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THE WHITE HOUSE

PRESS CONFERENCE

OF

JOHN J. RHODES

REPRESENTATIVE FROM THE STATE OF ARIZONA

AND

PAUL J. FANNIN

SENATOR FROM THE STATE OF ARIZONA

THE BRIEFING ROOM

9:25 A.M. EDT

MR. NESSEN: The President had a meeting with the Republican Congressional leaders this morning and to tell you about it and answer your questions, we have the House Republican leader, Congressman Rhodes, and from the Senate today we are going to have Senator Fannin of Arizona.

The bulk of the meeting was taken up with energy, and Senator Fannin follows the energy legislation closely in the Senate.

CONGRESSMAN RHODES: Ron, we also discussed the bill for the Turkish arms and I think it is well to state that the President still feels very strongly about the passage of this bill, as does Secretary Kissinger.

The bill as it is in the House actually would do nothing other than to release arms which the Turks have already bought and paid for. The Senate version is somewhat less restrictive than that. The House version, we feel, will be adopted. We think the votes are there for this to occur, and then, of course, when the matter goes to conference the conferees between the House and Senate can work out a proposal which we assume will have the effect of getting the agreement between Turkey and Greece and the Cypriots on the track once more.

Q When does the vote come up on the House Floor?

CONGRESSMAN RHODES: On Wednesday. I will be glad to yield to my colleague from Arizona, Senator Fannin, on the energy matter.

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SENATOR FANNIN: On energy, this is the week of energy in the United States Congress. We have more bills under consideration than we have had all year. We have some very important legislation.

The one bill, 4035, which was S. 621 in the Senate, was an all-encompassing bill, a rollback of prices, and will be vetoed by the President. This, of course, is because the Congress is not willing to work with the President on a feasible resolution to our energy program.

We also have the five-day period that will expire this week. It will expire on Wednesday, as far as the President's phase-out program of 30 months on the petroleum prices. That, of course, will come up first in the House, I think, from how it is going at the present time, and then in the Senate, if necessary, but there is an indication that neither House will approve. Of course, just one House can turn down.

There is a great desire by the President, as expressed today, to work out a satisfactory bill before we recess the end of this month. I hope that can be done.

We have bills before the Finance Committee. The bill, 6068, that came over from the House, is in the Finance Committee. We have had hearings in the past week. We will be marking up this week with the hope that a bill can be completed.

This will involve the windfall profits tax and other measures that I think will make an acceptable bill. We are very hopeful that this will be satisfactory to a House Conference, a Conference with the Senate, and that we can have a piece of legislation on the President's desk very shortly.

That is being a little optimistic, but at the same time I feel that there is an inclination, as is shown by the expressions by many, of wanting to go along with the decontrol of natural gas, new natural gas or working out the phase-out as has been incorporated in several of the bills.

S. 692, which is a bill in that regard, coming out of the Commerce Committee, will probably be voted upon this week if it can be worked out. I feel that perhaps a compromise bill will be acceptable, but that, of course, is yet to be seen.

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Q Senator, today, did the President tell you that he intends, if it ever gets there, to veto a six-month extension? And if so, would he consider a one-month extension a good compromise?

SENATOR FANNIN: The President wants to work out legislation with the Congress. He is very desirous of doing so. If necessary, I feel, from his expression, that he would veto the six-month extension although that is not his desire. I think it would be much more desirable -- and his expressions would indicate -- that hoped for legislation would preclude that being necessary.

Q What about a one-month extension?

SENATOR FANNIN: I do not know what the reaction would be on a one-month extension although, of course, as I stated, his desire is to compromise. He has given the Congress his version of what would be best for the Nation, what he thinks would be best for the Nation. He is willing to negotiate in working out legislation that the Congress feels would be desirable, and so it is just a matter of getting together.

I do feel that the six-month extension would be detrimental. At the same time, I do not see where the one-month extension would be of any great help other than just a carryover until we return.

CONGRESSMAN RHODES: I think you would agree with me, Senator, that the fate of any extension is pretty closely bound up with the ability of the President and the Congress to agree on some plan of decontrol. Of course, we are all hopeful that the plan which the President has submitted will meet with the approval of the House and the Senate.

If it does not, then there is still some time for another plan to be submitted, and I have noticed in the House in the last week more recognition of the fact that stalemate really is not what the American people want and that they do want some action in energy, than I had been able to see before.

I am very much in hope that there will be forces brought to bear which can result in some plan for a phased decontrol which will meet with the approval of both branches and which will then allow an extension of the law which provides the President with power for controlling the price of petroleum.

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Q Sir, aren't we facing a fairly predictable chain of events now? The President is going to veto this bill today. He has the votes to get that veto sustained. He is going to lose tomorrow. Congress is likely to come back with six month's extension which the President will veto and that can be sustained, so really aren't we facing stalemate unless we go beyond that? Aren't you already looking ahead now, not to what is going to happen today or tomorrow?

CONGRESSMAN RHODES: I tell you it is your scenario, not mine. But there is no way I could draw a better one. I have no amendments to make.

Q Congressman, you said the bill would simply permit the Turks to obtain what they have already paid for. I thought the bill also permits them to buy additional military aid up to a certain limit. Is that right?

CONGRESSMAN RHODES: There is no grant in aid at all in the House bill, but you are correct. I accept your amendment.

Q Sir, in terms of compromise, did you talk about what that might be, whether the price might be flexible, such as expanding 30 months into 36, 42 months?

CONGRESSMAN RHODES: No, there was no such conversation.

Q Do you think there is a majority sentiment, Mr. Congressman, for eventual phasing-out of all controls?

CONGRESSMAN RHODES: Yes, I think so.

Q When might this alternative be forthcoming?

CONGRESSMAN RHODES: I think it depends on the time and, of course, I don't think we can assume that the present plan won't be approved. I think it probably will be approved, or I think there is a chance for it to be approved.

Q Senator Fannin said he thought not.

CONGRESSMAN RHODES: The Senator speaks for the Senate and I speak for the House, and I have to admit I am more of an optimist than most people are. Be that as it may, I don't think it is possible now to construct any kind of timetable except, of course, the law, as it now is, provides there should be five legislative days for the House and the Senate to disapprove a decontrol plan, so that in itself sets up certain time parameters.

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Q It is not the end of the road, though, if the Ford plan is killed, right?

CONGRESSMAN RHODES: It does not have to be the end of the road.

Q Senator, you said that Congress is not willing to work for the President to get ---

SENATOR FANNIN: No, I said just the opposite. Congress is very willing, as far as certain Members are concerned. In the Finance Committee, I think Senator Long is very desirous of getting a legislation through. Senator Jackson has not -- as all of you know -- been very cooperative with the President's program. He has been very critical of them, but I do feel that we have a change of attitude -- as I expressed -- because of what has happened as far as natural gas is concerned.

The consideration now is entirely different in relationship to natural gas. Most Members, a large percentage of the Members, of the United States Senate, would like to see natural gas decontrolled in one manner or another.

This same consideration, I think, is now developing as far as the decontrol of petroleum products, with the understanding that they would not go beyond what the President has set.

Now, I know that this is going to be of assistance in some relationship, and be a detriment in others, because many of the Members that have worked for complete decontrol do not like the ceiling, whereas others that are very desirous of getting something accomplished feel that this might make it possible.

So I do feel we are making progress, but I don't know whether it will come as rapidly as the President desires or the Congress desires, because this negotiation -- as I stated earlier -- has been showing, I think, a greater consideration because of the pressure of the American people.

Q Gentlemen, how much do you feel that election year politics -- given the fact if this decontrol comes off, we are going to have a gas rise probably early next year amounting to seven cents a gallon according to Administration estimates -- how much do you think election year politics will affect the final compromise, if there is one?

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CONGRESSMAN RHODES: Of course, if the President's plan is adopted there will only be a one-cent per gallon increase in 1975, and the phase-in at the end of 30 months would, we think, provide us about a seven-cent per gallon increase.

Q But if the controls end the first of September, I understand, according to Mr. Zarb, it would go up seven cents a gallon within six to nine months.

CONGRESSMAN RHODES: That is entirely possible. It is not absolutely necessary but it is probable that there will be a rise of that magnitude. Of course, that will occur in 1975 and not 1976.

Q Do you think the American people are willing to accept this?

CONGRESSMAN RHODES: I think the American people are realizing that we do need to produce more oil domestically, not only because we don't want to be completely dependent on foreign sources from a national defense standpoint, but also because every time we buy more oil abroad we have to pay inflated prices and affect the balance of payments.

The best thing we can do for the American consumer in the longrun is to produce more oil domestically.

Q Mr. Rhodes, how much do you think other items besides gasoline will be going up as a result of the President's plan?

CONGRESSMAN RHODES: Well, of course, we have no way of knowing exactly. You are thinking, of course, of fertilizer and butane.

Q I am thinking of everything.

CONGRESSMAN RHODES: Yes, I understand. I think it is safe to say there might be some increase, but I don't have figures before me to delineate it.

Q How long do you think it will be before we get any more oil wells drilled?

CONGRESSMAN RHODES: Sarah, you probably know more about Texas than I do, and I don't really know but I do understand that since the depletion allowance was taken off for the majors that there are a lot of oil rigs in Texas and Oklahoma that are by the side of the road and are not being used, and if decontrol of this oil causes them to be used, then I think it would certainly be in the best interest of the American consumer.

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Q Are you confident that a veto of a six-month extension would be upheld?

CONGRESSMAN RHODES: I am never confident until I count a few noses and I have not counted the noses yet, but I certainly would not despair over the possibility of being able to sustain it.

Q Why do you think a six-month extension would be vetoed?

CONGRESSMAN RHODES: I think because the President feels very strongly that it is necessary for us to decontrol old oil as rapidly as possible, and a package has been offered to the Congress which is a reasonable package, and I would imagine that the President would insist on at least a reasonable part or a lion's share of that package becoming the final agreement between the two branches.

Q Are the oil companies suffering? It seems to me their profits have been mighty high in the past couple years. Why is it there is no exertion on the part of the Administration to push them to produce more without all of this rise?

CONGRESSMAN RHODES: Helen, the Administration has tried. The Republicans have tried to get the majority party in Congress to enact a windfall profits tax ever since last February, with a plowback, which would provide for an increase in production, increase in facilities, to no avail.

I think also another part of the President's program -- which has completely been lost sight of -- is the fact that he asked the Congress to enact a \$2 per barrel tax on all oil produced domestically and imported, and with that was a system of rebates which would have not only given the economy quite a shot in the arm but it also would have put more money in the hands of the average individual through this system of rebates.

Again, the majority party in the Congress has completely lost sight of this and has not done it, so in response to your question, I wish we could get this done.

Q Senator Fannin, I just want to clear up one thing. Earlier I quoted you as saying Congress is not willing to work with the President to get a feasible solution to our energy problem. You stopped me as I was saying that --

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SENATOR FANNIN: They --

Q As you are about to do it now. I just listened to this tape to see if I was correct, and just for the record I want you to know you did say that.

SENATOR FANNIN: I want to clarify that, and I certainly did not intend to misrepresent. The Congress has not been willing to work with the President and it has been a very deplorable position for the President to be in because he was willing to compromise.

I stated that because of the pressure that is coming about now from the American people, as shown by the polls, on decontrol of natural gas, I think the Congress realizes that they must start working with the President if we are going to have a solution of these problems.

I feel that we can work out a compromise bill. It is going to take some give and take, but it is possible because, if we do not, and the prices stay at their present level as far as oil production is concerned, it will drop.

We did have a spurge of new drillings, a tremendous increase in drillings before the depletion allowance was dropped. At the time the depletion allowance was dropped, it did fall off considerably. It still is up over what it was prior to the time the work was done in bringing some of the oil rigs back into this country and the increased drilling came about.

But to make my position clear as to how I feel, we do have a chance, as far as the Finance Committee is concerned, with Senator Long's leadership, to bring out a good compromise bill that I think would be satisfactory to the President. Whether or not we can get that bill through the Senate and through the House or not is another question.

Although I repeat that I do feel that the American people will be best served by a decontrol of oil -- because if we do not, our production is going to drop, so in 1975 -- late 1975 and 1976 -- we will see an increase in the amount of oil coming in, of imports coming in at these high prices so the American consumer will be penalized, not benefited.

Q How do you see the compromise? What are the general outlines?

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SENATOR FANNIN: I think the compromise would be one of a phased-out decontrol program with a windfall profits provision, with a mandatory plowback. This is something that Senator Long has advocated for some time and I feel could be worked out now in the Committee, and I feel that perhaps it would be acceptable in the Senate. I do not know whether or not we could have that bill accepted in the House.

Q Could Congressman Rhodes respond to that? What do you think about that kind of compromise in the House?

CONGRESSMAN RHODES: The Senator has just outlined the proposals -- the Administration program and the House Republican program. It has always been in favor of decontrol plus a windfall profits and a plowback. So we would certainly hope that this would be adopted by the majority party.

Q Would that be over a longer period of time? What would be different on the phase-out?

SENATOR FANNIN: Personally, I don't feel that the phase-out over a longer period of time would be beneficial. I just feel the longer we have the phase-out period, the greater the increase in imports will be.

Q Senator, if it is going to be a compromise there is going to have to be some give in it; otherwise, it is simply a Republican victory. So where is the give?

SENATOR FANNIN: The give is in the windfall profits and the give is as far as the phase-out. The President was not in favor of a long phase-out, and 30 months is a long phase-out.

Q So you are saying you have already compromised?

SENATOR FANNIN: To a certain extent. Of course, the windfall profits matter is a recommendation of the President from the very start, and the plowback has been a recommendation of the President, and now we are just getting around to where -- speaking as far as the Senate's position is concerned -- I feel now the Members have the pressure from home, they realize what is happening as far as not acting on the natural gas problem, and that it has become much more serious because we did not take the action and consequently we are going to be blamed for what has happened.

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CONGRESSMAN RHODES: Another compromise which I think deserves mentioning is the fact there was a cap put on the price of old oil.

Q I would like to ask the Senator a question that was posed to Congressman Rhodes earlier. Basically, are the Democrats not putting the President in a politically unpopular position by forcing him to veto a rollback of oil prices, laying the onus of higher oil prices solely on the Republicans? Isn't this going to hurt him in 1976?

SENATOR FANNIN: The action is not being taken where it will affect what is going to be in effect in 1976. It is my own personal opinion that if we do not take these actions, that the percentage of oil coming in from OPEC nations will be much higher.

Consequently, we will see a greater increase in prices than we will see if the President's program is placed into effect.

Q Gentlemen, do you feel if there is no compromise that the President would be justified in letting all controls lapse and having this sudden jump in gasoline prices?

CONGRESSMAN RHODES: You can make a pretty good argument that that is exactly what you should do because if you were to do that, then the argument goes along the lines that there would be an immediate increase in production from old wells, and that this would in effect give you a quantum jump insofar as production is concerned, and therefore reduce the necessity of imports.

But, I think that most of us would prefer, and very definitely, to have the decontrol phased in so that whatever effect there would be at the gasoline pump would be gradual and the economy could absorb the impact of increased energy prices that much better.

I really think that the latter argument is the more cogent one, that the effect of decontrol on the economy would be mitigated with a phase in rather than with a sudden surge, which is the reason the President is doing his very best to work out some sort of a plan that the Congress will agree to.

Q Do you think President Ford might accept 40 months?

CONGRESSMAN RHODES: I would not want to play that kind of numbers game.

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Q When will the veto come and will there be a message at that time?

CONGRESSMAN RHODES: I think it is coming rather soon -- today.

Q Can you give us a rough idea about what time?

CONGRESSMAN RHODES: I don't know what time of the day, but it will be today, I am told.

MR. NESSEN: I don't have a time for you on the veto today. I would think it might be early to middle afternoon, but I don't have an exact time yet, and I don't have any paper to give you on it yet.

Q Will there be a ceremony?

MR. NESSEN: That has not all been worked out yet.

I would also say, just to keep the record straight, that I would go a little light on the idea that the President is going to compromise beyond where he is. As I have told you before, he considers the phased 30-month decontrol with the windfall profits tax he has asked for, and the rebate to the consumers, to be a compromise and a reasonable compromise.

It is quite a compromise from his original proposal, if you remember. So, in the President's view, this is a reasonable compromise. I would not go very far in the direction of thinking that he is going to immediately come back with any major change in his 30-month phased decontrol with windfall profits tax and a system to give the money back to the people who are paying higher energy costs.

Q Why are they hopeful then that there might be some --

MR. NESSEN: I think, as Senator Fannin said, Congress should be sensing the public mood on this, and certainly the Washington Post editorials reflect a certain segment of public opinion. You see today where they have come down in favor of the President's phased decontrol bill.

So, Senator Fannin, what he was reflecting, I think, was the idea that Congress will get the idea that the public is for this in order to get started out from under the heavy dependence on foreign oil producers.

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Q Is there any other poll saying the American people want the phase out?

MR. NESSEN: There is, and I will have to dig it out. It was about two or three weeks ago, I think.

Q I have heard from a lot of people quite the opposite. I mean, they don't want higher gasoline taxes.

Q Ron, this business of dependence on foreign oil is going to take about -- just to feel any effect in the demand for foreign oil from this program -- it is going to take about two years?

MR. NESSEN: You have to start somewhere. If you put it off six more months, you put off the dependence for six more months.

Q Is this just going to be a panacea right now?

MR. NESSEN: You have to start. We already get 38 percent of our oil from foreign producers. It will be up to 40 soon. The projections are 50 percent if we don't do something. If you put it off six more months, you are just six more months dependent on the Arab producers.

The money goes overseas. Don't forget when drilling operations increase it makes more American jobs and it keeps the money in this country, which are other reasons.

I will be back with more later on.

THE PRESS: Thank you, gentlemen, and thank you, Ron.

END (AT 10:05 A.M. EDT)