: It is our view that that should be set up right away. My view is that it should be under Frank Zarb's direction, and so he can answer that.

The only point that I would emphasize is that we would want to place in his task force, or certainly access to his task force, people with experience on the labor-management side, and I am sure he agrees. So insofar as we have a problem in a given plant -- it may be a dispute or the supply of skilled labor or something of that sort -- the labor-management group can make its contribution to the larger responsibilities that Frank has.

MR. ZARB: August 1st.

Q In the meantime, since, as you point out here, the lead time is considerable given this interruption in the construction schedule, what is going to happen to utility rates, say, in the next five years?

SECRETARY DUNLOP: I am not sure I know the answer. The Committee did not devote itself to that. I will be happy to look into it.

Frank.

MR. ZARB: Tom, I am not sure whether your question is directly related to this proposal or the condition in general.

Q Any way.

MR. ZARB: The notion that energy prices over the short-term are going to go down is not a very valid notion. The talk that we hear from the OPEC nations with respect to their export prices is one that you are quite familiar with. The long-term trends in that direction, if we continue to have our utilities burn imported residual oil, as they do in such great abundance here on the East Coast and some parts of the West Coast, are going to be upward.

If we are going to meet our construction needs as time goes on, utility prices cannot go down and will be going up somewhat. If we are successful in making a transition away from imported oil to non-oil fired electric capacity, the consumer prices as we go out into the future will become stabilized and be a lot less than they would be if we don't engage in this kind of activity.

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Q Frank, as long as we have you up here, we assume you talked to the Members of Congress on the general problem of energy this morning, not just this particular problem. Is that correct?

MR. ZARB: We did talk about the general energy problem. The President laid out what he thought his goals and objectives were from the standpoint of national independence, both near-term and long-term, and reemphasized his commitment to have a comprehensive energy program in place; asked for help from a Congressional standpoint.

And then we went over the individual subtitles of legislation which have nothing to do with the bill which is now on the House Floor. So we did have quite a comprehensive review this morning of the various elements of an energy package and where they stand.

Q Let me ask you this: As long as it seems perfectly clear to most people that the Congress is not going to come up with a sufficient energy package to satisfy the President or the country's needs, where are you going to go next? What are your alternatives in this problem?

MR. ZARB: The "where we go next" question really has to be answered after we see what comes to the House Floor and what the House Floor does with it. If a bill does get to the Floor, in terms of a final vote, and it is passed, then we have to look toward the Senate to see what improvements could be made to that legislation. In the interim, the President has limited administrative authorities which he has already put into motion, and will use to the maximum extent of those authorities.

At one point it is awfully clear, if we are going to have a national energy program we are going to have to do it and work it out with the Congress. It cannot be done exclusively by Executive action. So we are going to have to go back and try again and work it harder and try and work out areas of compromise that will have us have a full program.

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Q Frank, has the President made any new effort, just saying: "Okay, look, we are at a stalemate. You can't come up with anything. You are not looking at mine. Let's get together and see if we can work out something in private?"

MR. ZARB: The fact that the President met with the leadership to indicate his continued desire to work out areas of compromise, as we move along, speaks for itself. The time, however, to work that next step is, really, after the House has completed action on this current bill. As you know, under the House Rules, the bill and its potential amendments are already set in place, and we have to let that process work itself out before any next step.

Q We are in a situation now where it appears that the Republicans oppose the strong things in the Democratic plan because they want their own strong things and vice versa. How do you not have to move as quickly as possible? You wait -- you know what is coming. It is going to be an extremely weak bill that does not satisfy you.

MR. ZARB: My Counsel reminds me that not all of the President's program -- as a practical matter, more than 60 percent of the President's program is in other subtitles, being worked in other committees. We covered those this morning, and in each instance, we are making some progress.

With respect to what you outline as being the final result of this bill, which would not achieve the kinds of conservation that we all think is important, if we have legislation from the House, we are going to have to go back and work for more to build in the extra dimensions of energy conservation that we require.

Q Frank, given the impasse over the energy legislation, some of the frayed feelings up there, do you get the feeling that the legislative proposals contained in these recommendations are going to get quick action by Ways and Means?

SECRETARY DUNLOP: You mean the ones that were incorporated in the Labor-Management Committee?

Q Right.

SECRETARY DUNLOP: I think, on that issue, I should say this: we, with the Committee, are translating these general languages, layman's language, into legislative form in the tax area, which is complicated. We have a draft bill, which runs in the area of 30 pages, which, I trust, the Committee staff -- Counsels to the management side and the union side -- will certify, reflects the willingness of the agreement in the Committee.

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Our understanding is that, the Committee themselves, the labor fellows and the management fellows, will take that bill up to the Hill. They will see that it is introduced. They will argue for it and work for its enactment.

You may remember that, in last January, after their tax reduction proposals, business and personal taxes, Mr. Meany and other members of the Committee on the labor side and several members of the management side jointly went up and visited Mr. Ulman and presented the thing to him and urged him to enact it. My view is that they will work actively for its enactment, and I would think that the Congress would pay attention to that kind of joint effort on their part with the Administration's endorsement.

Q Mr. Secretary, how large a tax break is this?

SECRETARY DUNLOP: Well, the answer to that, of course, depends a little bit on what the final fine print of the tax bill amounts to.

Q What is the proposal? You have a 30-page bill. You must have a Treasury estimate on revenue.

SECRETARY DUNLOP: For the fiscal year 1976, our estimates are in the order of half a billion to below one billion. That is the estimates we have made thus far on the language, which we have now worked out.

Q May I ask another question on the percentage of nuclear power? What is it now, and what is the goal for 1980 and 1985?

SECRETARY DUNLOP: That is not the Committee's business.

Q It is mentioned in this report.

MR. ZARB: Our current generating capacity from nuclear facilities is about 2 percent of total, perhaps a little more than that, which is a mighty small percentage. By the late '80's, we can be approaching the 20 percent range, if we not only get this done but a lot more done and solve some of the other interim problems that tend to delay these projects and leave them open to discussion locally.

As you know, there is a controversy over the safeguards' question and the disposal of nuclear waste's question. Both of these issues have to be solved satisfactorily as we move forward to reach that 20 percent level.

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Q Would these be the so-called fast breeder reactor?

MR. ZARB: No, it is the light water reactor. The contribution to our self-sufficiency program between now and the '85 period has to come from the light water reactor.

Q Frank, is there some kind of program to resolve these uncertainties?

MR. ZARB: There is. We talked about it at great length at our meeting at Camp David last weekend, with the research people. There is a program. We agreed that -- Tom Enders and Bob Seamans and I agreed that FEA would begin to develop a total management program for continued reporting to the Energy Resources Council, and then reporting to the President so that we can monitor the progress made against the goals set out by both ERDA and NRC, even both these categories.

The reason we are in the act is because there are two other agencies that have a stake in both these programs and we will kind of be the secretariat and pull it together and make sure that it gets to the ERC on a continuing basis.

Q About how many bodies are you going to have in a small task force?

MR. ZARB: I have not come to a final decision. The plan at the moment is to have selected and isolated utilities and plants. There are about 106 in question here, and that base will be expanded before we are finished, to have a team of people first assigned to each utility so that a member might have 10 or 15 utilities that he is going to know everything about, what the local problems are, what the national problems are, what the critical paths are to developing these facilities. So that at least we have always the facts precisely related to a single facility.

Up until now we have been really looking at the issue on a macro basis and reaching generalized conclusions that financing is a difficulty, that environmental hold-ups are a difficulty. Well, that is not satisfactory. So there will be sufficient people -- whatever it takes -- to achieve that particular objective.

Q Well, suppose your task force finds that it got unreasonable environmental restrictions applying to a particular project; what do you do then? Write legislation?

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MR. ZARB: I would not preclude that, but it would depend upon the reasons for that. If the process is the legal process and it is in due process, then that is one set of circumstances. If, on the other hand, for example, a Federal agency has not put sufficient talent and horsepower behind developing the legally required environmental protection statement so that it is done within a reasonable period of time, then the task force would report back to me and I would report to ERC and we would take it up there and we would ask simply the question the agency had, "Why this should be delayed in a way that we think is not required?" It might be an individual capital problem.

We will have, as Secretary Dunlop said, a working relationship with the labor side of the House and to the extent that manpower in one form or another is an issue here, we would ask them to come in. So it would just depend on the individual circumstances.

Q Suppose you have an environmental group that has succeeded in bringing a project to a halt. You are going to intervene on the side of the utility against the environmentalist?

MR. ZARB: At this point in time I would not look at that hypothetical situation and suggest on which side we would intervene. We would seek initially, rather than confrontation, to understand the specific issues and see if we can't work out those issues to the satisfaction of all concerns.

Q What are some examples of an unreasonable environmental restriction that you are talking about?

MR. ZARB: I just gave you one, I thought, where the participants in developing data for a legitimate environmental impact statement are not working as diligently as some might consider necessary. We would, in that area, want to work with those who should be working diligently and make sure that they do.

In other areas, there may be misunderstandings or otherwise to satisfy environmental questions that are not being satisfied promptly enough. So even in these cases we got polarization of sides, and you know that. We get those who after two or three or four years of dispute become hardened in their attitudes that they cannot see the opportunities to compromise out what are the legitimate concerns.

So we would first work in that area and continually report to the Energy Resources Council and its membership, and bring in whatever help we need. We are not going to be able to satisfy every problem in every case, but we will try.

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Q Each utility is subject to State laws. Now, is there any move to get common policies -- I mean, through State legislatures -- or is that a hinderance?

Does that bother you at all?

MR. ZARB: It does bother us a lot. There is a funny quilt of differentiation between States and their regulatory approach to utilities, that has given us some difficulties.

Part of these series of measures have built within them some request for consistency. The construction work in progress provision is up there in the President's program. It is also embodied in this provision, as you see it. That is probably the most single important feature of consistency to get us back on the road of some orderly development.

What people oftentimes don't understand is that, in the final analysis, the people who have been picking up the bill are the consumers of American, and if we don't build an orderly process of construction and development that would have a 10-year program and is financed correctly in an even-flow way, then the consumers wind up paying more for construction than they would if it were done within some rational design. This moves in the direction, as does the utility package that is currently up on the Hill, that went up with the President's energy program.

MR. NESSEN: Frank and Secretary Dunlop both indicate their offices are available today to answer your more detailed and technical questions about this proposal.

END

(AT 9:50 A.M. EDT)