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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.

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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.

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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.

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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?

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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.

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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?

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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)