[COMMITTEE PRINT]

ENERGY PROGRAM

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PART ONE:

SUMMARY OF PUBLIC TESTIMONY ON THE ADMINISTRATION'S ENERGY PROPOSALS

PREPARED FOR THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

BY THE STAFF OF THE

JOINT COMMITTEE ON TAXATION

AND THE

CONGRESSIONAL RESEARCH SERVICE

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CONTENTS

INTRODUCTION

This is the fourth in a series of pamphlets prepared for use by the Committee on Ways and Means during its consideration of the Administration's energy program.

This pamphlet (Part one) presents a summary of the public testimony before the Ways and Means Committee during the hearings on the tax aspects of the Administration's energy program. The hearings were held on May 16–20, 23–26, and June 1 and 3, 1977. The Administration testified on May 16–17, and on June 3. The Administration's proposals have been summarized in staff pamphlet No. 1, and described in more detail in staff pamphlet No. 3; and are therefore not covered in this pamphlet. (A summary of statements submitted for the record will be presented in Part two.)

The summary of testimony is organized by topics, and covers the comments of the witnesses on the various Administration energy tax proposals, plus comments on the general energy situation and other suggestions related to the energy program.

The summary was prepared with the assistance of the staff of the Congressional Research Service: Robert L. Bamberger, Frances A. Gulick, David M. Landahl, Gary J. Pagliano, Russell Profozich, and Duane A. Thompson.

I. Overview of Energy Situation and General Comments

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Cites a Chamber of Commerce study predicting that cumulative tax burden of Administration plan would be $473 billion by 1988, or $200 billion excluding the gasoline tax. Notes this to be the equivalent of $10,000 per family in the first instance, $4,000 per family in the second. Indicates that the study shows that the Administration's energy plan would raise Federal spending from 22 to 24 percent of GNP, that the plan would adversely affect total output, personal income, prices and investment, and would result in one million fewer jobs by 1981. Forecasts the plan to increase consumer prices by two percent, and reduce total investment by four percent.

American Iron and Steel Institute, Bruce Thomas, Executive Vice-President (May 18)

Estimates that additional cost to steel industry from Administration plan would be $550 million by 1979, and 4.5 billion by 1985 as a result of higher costs of natural gas and oil, the users tax on oil and natural gas, and the crude oil equalization tax. Indicates that their estimate excludes additional costs likely from higher prices for purchased goods, and pass-through of users tax by utilities.

American Plywood Association, Joseph L. Owens (May 18)

Contends that the President's energy program concentrates almost exclusively on conservation, with little positive to offer on the supply side.

American Textile Manufacturers Association, L. K. Fitzgerald, Vice Chairman, Energy Policy Committee (May 18)

States that user tax will cost textile industry $328 million.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Asserts that overall energy consumption will continue to grow even with conservation, and oil and gas will have to represent a major part of the supply. Accordingly, the question of oil and gas supply needs to be addressed by the Congress to a greater degree and more effectively than does the President's program unless the nation is prepared to accept slower growth and higher unemployment.

Claims that for reasons of Clean Air Act problems, capital formation and simple unavailability of boilers and time, it will be impossible to achieve the quantitative goals by 1985. Major coal burning installations require five- to eight-year lead times, and there are only seven years to 1985. Feels that the date to achieve the Plan's objectives ought to be moved back to perhaps 1990.

Manufacturing Chemists Association, Ronald S. Wishart, Chairman, Energy Conservation Committee (May 19)

Believes that national security requires containment of growth in imported oil, that coal should be burned under boilers in place of oil and gas where it is economic to do so, and that indigenous energy resource development should be encouraged. Contends, however, there is no way to meet the conversion goals by 1985, let alone by the proposed mechanisms, which threaten the economic viability of the chemical industry.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

In general, believes that the impact of the President's Energy Plan initially would be depressing on the economy because it will take more money out of the economy before it puts it back in. Concurs with general objectives, emphasis on conservation, and development of alternative sources.

National Taxpayers Union, James Dale Davidson, Chairman (May 19)

Rejects assertions of energy crisis and current or future shortage of oil. Cites all projected shortages of past as proof future oil and gas will be found if controls are eliminated and inflation lessened.

A. V. Jones, Jr., President, Independent Petroleum Association of America (May 23)

Maintains that it is unrealistic to assume we can conserve our way out of our energy problems because we are 75 percent dependent on crude oil and natural gas. Claims that petroleum will continue to provide the bulk of our nation's energy requirements for at least the next decade or so, while alternative sources are developed and commercialized, and that the only real question is whether the petroleum will come from foreign or domestic sources. Expresses concern that the Administration would consider it to be in the national interest to put the domestic oil and gas exploration and production industry in an economic straitjacket in which it would have no chance to generate—and no incentives to invest—the enormous capital resources required to maximize domestic petroleum exploration and development.

William T. Smith, President, Champlin Oil Co. (May 23)

States that if the economic environment is conducive to investment, the dollars are available and we drill the exploratory wells, it would be not only possible to maintain our current rates of production but to increase them. Claims that if we continue to erode the price the producer receives for his product, if we continue to cause delays that withdraw the public domain from industry use and proper exploration, and if we continue with the policies of not giving the proper incentive and environment for exploration, then the production rates in this country will decline very, very rapidly.

Notes that offshore exploration is almost completely shut down, and the rigs idle. Says that these rigs cost $50 million to build and have high associated costs even when not in use. Claims that these rigs were built in anticipation of running in the Atlantic Ocean and the leases have not yet been issued, so they are still unable to drill there.

Harold D. Hoopman, President of Marathon Oil Co. (May 23)

Believes that the President's energy program has not adequately recognized the need for stimulating domestic supplies. Contends that the recommended taxes will preserve existing distortions and create new ones. Favors decontrol of crude oil and natural gas prices instead. Maintains that in spite of some increased price incentives, indefinite extension of price controls makes the entire energy plan counterproductive because the controls create an atmosphere of uncertainty which can only slow the development of new supplies, especially in remote areas.

John G. Winger, Vice-President, Chase Manhattan Bank (May 23)

Points out that the domestic petroleum industry must make capital expenditures of some $430 billion in the next 10 years. Observes that, in addition, it needs another $220 billion for dividends, a total of $650 billion, and one-half of that could be attained from the capital markets and the other half has to come from profits. Notes that if this is so and if the President's proposal is adopted, the oil industry will not be able to raise enough money from the profits sector and that the petroleum industry, oil and gas, is simply going to start a steady decline. States that of the $650 billion, only approximately one-fourth could be obtained in the capital markets, because the petroleum business is a high risk business; another fourth could come from the various capital recovery provisions that exist; the other half would have to be generated in the form of profit. Maintains that if we start with 1975 as the base year and calculate the rate at which profits would have to grow to accumulate that $225 billion over the decade and look at the circumstances that exist today and those proposed by the Administrator, there is just no way that much capital could be raised.

American Gas Association, George H. Lawrence, President (May 24)

States that the Administration's emphasis is on punitive tax measures that add to the price of natural gas as an incentive to conserve without any added incentives toward increased production. Indicates that with proper incentives, natural gas could provide 25.4 quads of energy in 1983, 6.6 quads more than projected by the Administration's program. Maintains that additional supplies of natural gas and supplemental gas could be provided more cheaply than the anticipated increase in electrical energy requirements.

Columbia Gas System, W. F. Laird, President (May 24)

Argues that H.R. 6831 places too much emphasis on reducing energy demand and increasing coal production. Believes that it should provide the proper economic incentives and a fiscal and tax climate which would increase the production of domestic natural gas.

Edison Electric Institute, Floyd W. Lewis, Chairman (May 24)

Hopes that Congress will consider additional incentives to increase the development of domestic energy in addition to prompting energy conservation. Indicates that less than 15 percent of oil and gas-fired generating capacity is capable of conversion to coal without an almost complete reconstruction of boilers and fuel-handling facilities, the cost of which would greatly exceed the total original cost of the plant. If measures relating to electric utilities in H.R. 6831 are enacted, claims that electricity users would face substantial additional costs.

Indicates out that Title I of H.R. 6831 recognizes that environmental restrictions may result in exemptions from requirements to convert from oil to coal for boiler fuel, yet Title II imposes a "punitive" tax on these facilities even where no other feasible fuel option exists.

Association of American Railroads, William H. Dempsey, President; Chicago and Northwestern Transportation Co., James R. Wolfe, President; and Norfolk and Western Railway Co., John P. Fishwick, President (May 26)

Emphasize that the railroads are a vital link in the coal production chain, hauling about two-thirds of all coal produced. Indicate that meeting the coal transportation objectives for 1985 would require the industry to acquire 9,700 to 13,400 coal cars annually for the next 8 years and somewhere between 380 and 465 locomotives. Although most of the main rail lines are in relatively acceptable condition for carrying coal, note that many of the secondary lines do need attention and that it will be difficult for the industry to address these problems because of the industry's cash flow problems.

Carroll L. Wilson, Project Director, Workshop on Alternative Energy Strategies (June 1)

Points out the final report, *Energy: Global Prospects 1985–2000*, shows: (1) world oil production is likely to level off—perhaps as early as 1985—and that alternative fuels will have to meet growing energy demands; (2) large investments and long lead times are required to produce these fuels on a scale large enough to fill the prospective shortage of oil, the fuel that now furnishes most of the world's energy; and (3) the task for the world is to manage a transition from dependence on oil to greater reliance on other fossil fuels, nuclear energy, and later, to renewable systems.

Believes the President's national energy program must do more—including more emphasis on demand reduction as well as greater incentives for supply. Concludes that, despite efforts in the next 25 years to reduce energy demand and shift to other fuels, the United States will be faced with oil imports of 10 million barrels of oil per day by the year 2000—about 45 percent of total U.S. oil demand.

David S. Schwartz, Michigan State University (June 1)

Contends that to achieve the goals of accelerated alternative fuel supplies, the energy market must be restructured to maximize interfuel competition. Warns that the present situation of the extension of the major petroleum companies into alternative fuel sectors has resulted in serious constraints on the development and production of these fuels. Believes that many companies control reserves under Federal leases which they do not plan to develop until 1990. Maintains that competition is adversely affected by the dominance of the petroleum companies in alternative fuels and only by promoting independent fuel sectors, which will increase production and lower prices, can the objectives of the Administration's energy program be achieved.

II. Transportation Conservation Tax Proposals

A. Auto fuel inefficiency tax and rebate

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Opposes the tax-rebate provision because of potentially adverse effect upon automobile sales and employment. Feels the ripple effect through the economy might be significant. Claims that the tax would discriminate against large families and encourage retention of larger cars.

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Rejects "gas guzzler" tax and rebates as subsidy to foreign car imports at expense of U.S. jobs and as a license to the affluent to waste energy. Recommends if Congress finds EPCA standards and penalties inadequate, then raise the fines and/or increase standards.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Opposes auto fuel efficiency tax and rebate. Contends that the objectives of "gas guzzler" tax will be achieved by existing auto fuel standards.

George M. Brannon, Professor of Economics, Georgetown University (Taxation with Representation) (May 19)

Indicates that tax/rebate system for "gas guzzlers" is preferable to mere reliance on regulation, especially price control. Calculates effect of gas-guzzler tax on major penalty cars will be equivalent to about $1.00 per gallon in gasoline tax.

Argues that miles per gallon is not an ideal efficiency measure. Indicates, for example, that a mini-car carrying one person for 40 miles on one gallon is not as efficient as a car that carries 8 people 20 miles on one gallon. Suggests modifying basis of the taxes and rebates to something that takes account of car capacity.

General Motors Corporation, Henry L. Duncombe, Vice President and Chief Economist (May 25)

Rejects assumption that further Government intervention in the automobile industry is necessary to reduce gasoline consumption. Contends that the proposed auto tax-rebate scheme reflects "an extraordinarily simplistic notion" of how the automobile market functions. Indicates that the impact will be heaviest upon families relying upon a single large car. Asserts that the proposal would increase the value of older, inefficient cars and prolong their retention; concurrently, availability of new, smaller cars carrying a rebate would depress the value of used smaller cars in the fleet. Believes there would be a negative sales impact from this policy, and that it would result in subsidization of imported cars.

Maintains that existing fuel economy standards and law provides incentive for compliance, and that it is clearly in the industry's self-interest to accelerate replacement of the existing fleet. States that a marketable product line that meets the EPCA sandards will reduce gasoline consumption by 13 percent between 1977 and 1985, exceeding the Administration goal. However, considers the "almost single-minded focus" on new car efficiency to be a slow means for achieving significant conservation.

Ford Motor Company, F. G. Secrest, Executive Vice-President (May 25)

Endorses need for comprehensive energy policy but believes that such a policy for automobiles is already embodied in EPCA. Sees no basis for the tax proposals except on the basis of an assumption by the Administration that the EPCA standards will not be met. Considers the tax-rebate proposal to be unnecessary in addition to EPCA standards.

Notes studies which, assuming compliance with the mileage standards, estimate incremental fuel savings of the tax-rebate plan to be between .005–.02 percent. Cites DOT study which predicts that compliance with EPCA standards will reduce gasoline consumption by 17 percent below 1976 levels by 1985. Since EPCA standards assume that some cars will be above and below the mandated standards, feels it is not appropriate to tax cars below the average if overall goal is being met. Maintains that the auto tax-rebate scheme would be disruptive as it could not be implemented without either subsidizing imports or causing trade repercussions.

Chrysler Corporation, Harold K. Sperlich, Vice-President, Product Planning and Design (May 25)

Asserts that an additional system of auto efficiency taxes and rebates would disrupt programs underway for compliance with EPCA standards, and would take away necessary flexibility manufacturers need to meet both the standards and the variety of choice demanded by consumers. Believes there is no fair way to apply the tax and rebate to imports without penalizing American car sales and workers, or imposing unfair restraints upon trade. Feels that present standards will accomplish Administration goal of cutting gasoline consumption by 10 percent and that standards can be met through operation of free market and institution of reasonable emission standards.

American Motors Corp., Frederick A. Stewart, Vice-President, Government Affairs (May 25)

Supports the automobile tax-rebate proposal as a means of heightening awareness of the need for conservation and for accelerating acceptance of smaller cars. Notes that operating cost of a small car averaged $2,300 in 1976, compared to $3,300 for standard-sized or larger cars. Also indicates that about 26,000 BTUs of energy are required per manufactured pound to produce an automobile, which results in greater energy use in production of heavier cars. Disagrees with those who feel EPCA standards are sufficient, noting record sales of larger cars in 1976. Acknowledges problems posed by imported cars in implementation of tax-rebate provisions.

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Douglas Fraser, President (May 25)

Does not believe the gas guzzler tax would improve operation of the EPCA standards, and that it could make standards less effective. Notes that the existing standards permit manufacture of a range of cars to meet consumer needs. Asserts that the gas guzzler tax would place six-passenger cars beyond means of working families. Believes that the operation of existing standards will systematically eliminate production of excessive gas guzzlers. If Congress feels standards may not be met, would accept and support strengthening penalties. Contends that enacting gas guzzler tax now presumes guilt with respect to compliance before law is actually in effect. Opposes alternate plan proposed by some to impose the tax and drop the rebate because rebate would provide a stimulus for the sale of domestic fuel-efficient cars.

American Automobile Association, John de Lorenzi, Managing Director, Public Policy Division (May 25)

Maintains that the gas guzzler tax is unnecessary in light of existing mileage standards, and that it could be potentially destructive to the automotive industry.

Honorable Philip E. Ruppe, Member of Congress, Michigan (June 1)

Asserts that the automobile has been incorrectly and unfairly targeted as the primary source of the energy problem. Indicates that while principal purpose of tax-rebate plan is to change consumption habits, the main result will be to penalize large families, discriminate against rural drivers, and impair economic recovery of automobile industry. Considers the label, "gas guzzler," to be misleading since it makes no distinction between a station wagon carrying several passengers and a more fuel efficient car carrying only one passenger. Maintains that large cars are necessary to families, as well as for farming and construction occupations.

Believes EPCA standards address need for automobile fuel conservation, and cites estimate that present law will effect a 17 percent reduction in gasoline consumption by 1985. Sees no way around import problem posed by Administration proposal; the policy will either have the effect of subsidizing imports and depressing domestic sales, or violating the GATT.

Honorable Bill Alexander, Member of Congress, Arkansas (June 1)

Supports the auto tax and rebate proposal.

Edward S. Scott, Tulsa, Oklahoma (June 1)

Objects to the "gas guzzler" tax as another "soak the rich ploy" to gain public approval of the total energy program.

B. Standby gasoline tax and rebate

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Opposes the standby gasoline tax because it would force increase in consumer prices, as well as inequitability burden lower income and rural groups. Asserts that the rebate of the tax would not necessarily return revenues to those who paid the tax and would ultimately redistribute wealth.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

Maintains that a standby gasoline tax of even 50 cents would not conserve fuel. Recommends, instead, tax incentives for industrial fleet conversion from gasoline to diesel, by expanding business energy tax credit in Section 1301 to provide extra investment tax credit on fleet conversion. Indicates that the baking industry operates about 125,000 gasoline powered delivery trucks, averaging 20,000 miles per year at 8 mpg, and using about 325 million gallons of gasoline a year; conversion to diesel would increase mpg to 16, saving estimated 100 to 150 million gallons of fuel a year.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Contends that the gasoline tax would recycle billions of dollars with probably little impact. Maintains that the impact of redistribution of revenues would be inequitable.

George M. Brannon, Professor of Economics, Georgetown University (Taxation with Representation) (May 19)

Does not take the standby gasoline tax proposal seriously.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Contends that the "standby tax" is a sales tax, with its burden falling most heavily on people of low income and representing an attempt to ration by price.

Believes if it is necessary, gasoline rationing would be preferable to the increased tax, probably a two-tier method which would allow everyone a certain amount at the established price with additional amounts available at a price made higher by a tax.

National Taxpayers Union, James Dale Davidson, Chairman (May 19)

Objects to standby tax on gasoline. Recommends, instead, revision of ICC regulations that require long-distance trucks to waste fuel—estimated at 1.25 billion gallons—by driving out of their way or returning empty, ending malprogramming of traffic lights and conversion to roundabout systems to improve travel efficiency and flow. Urges Congress instead to reduce gasoline tax as prices rise.

General Motors Corporation, Henry L. Duncombe, Vice-President and Chief Economist (May 25)

Notes that the price of gasoline does have some bearing on the types of cars people will buy, but is opposed to the gasoline tax. Views gasoline tax as a "poor substitute" for the marketplace. Would favor decontrol and, if necessary, taxing imported oil.

Ford Motor Company, F. G. Secrest, Executive Vice-President (May 25)

In lieu of taxing new cars, contends that more attention should be paid to reducing gasoline consumption of existing fleet. Endorses the concept that the price of gasoline will have to rise, if only to ensure replacement from more expensive sources. Sees gasoline tax as "one of several reasonable options" for achieving conservation.

Highway Users Federation, Peter G. Koltnow, President (May 25)

Points out that, historically, user taxes on gasoline have gone for highway construction and maintenance rather than to discourage consumption. Opposes increasing user tax as a conservation measure and thereby preempting an accepted source of road funds. Doubts that standby gasoline tax, if imposed, would reduce consumption as smiliar price increases in past few years have had "no measurable effect" upon consumption. Feels that the proposed tax would be an unfair penalty since it does not distinguish between legitimate and wasteful consumption.

In lieu, favors: (1) increased car and vanpooling, (2) enforcement of 55 mile-per-hour speed limits, (3) improved traffic management, (4) keeping streets and roads in good condition since damaged streets can impose fuel penalty of 20 percent, (5) maintaining Federal motor vehicle fleet, and (6) encouraging switch to radial tires.

American Motors Corp., Frederick A. Stewart, Vice-President, Government Affairs (May 25)

Believes that the existing EPCA standards, coupled with the tax-rebate program, should make it unnecessary to ever impose the gasoline tax.

American Automobile Association, John de Lorenzi, Managing Director, Public Policy Division (May 25)

Contends that an increased gasoline tax is unnecessary since OPEC will undoubtedly increase prices and because other increased petroleum costs are likely to be added to the cost of gasoline.

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Douglas Fraser, President (May 25)

Contends that the proposed gasoline tax would neither be effective or equitable. Believes that the consumer would probably feel that their individual action would be too insignificant to have an impact on imposition or non-imposition of tax; thus, the tax is therefore unlikely to change consumer behavior. Feels that it is not reasonable to place undue emphasis on reduction of gasoline consumption, as compared to other petroleum uses, since technical limitations in refining process make it difficult to susbtitute the manufacture of one refined product for another from a given barrel of oil. Expresses concern that revenues from the tax will not be rebated as originally proposed by the Administration.

Honorable Bill Alexander, Member of Congress, Arkansas (June 1)

Opposes the standby gasoline tax. Notes studies which show that price has little dampening effect upon gasoline demand. Believes that the standby gasoline tax would have inflationary effect, adding to cost of goods and services, and would mean withdrawal of large amounts of spending power from the economy. Contends that the gas tax is inherently unfair to rural areas (such as Arkansas) where no alternative form of transportation is available or feasible. Maintains that the gas tax does not distinguish between purposes for fuel consumption. States that the rebate would not reduce inequity since a per capita rebate does not consider individual taxpayer's dependence upon gasoline.

Honorable Claude Pepper, Member of Congress, Florida (June 1)

Expresses concern about the effect of proposed gasoline tax on the tourist industry.

Honorable Barry M. Goldwater, Jr., Member of Congress, California (June 1)

Opposes the standby gasoline tax as inequitable to those having no real alternative mode of transportation.

Edward S. Scott, Tulsa, Oklahoma (June 1)

Objects to the gasoline tax as falling just as heavily on necessary as unnecessary uses.

C. Other vehicle-related tax items

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Supports the proposal to eliminate the 10-percent excise tax on intercity buses as appropriate Federal tax policy. Also, endorses proposal to raise the excise tax on fuel used for noncommercial aviation from 7 cents to 11 cents per gallon.

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Favors removal of 10-percent manufacturer's excise tax on buses. Feels this would encourage more use of intercity bus transportation and would remove tax distinction between local transit and intercity buses.

National LP–Gas Association, Arthur C. Kreutzer, Executive Vice President (May 24)

Recommends that Section 4041 of the Internal Revenue Code be amended to limit the tax on liquidfied petroleum gas (propane) to use in a highway motor vehicle, since propane used to power an industrial truck is subject to a 2 cents per gallon tax while electricity or diesel fuel used to power an industrial truck is not subject to taxation. States that propane is a more efficient fuel and results in less pollution than do other fuels used to power industrial trucks, and thus, its use promotes national energy goals.

National Association of Motor Bus Owners, Charles A. Webb, President (May 26)

Indicates that intercity buses are more fuel efficient than either rail passenger service or airline service.

Recommends the following: discontinuing of the 10-percent excise tax on intercity buses sold after April 20, 1977; exemption of intercity buses from other highway users taxes; refund of the crude oil equalization tax so that the higher cost of diesel fuel is not passed on to intercity bus operators; and treating the purchase of intercity buses as business energy property within the meaning of the energy bill, thus increasing the available investment tax credit from 10 to 20 percent.

National Boating Associations and National Association of Engine and Boat Manufacturers, George Page, Chairman, Government Relations Committee (NAEBM) (May 26)

Indicates that over the past few years the boating and engine industry have been developing more efficient engines along with lighter boats which require much less energy for propulsion. Feels that the boating industry should not be singled out as the only fuel-consuming recreation to make a contribution toward energy conservation. Believes that greater energy conservation could be achieved if a greater portion of the proceeds from the taxes paid by the boating public could be directed toward the development of boating facilities nearer larger population centers. This policy would enable a greater number of people to participate in the activity and would require less consumption of gasoline by automobiles traveling to and from more distant boating facilities.

Honorable Barry M. Goldwater, Jr., Member of Congress, California (June 1)

Objects to the proposed increase in the fuels tax on general aviation.

Proposes (as in H.R. 7176) an itemized deduction for expenses related to the use of a passenger auto in a carpool.

III. Residential Conservation Tax Incentives

A. Residential energy credit

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Would accept residential conservation tax incentives, noting that of all the tax provisions in the Administration plan, the residential tax credit would have the least adverse impact on tax system and economy.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Supports home owners' tax credit if standards are promulgated assuring positive cost/benefit ratio.

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Supports homeowner's tax credits for energy conservation and solar equipment. Also recommends Federal low interest direct loans and loan guarantees to enlarge participation.

Community Associations Institute, Arthur H. Schreiber, General Counsel (May 20)

Recommends extending the residential energy tax credit to allow owners of dwelling units in a condominium to claim their proportionate share of qualified energy expenditures incurred on their behalf by the condominium association from homeowner assessment funds. Submits that the limitation of qualified energy conservation credit only to residential units presently in existence will limit the full incentive sought. Proposes that the credit be given to all units until a stringent energy conservation building standard is imposed.

National Mineral Wool Insulation Association, Sheldon H. Cady, Executive Vice-President (May 20)

Endorses the concept of tax incentives for approved conservation measures if prompt action is taken so voluntary compliance is not curtailed in anticipation of legislative enactment. Favors rewarding the homeowners' past efforts by making the legislation retroactive for a reasonable period. Also favors giving improvements priority in their order of conservation importance and encouraging programs to assure that Government stimulation of the insulation market will not be taken advantage of. Suggests a minimum 9-year life for the credit and an assurance of uninterrupted appropriate energy supply to manufacturers of energy conserving materials to insure their availability.

Season-All-Industries, Frank Gorell, President, Indiana, Pa., (*May 20*)

Advocates adding thermalized custom-fit replacement windows to the list of approved energy conservation measures eligible for the tax credit. Contends that more energy would be saved by replacing poor windows with new improved windows than by adding storm windows. Indicates that deteriorated single-glazed, nonweatherstripped windows waste more heating and cooling energy than any other part of a building. Believes that installation of aluminum thermally-improved windows saves maintenance costs as well as fuel costs and the investment can be repaid in 15–20 years.

Normoyle Siding Specialists, Robert Normoyle, President, Moline, Ill. (*May 20*)

States that 60 percent of the homes North of the Mason-Dixon line are not adequately insulated, but should be made so. Contends that although thermal windows, re-roofing, and batting insulation are good means of conserving energy, exterior re-siding is an alternate means which should be considered. Asserts that 1,000,000 homes were re-sided last year and the homeowners who use this method to reduce fuel consumption should be eligible for a tax credit.

Harold D. Hoopman, President, Marathon Oil Company (*May 23*)

Favors programs that would tend to more efficiently use the energy that is available in the United States; considers encouraging insulation of homes and the other programs of that type to have a long-time beneficial effect and are steps in the right direction and should be supported.

American Gas Association, George H. Lawrence, President (*May 24*)

Supports the residential conservation tax credit features of H.R. 6831, with the modification that utility expenses incurred through this conservation program be tax deductible in the year incurred.

Honorable William S. Cohen, Member of Congress, Maine (*June 1*)

Feels one of the most important aspects of a conservation policy is the tax credit providing homeowners with the ability and the incentive to make energy savings improvements in their residences. Endorses the residential conservation tax credit proposal. Points out that the potential in residential conservation is large because many existing homes are under-insulated or contain no insulation at all.

Honorable Barry M. Goldwater, Jr., Member of Congress, California (*June 1*)

Urges support of tax incentives for home conservation measures included in H.R. 5555.

B. Residential solar credit

Solar Energy Industries Association, Sheldon H. Butt, President and Paul W Cronin, Government Relations Committee (*May 20*)

Believe the National Energy Act program for solar tax credits will be an effective means of accelerating wide use of solar energy. Encourage swift enactment of the solar credit because of its critical importance to the smaller solar energy firms. Suggest an additional 15-percent tax credit incentive for homeowners retrofitting with solar and replacing natural gas heating to encourage greater natural gas conservation. Suggest an additional tax credit for the first $100,000 to encourage small business oil and natural gas users who are exempt from the President's user tax to switch to solar energy.

Honorable Chalmers P. Wylie, Member of Congress, Ohio (June 1)

Calls realistic the President's goal of using solar energy in 2½ million homes by 1985. Suggests however, some refinements in the solar program such as making it clear the Secretary of the Treasury has the authority to promulgate standards for solar energy equipment qualifying for the tax credit. Feels in addition, graduating the credit downward from 40 percent of the first $1,000 to 25 percent of the $6,000 favors the least expensive solar systems. Suggests instead, a flat 25 percent tax credit for all solar equipment.

Honorable Barry M. Goldwater, Jr., Member of Congress, California (June 1)

Supports tax incentives for home solar energy equipment contained in H.R. 5555.

IV. Business Conservation Tax Incentives

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Would not oppose tax credits for business for energy-saving equipment, but would prefer a permanent increase in the investment tax credit generally for all business.

American Iron and Steel Institute, Bruce Thomas, Executive Vice-President (May 18)

Believes rebates and economic incentives should be applicable to improvements in existing facilities that would contribute to efficiency. Feels that construction of new coke plants should also be eligible for tax credit incentives.

American Paper Institute, Andrew C. Sigler (May 18)

Supports proposed credits for energy conservation, co-generation, and alternative energy investments (including use of wood fibers). Recommends removal of the 50% of tax liability for investment credits.

American Textile Manufacturer's Association, L. K. Fitzgerald, Vice Chairman, Energy Policy Committee (May 18)

Favors the proposed business energy tax credit, but believes its scale should be higher and be uniform for all energy property.

National Forest Product Association, Thomas Orth, President (May 18)

Favors business energy tax credit, but would like to see other fuels, such as wood residue, included.

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Opposes business energy tax credit proposals as wasting tax dollars and rewarding larger firms for doing what they would do anyway.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

In lieu of standby gasoline tax, recommends tax incentives for industrial fleet conversion from gasoline to diesel, by expanding business energy tax credit in Section 1301 of H.R. 6831 to provide extra investment tax credit on fleet conversion to diesel fuel.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Favors accelerated amortization of conversion costs for industry and utilities.

American Hotel & Motel Association, Robert Aulbach, Energy Management Consultant (May 20)

Encourages Congress to approve the additional 10-percent investment tax credit for energy conservation improvements of business facilities. Believes the investment tax credit could reduce the number of hotels and motels forced to close because of rapidly escalating energy costs. Points out the President's user tax on gas and oil could significantly increase the cost of electric energy to hotels and motels if the law permits utilities to pass the tax cost on to its customers.

National Insulation Contractors Association, Walter Ship, Chairman, Government Relations Committee (May 20)

Expresses particular concern with the adequacy of the financial incentives for the conservation of energy through retrofitting business and industrial structures. Questions the sufficiency of the 10-percent business credit for energy conservation expenditures and suggests that financial incentives should also include accelerated depreciation, such as the proposal for a 3-year writeoff on retrofitting which would be good for 10 years. Notes that a large potential for further energy savings remains in the industrial sector but the motivation to invest depends upon what Congress does in regard to permitting faster write-offs on investments and the general tax policy. Feels that favorable action on fiscal and monetary policies would spur activity in attaining the energy conservation goals and continuing a healthy economic growth.

American Gas Association, George H. Lawrence, President (May 24)

Recommends that the investment tax credit for the natural gas industry be increased from 10 percent to 12 percent on a permanent basis, with normalization requirements unchanged and the investment credit limitation removed. Proposes that any surcharge revenue collected by natural gas companies solely for the purpose of exploration and development of new sources of natural gas be excluded from taxable income; and the cost of feasibility and environmental studies, certification start-up programs, and other pre-operating expenses be deductable as incurred rather than being capitalized over a period of years.

Suggests a new classification for energy property be created which would provide, at the taxpayer's binding election: (1) a depreciable life of 8–10 years for the facility with an appropriate investment credit rate, or (2) a 5-year amortization of the cost of the energy facility, with no investment credit, but with normalization required.

American Gas Association, George H. Lawrence, President (May 24)

Supports the business conservation tax credit features in H.R. 6831 with the modification that businesses be entitled to a 10 percent tax credit, in addition to the existing investment tax credit, for investments made in approved conservation measures.

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Douglas Fraser, President (May 25)

Maintains that we must not rely too heavily on tax "gimmicks" to reach conservation goals. Opposes investment tax credit for conservation equipment, since such expenditures will provide positive savings anyway; claims that an additional tax credit beyond realized savings amounts to unnecessary give-away.

William Ward, President, Great Plains Windustries, Inc., Lawrence, Kansas (June 1)

Feels that wind power has not received the support it deserves from the Federal Government in view of its large potential. Supports this alternative energy source as attractive because it doesn't destroy land, leave wastes or endanger lives. It is also inexhaustible, the resources are widely available, and it consumes no input fuel. Urges the inclusion of wind machines with other solar energy devices for tax credits necessary to stimulate their production because of the substantial capital investments they represent.

Frank Eldridge, Division Staff, Mitre Corp., McLean, Virginia (June 1)

Suggests that further Federal studies of the small wind energy conversion systems (WECS) are needed to investigate use of this energy potential for purposes other than generating electricity. Contends that in comparison, solar and wind energy systems are similar in order of magnitude of the cost of the collector area and the initial capital cost is larger than that for conventional systems. Indicates that this indicates the need for Federal incentives to increase the number of WECS units and accelerate the rate of installation.

V. Crude Oil Tax and Rebate

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Opposes crude oil equalization tax. Contends that it would actually be an anti-investment tax since producers will receive none of the difference between the world price and the control price of oil. Proposes that if enacted, legislation should contain a plowback provision to facilitate investment in exploration and development. Estimates that plowback provision could stimulate additional production of 2.8 million barrels per day by 1985.

Manufacturing Chemists Association, Ronald S. Wishart, Chairman, Energy Conservation Committee (May 19)

Opposes the oil equalization tax proposal.

George M. Brannon, Professor of Economics, Georgetown University (Taxation with Representation) (May 19)

Considers the Administration's equalization tax on crude oil to be similar to the prior Administration's proposed windfall tax.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

Supports crude oil equalization tax if accompanied by adequate incentives to producers.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Opposes oil equalization tax as increasing OPEC power to determine U.S. domestic energy prices and U.S. energy taxes.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

States that the proposed oil equalization tax does nothing to encourage exploration for new oil or development of high cost known reserves. Recommends that both conservation and exploration and development of new oil sources be accomplished by a phaseout of price controls over several years. Suggests that, to the extent necessary to avoid excess windfall profits, the price control phaseout could be accompanied by excise taxes on crude oil which could be offset or reduced by investments in exploration and development.

National Taxpayers Union, James Dale Davidson, Chairman (May 19)

Opposes the proposed oil equalization tax.

Charles D. Fraser, Permian Basin Petroleum Association (May 23)

Feels that the concept of the equalization tax should not be adopted.

Dalton J. Woods, Shreveport, Louisiana (May 23)

Claims that the President's program places the entire emphasis on taxes, and none upon helping the industry's problem of capital formation necessary to continue exploration for new oil and gas reserves. Indicates that the Administration's plan to increase prices through an equalization tax will bring the price of oil up to the free market or world price, although none of the increase will go to the producer, nor help him in his capital formation. Claims it will just be another tax on the consumers.

Harold D. Hoopman, President, Marathon Oil Co. (May 23)

Claims that the crude oil equalization tax will compound and perpetuate the distortions inherent in the entitlements system and could cause rollbacks from either of two causes: (1) the tax is based on the difference between average costs of controlled domestic and foreign crudes, rather than the actual differences between crude costs and market values; or (2) if a part of the tax cannot be passed through in the marketplace and is absorbed by producers. States that a price rollback could also result if the full value of the tax could not be passed through and the industry were required to absorb one-third of the tax. Claims that the amount the Administration expects industry to absorb is $2.5 billion in profits, a reduction of one-third. Prefers an excess profits tax as an alternative to continued price controls.

Maintains that the best approach would be to impose a crude oil equalization excise tax at the wellhead and based on the actual increase in revenue to each producer, thereby insuring that no producer would be placed in a worse position than under existing controls. Recommends that the wellhead tax should be phased out over a fixed schedule of 3–4 years, be applied only to "lower tier" or "old" oil as it is decontrolled except for high-cost secondary and tertiary recovery projects, recognize additional State and local taxes incurred, reflect the impact of inflation, and be limited such that it would not preclude high-cost projects.

Edison Electric Institute, Floyd W. Lewis, Chairman (May 24)

States that the residential rebate on home heating oil is inequitable because if the oil is used by a utility to generate electricity which is then used to heat a home the customer gets no rebate.

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Douglas Fraser, President (May 25)

Supports concept of welhead tax as proposed by the Administration. Unlike the proposed transportation taxes, indicates that the wellhead tax would have the advantage of operating across entire spectrum of petroleum usage. Notes that support for wellhead tax is contingent upon per capita rebates remaining an integral part of the proposal so that it will be progressive in impact.

National Association of Motor Buses, Charles A. Webb, President (May 26)

Opposes the crude oil equalization tax. Contends that increase in price of diesel fuel of 6.5 cents per gallon would be unfair in light of greater efficiency of motor buses and financial condition of bus systems.

Honorable Bill Alexander, Member of Congress, Arkansas (June 1)

Expresses support for the proposed tax on oil and gas to bring their prices up to world levels, although feels that such price levels reflect the market power of the OPEC countries and the oil companies, rather than supply and demand.

David G. Wilson, Department of Mechanical Engineering, Massachusetts Institute of Technology (June 1)

Favors the President's program to tax nonrenewable energy, particularly petroleum-deprived energy, and to rebate the tax proceeds equally to U.S. adults. Calls the program equitable, efficient to administer and economically sensible for controlling energy consumption. Believes the program will boost consumer purchasing power and reduce the U.S. balance of payments' deficit.

Edward S. Scott, Tulsa, Oklahoma (June 1)

Contends that the crude oil equalization tax and the industrial user natural gas tax will both increase the cost to the consumer and do nothing to encourage exploration, production, research or development.

VI. Tax on Industrial Use of Oil and Gas

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Opposes user tax on oil and natural gas. Believes user tax is an ineffective means for achieving conservation. Indicates that the tax would be punitive where industrial processes are not convertible to coal, or where conversion is not feasible for either environmental or economic reasons.

American Iron and Steel Institute, Bruce Thomas, Executive Vice-President (May 18)

Opposes concept of users tax on oil and natural gas as it would have industry paying higher cost for energy while residential and commercial customers continue to pay artificially low prices. Would prefer to have price impact shared by all users of energy through deregulation.

American Textile Manufacturers Association, L. K. Fitzgerald, Vice-Chairman, Energy Policy Committee (May 18)

Expresses opposition to the users tax, as it would have negative impact on textile industry due to higher taxes and higher prices for finished goods and would result in loss of sales to imports and loss of jobs. Believes that the tax would increase costs without corollary promise of increasing supply. Would favor exempting from user tax those operations for which there is no substitute for oil or gas.

Manufacturing Chemists Association, Ronald S. Wishart, Chairman, Energy Conservation Committee (May 19)

Opposes tax on industrial use of oil and gas. Points out that for energy intensive industries like chemicals—particularly petrochemical where today fuel and hydrocarbon raw material needs account for upwards of 25 cents on the sales dollar—the impact of the end user tax would be damaging. Contends that in a relatively brief period the crude oil equalization tax would raise raw material and fuel costs from $3 below world oil parity to $3 above world oil parity pricing.

Maintains this would adversely affect foreign sales of chemicals, which amounted to $10 billion in 1976, with a $5.2 billion favorable balance of trade. Contends that the effect will also be felt by other industries like automotive, textiles, construction and agriculture.

Asserts that the raw material use of petroleum and natural gas and at least half the energy use is nonconservable and not substitutable; hence, the effect will be inflationary as well as harmful to the U.S. balance of trade.

National Taxpayers Union, James Dale Davidson, Chairman (May 19)

Asserts that the proposed tax on industrial use of oil and gas will reduce the standard of living of the average American, increase living costs, and contribute to unemployment.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

Feels that the bakery industry should be exempt from industrial end users tax. Indicates that commercial bread ovens are 90 percent direct-fired gas ovens, and cannot convert as it would require 30 percent more energy to convert. Suggests that the exemption for some agricultural uses should be expanded to include essential applications of natural gas for all food processing and packaging.

AFL-CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Supports tax on industrial and utility users of oil and natural gas, and urges that conversion should be mandated.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Concurs with the conservation purpose of the consumption taxes on use of oil and gas by industry and utilities, if additional write-offs of investment are provided.

American Gas Association, George H. Lawrence, President (May 24)

Opposes the industrial users' tax on natural gas. Asserts that it would increase the price but provide little incentive to conserve. Feels that the phase-out of gas boiler fuel would be better accomplished by a legislative program or regulatory schedule than by a tax program.

American Natural Resources Company, Arthur R. Seder, Jr., Chairman (May 24)

Opposes imposition of natural gas consumption tax. Asserts that the tax is poorly conceived and constructed and would have an inflationary effect on the economy of 0.2 percent in 1979 and 0.4 percent in 1983. Contends that conservation of natural gas will be accomplished by Section 414 and Section 601 of H.R. 6831, thus the users' tax is unnecessary. Objects to a users' tax on use of natural gas for feedstock.

Columbia Gas System, W. F. Laird, President (May 24)

States that the imposition of a natural gas industrial users' tax will increase inflation without resulting in any substantial conversion of industrial use to coal. If the Congress wishes to price natural gas at its replacement cost, believes that it should do so by deregulating the price of new gas at the wellhead rather than imposing a user tax.

Montana Power Company, William H. Coldiron, Executive Vice President (May 24)

Opposes the enactment of the oil and gas consumption taxes proposed in H.R. 6831. States that a natural gas users' tax will cause the industrial customers on the company's system to switch to other fuels, leaving the fixed costs of production, transmission and distribution to be paid by the residential and commercial customers. Claims that these costs, plus additional costs that are built into H.R. 6831, and other costs already being incurred by the Company will cause the price of natural gas to residential customers to increase by more than 57 percent. Asserts that a natural gas users' tax will not allow natural gas to compete in the home heating market with electric heat which is less efficient than gas heat.

Edison Electric Institute, Floyd W. Lewis, Chairman (May 24)

States that oil consumption tax burden would fall disproportionately hard on customers in the Northeast, Southwest and in California, while the gas consumption tax burden would hit hardest on customers in the Southeast and Southwest. Suggests that the date to apply the industrial users' tax on gas and oil should be delayed so that conversion can be implemented.

VII. Coal Conversion Incentives

American Textile Manufacturers Association, L. K. Fitzgerald, Vice Chairman, Energy Policy Committee (May 18)

Considers conversion to coal would be inappropriate for certain operations that require natural gas or propane.

American Paper Institute, Andrew C. Sigler (May 18)

Considers conversion to coal to be impractical for paper industry due to location of mills and because expenditures for meeting present and future air and water standards are claiming much of the industry's capital. Expresses concern about the availability of future coal supply and the availability of equipment for accomplishing coal conversion on the scale proposed by the Administration.

National Forest Products Association, Thomas Orth, President (May 18)

Notes that it is increasingly difficult to finance conversion facilities because of escalating cost of capital goods and increased cost of pollution control equipment. Contends the conversion is proportionately more expensive for smaller industries.

E. I. du Pont de Nemours & Co., David K. Barnes, Vice-President (May 18)

Favors requiring all new large boilers to burn coal as primary energy source, with gradual conversion for existing boilers.

Council of State Chambers of Commerce, George S. Koch, Chairman, Federal Finance Committee (May 19)

Maintains that appropriate provision should be made for prompt cost recovery, such as immediate write-off of the costs of converting from oil and gas energy use to alternative energy sources, in addition to rebate or credit of any tax Congress may decide is required to accomplish the conversions.

Manufacturing Chemists Association, Ronald S. Wishart, Chairman, Energy Conservation Committee (May 19)

Asserts that coal boilers cost two to four and a half times oil or gas boilers, and should be supported by increased investment tax credits and a fast writeoff—as suggested by the Business Roundtable proposals.

Association of America Railroads, Mr. William H. Dempsey, President (May 26)

States that railroads would have the capacity to carry Western coal to support increased demand for coal over the next eight years. Notes that secondary lines would require refurbishing to accommodate increased traffic.

Lower Colorado River Authority, Charles Herring, General Manager (May 24)

States that to convert its units from gas will reduce their capacity by as much as 20 percent, and the cost would be higher than the original cost of the plant. Notes that there is no way to finance this conversion without severe rate restructuring. Points out that as a nonprofit State Authority the LCRA pays no taxes, thus tax credits would be of no benefit. Recommends that the Congress not require scrubbers on all coal fired generating plants where the coal burned meets all present requirements of the Environmental Protection Agency.

VIII. Energy Development Tax Incentives

A. Geothermal deductions

Geothermal Kinetics, Paul W. Eggers, President (May 20)

States the President's tax deduction for intangible drilling costs is beneficial but is not enough to attract the necessary investment to assure strong geothermal development. Suggests the enactment of H.R. 7138 would provide the necessary positive incentives such as a depletion allowance for exploration and development of the energy resource. Favors Federal tax subsidies for private industry rather than depending on the Energy Research and Development Administration to solve the industry's development problems.

Geothermal Resources International, Domenic J. Falcone, Vice President (May 20)

Urges the committee to report favorably the geothermal energy taxation provision of the President's energy proposal. Feels, however, the plan does not attain the stated objective of tax treatment equality for geothermal resources, and therefore, recommends the committee introduce additional geothermal tax incentives to the plan. Suggests a Domestic Energy Incentive Credit of 25 percent applied to the cost of successful exploration and development wells, and a Balance of Payments Credit reflecting the savings of dollars that otherwise would have been spent on equivalent quantities of imported oil.

Union Oil Company of California, Carel Otte, Vice President and Manager, Geothermal Division (May 20)

Endorses the proposal to extend the tax deduction for intangible costs now available for oil and gas drilling to geothermal drilling. Emphasizes if the proposal were enacted, it would still take about 7 years to fully develop a geothermal energy source because of technological and regulatory lag times. Predicts benefits from increased development of geothermal resources would outweigh the Federal revenue losses resulting from geothermal tax incentives.

Harold D. Hoopman, President, Marathon Oil Co. (May 23)

Contends that the Administration's proposals regarding geothermal deductions merely confirms judicial interpretation and previous Congressional pronouncements, and unfortunately imposes a 15-percent minimum tax on individuals' intangible drilling costs (IDC) which exceeds net income from geothermal properties. Recommends that it should be made clear that this provision is not intended to affect the deductibility of percentage depletion and IDC with respect to geothermal wells and that no further limitations should be placed on the IDC deduction on geothermal wells.

Honorable Barry M. Goldwater, Jr., Member of Congress, California (June 1)

Feels that geothermal energy has been needlessly neglected, yet has a potential to provide 12–15 percent of the total energy supply. Suggests allowance of both intangible drilling deductions and depletion for geothermal for a 10-year period (as in H.R. 377).

B. Minimum tax on intangible drilling costs for oil and gas

Harold D. Hoopman, President, Marathon Oil Co. (May 23)

Contends that the Administration's proposals to modify the application of the minimum tax to intangible drilling and development costs does not go far enough because the limitation to income from oil and gas wells restricts the deduction's full potential for attracting capital.

A. V. Jones, Jr., President, Independent Petroleum Association of America (May 23)

States that the present minimum tax on intangibles is unfairly imposed on independents but not on corporations. Alleges that by increasing taxes and holding prices below free market level, domestic independents are rendered incapable of generating capital for exploration. Maintains that according to the best estimate of expert geologists, 98 percent of prospective sediments remain unexplored due to the expense of drilling. Contends that if proper incentives such as intangible drilling and development cost deductions are provided, the free enterprise system will respond.

L. Frank Pitts, Pitts Energy Group, Dallas, Texas (May 23)

Supports the permanent removal of taxes on intangible drilling costs for the independent oil and natural gas producers. Favors section 1603 of the National Energy Act as a partial solution. Opposes the IDC treatment in the 1976 Reform Act because it reduces cash flow and impairs the ability to generate capital. Claims this tax is a tax on capital—not income—and that any industry that suffers a tax on the right to recover investment must ultimately become a distressed or capital short industry.

Maintains that the 1976 Tax Reform Act treatment of IDC imperils any energy program by creating a disincentive for independents to drill the wells and create the greater domestic supply of oil and natural gas so necessary to our economic stability and to our national security. Asserts that the minimum tax on IDC increases the costs of drilling and thereby discourages the drilling of wells and makes it unprofitable to complete wells which would be profitable to complete at a lower cost. Suggests that the real burden of the tax is in the drilling of development wells, the cost and productivity of which determines whether an independent operator can stay in business and bear the risk and burden of wildcatting to find new reserves.

American Gas Association, George H. Lawrence, President (May 24)

Supports the exemption of independent oil and gas drillers from the minimum tax on intangible drilling expenses.

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Douglas Fraser, President (May 25)

Objects to proposed tax deduction for intangible drilling costs as this would represent a retreat from recent moves to curb tax breaks for the oil industry.

IX. Other Energy-Related Tax Proposals

A. Railroad cars and equipment

Association of American Railroads, William H. Dempsey, President; Chicago and Northwestern Transportation Co., James R. Wolfe, President; and Norfolk and Western Railway Co., John P. Fishwick, President (May 26)

Urge exemption of fuels used by railroads from any consumption taxes.

Suggest several changes in order to assist the railroads in overcoming their insufficient cash flow, including: (1) increasing the investment tax credit for qualified investment in equipment or road property; (2) refund of the tax credit where no tax liability; (3) 5-year amortization for investment in trackage and rolling stock and other equipment and facilities; (4) extending the tax incentives to any interested investor such as an interchange railroad or a customer such as a public utility; and (5) 50-year amortization of tracks.

Believe that government policy should be equitable between competing modes of transportation.

B. Windfall profits tax on oil and gas

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Opposes an excess profits tax. Notes that such a tax would have been appropriate in 1974 when OPEC raised the price of crude oil and excessive profits were made on existing inventories. Feels such a tax would be inappropriate now and extremely difficult to administer.

E. I. du Pont de Nemours & Co., David K. Barnes, Vice President (May 18)

Suggests a phased deregulation of domestic oil prices, with possible excess profits tax with credits allowed for exploration and development drilling expenses.

American Gas Association, George H. Lawrence, President (May 24)

The AGA would support an excess profits tax on new gas with a plowback feature for exploration.

C. Other proposals

Lower Colorado River Authority, Charles Herring, General Manager (May 24)

Proposes that Congress consider some limitations on taxes imposed by States on Federal coal. Points out that utilities must pay the increased Federal royalties on coal as well as the substantial royalty taxes levied by the States where Federal lands are located.

X. Uses of Energy Tax Revenues

National Forest Products Association, Thomas Orth, President (May 18)

States that any revenues collected from energy taxes should be used for energy production and conversion rather than for income redistribution.

Ford Motor Company, F. G. Secrest, Executive Vice President (May 25)

Feels that if price of cars and gasoline goes up as a result of Federal taxation, it would be reasonable to establish some mechanisms whereby individuals, for whom the additional costs would cause some hardship, would benefit from the redistribution of revenues.

American Automobile Association, John de Lorenzi, Managing Director, Public Policy Division (May 25)

Considers most of proposed energy taxes to have little to do with increasing supply and to be "political ploys aimed at a redistribution of wealth and balancing the budget." States that the Administration has acknowledged that not all revenues would be refunded, or that some revenues might be directed to other purposes.

Honorable William S. Moorhead, Member of Congress, Pennsylvania (June 1)

Suggests using portion of energy tax revenues to finance social security system, thereby avoiding further increases in payroll taxes and reducing inflation. Believes that use of energy tax revenues for social security would be anti-inflationary, unlike present proposal for a per capita tax credit. Also, favors applying revenues generated by users tax toward cost of national health insurance, eliminating new payroll taxes for that purpose.

XI. Administration's Non-Tax Legislative Proposals

A. Building conservation (loans, grants, etc.)

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Supports proposals to grant homeowners limited tax credits for making homes more energy efficient and for the installation of solar equipment. Believes, however, that program should be supplemented by a Federal low interest direct loan and loan guarantee program for approved conservation measures, to make sure that financially-pressed homeowners would be able to participate in the program. Suggests that interest rates on such loans should be as low as 6%. Supports mandatory efficiency standards for new buildings.

B. Appliance standards

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Favors mandatory efficiency standards for major appliances.

C. Utility regulation policies

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Endorses utility rate reform and proposed public utility energy conservation services.

D. Coal conversion regulatory policy

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Believes government should mandate conversion to coal, or other energy sources, by industrial and utility users of oil and natural gas over a "reasonable period of time."

National Taxpayers Union, James Dale Davidson, Chairman (May 19)

Maintains that forced conversion to coal will cost industry $50 billion in capital, which can only come at the expenses of more pressing and useful investments.

Manufacturing Chemists Association, Ronald S. Wishart, Chairman, Energy Conservation Committee (May 19)

Asserts that conversion to coal cannot be achieved to extent desired in the time frame proposed. Maintains that this part of program should be delayed to realistic date, such as 1990. Believes the program should concentrate on large boilers—300 million Btu firing rate or greater—whether operated by industry or electric utilities. Claims this would be most cost efficient approach and would free the most natural gas quickly for other uses.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

Believes that inefficient use of natural gas under boilers in electric generation, and for other purposes, should be phased out no later than 1985.

E. Nuclear power

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Strongly endorses continuation of the liquid metal fast breeder reactor program. Believes that without the development of the fast breeder reactor, the U.S. will lose influence in the international situation as every other atomic country is going ahead with the fast breeder reactor.

Recommends expansion of uranium enrichment capacity and increased attention to nuclear safety.

Harold D. Hoopman, President, Marathon Oil Company (May 23)

Claims that it is obvious that in order to do a reasonable job of supplying our country with energy developed within our country nuclear energy should be one of the key and growing segments. Supports an aggressive program to develop nuclear energy.

F. Oil and gas pricing policies

Chamber of Commerce of the United States, Richard L. Lesher, President (May 18)

Favors reliance on market prices to encourage energy production. Recommends phased removal of well-head price controls on new natural gas, lifting of controls on crude oil, encouraging more use of oil and gas from the Outer Continental Shelf, and development of oil shale.

American Paper Institute, Andrew C. Sigler (May 18)

Has more faith in the ability of deregulated, "semi-free" market, rather than a regulated one, to properly establish economic priorities.

American Plywood Association, Joseph L. Owens (May 18)

Favors reliance on market prices rather than Government controls.

National Forest Products Association, Thomas Orth, President (May 18)

Believes the free market to be better than a regulated one for the production and allocation of energy supplies.

E. I. du Pont de Nemours & Co., David K. Barnes, Vice President (May 18)

Recommends deregulation of new oil and natural gas prices. Favors phased deregulation of domestic oil prices along with a possible excess profits tax with credits for exploration and development drilling expenses.

National Taxpayers Union, James Dale Davidson, Chairman (May 19)

Asserts that the price of oil is determined by the demand on the world market. Contends that although the U.S. Government may have power for a short period of time through fiat to hold down price and thus create shortages, it cannot regulate the world market. Believes logic dictates U.S. must face the fact that energy sources are going to be priced according to their most valuable use.

States that in Texas there are 250 billion barrels of oil in old wells already drilled but considered depleted at current prices. Maintains that returning energy pricing to a free market will cause oil to flow again. Indicates that higher prices will discipline inflation and reduce imports without artificial quotas which contribute to "growing protectionist" sentiment.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

Objects to any aspect of the energy program that would price natural gas and petroleum products above the world price.

George M. Brannon, Professor of Economics, Georgetown University (Taxation with Representation) (May 19)

Argues the case for market pricing with government intervention limited to moderating "harshness" on public of adjustment to economic "facts of life." Asserts U.S. must adjust to an effective marginal cost of crude oil of about $16 per barrel, i.e., import price plus a premium to cover special security problems associated with heavy reliance on imports. Believes worst feature of U.S. energy price to date is price control. Feels that a reasonable compromise between preventing harshness and preserving efficiency would be to permit prices to rise, tax away windfall profits, and redistribute the tax proceeds to consumers in a way that no consumer gets more benefits by using more oil.

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Rejects proposals which would allow oil price rise or to deregulate natural gas prices. Favors proposal to extend the Emergency Natural Gas Act for an additional three years.

Manufacturing Chemists Association, Ronald S. Wishart, Chairman, Energy Conservation Committee (May 19)

States that, although chemical industries are very large purchasers of natural gas, believes that the best approach would be deregulation of price of natural gas. Suggests that, because of possible problems created by the very large supplies of very low cost and price controlled natural gas which would be rolled in, it may be necessary to have some sort of ceiling.

Maintains that although there is a limit to additional supplies the wrong solution is to make the premium fuel cheaper than any other. States that chemical industry corporate planning has anticipated for a number of years that the price of natural gas would go to a premium over petroleum. Asserts that it should because it is worth more.

American Bakers Association, Clifford Hayden, Chairman, Energy Policy Task Force (May 19)

Believes proposal for establishing a price of natural gas in parity with other fuels is fair, but feels the method of arriving at the price is inequitable. Feels that if natural gas prices were set at replacement cost, the price level would be closer to $2.70 than to $1.75.

William T. Smith, President of Champlin Petroleum Co. (*May 23*)

States that a great deal of oil and natural gas remains to be produced in the U.S. from continuing production of old reservoirs, in development of known marginal reservoirs, and in the discovery of anticipated new reservoirs. Claims that such recovery is directly related to the price at which it can be sold and which will be high regardless of the source of the oil. Maintains that the already high level of drilling activity can be increased if the right kind of national energy program is implemented.

Estimates that the remaining recoverable petroleum in the U.S. amounts to 150 million barrels of oil and 800 trillion cubic feet of natural gas. Predicts that if enough money and effort is spent on exploration and development of conventional sources, the current production level can be maintained for about 40 years, at the end of which time large quantities of petroleum from non-conventional sources will stretch supplies even further.

Believes that existing uneconomic resources can be developed at higher prices and that we must adequately explore the frontier areas such as the Outer Continental Shelf (OCS) and Alaska. Claims that delays in leasing the Atlantic OCS and other offshore areas are forcing other American mobile rigs to go overseas to find employment. Contends that if adequate incentives were available, 150 to 200 new onshore units could be manufactured in one year.

John G. Winger, Vice-President of the Chase Manhattan Bank (*May 23*)

Notes that earlier predictions that the nation was running out of petroleum have proven groundless, as will current predictions. Claims that policies of the past 20 years have tried to insulate consumers from the true cost of energy and have led to two decades of underinvestment in energy resources. Asserts that direct and indirect price controls, while costs were rising, has discouraged both the reinvestment of earnings and the ability to raise outside capital. Feels that if price controls were removed, both internal and external sources of funds would open up.

States that future operating costs will increase due to inflation by an estimated 7½ percent annually and capital costs by at least 10 percent and that price realizations must reflect those impacts. Indicates that between 1975 and 1985, the U.S. petroleum industry will have to invest $650 billion, over and above operating costs and taxes, half of which conceivably could be obtained from capital markets and capital recovery provisions and the rest from profits. Argues that profits of that magnitude ($325 billion or more) could not be generated under conditions imposed by the Administration's proposed energy program.

Independent Oil and Natural Gas Producers Panel: A. V. Jones, Jr., President, Independent Petroleum Assoc.; Dalton J. Woods, Independent Producer; Charles D. Fraser, President, Permian Basin Petroleum Assoc.; R. H. Prewitt, Jr., Chairman, Liaison Committee of Cooperating Associations; and L. Frank Pitts, President, Pitts Oil Co. (*May 23*)

Object to the proposed energy measures because they do not fully address the problem. Agree that conservation is needed, but contend that energy must not only be used more efficiently but more energy must be produced because 75 percent of the present consumption is dependent upon crude oil and natural gas and this cannot be changed automatically. Feel that the energy plan ignores the enormous potential of domestic oil and natural gas reserves which independent producers can develop to bridge the energy gap until sufficient quantities of alternate energy sources are fully developed.

Favor the free market system as the best method of eliciting additional resources. Recommend an immediate decontrol of crude oil which qualifies for the present upper-tier category and economically marginal production of crude oil, phaseout of controls on old oil, immediate deregulation of new natural gas and phased deregulation of old natural gas, and permanent restoration of intangible drilling cost deduction without the minimum tax on expenditures.

American Gas Association, George H. Lawrence, President (May 24)

Asserts that natural gas shortage can be alleviated by decontrolling the wellhead price of new natural gas, with appropriate Federal tax incentives to private exploration and development. Maintains that a price ceiling of $1.75 per MCF on natural gas between now and 1985 would provide less exploration incentive and less production than present FPC regulation.

Nation LP-Gas Association, Arthur C. Kreutzer, Executive Vice President (May 24)

Supports deregulation of new natural gas because increased supplies of natural gas would assist in alleviating the present shortages of propane, 70 percent of which is produced from natural gas.

Lower Colorado River Authority, Charles Herring, General Manager (May 24)

Recommends that Congress leave the regulation of the price of natural gas in the intrastate market to the States.

American Natural Resources Company, Arthur R. Seder, Jr., Chairman (May 24)

Opposes any mandatory Federal allocation of natural gas.

Montana Power Company, William H. Coldiron, Executive Vice President (May 24)

Notes that in 1973 the Canadian government and the Province of Alberta instituted a policy to increase the price of natural gas relative to the price of alternative fuels, with a part of this increase returned to the producer to stimulate exploration and development activities; and that Canada now faces a surplus gas situation where previously it predicted shortages.

Edward S. Scott, Tulsa, Oklahoma (June 1)

Promotes decontrol of prices and the competitive marketplace as the answers to the energy problems.

XII. Other Items

AFL–CIO, Andrew J. Biemiller, Director, Department of Legislation (May 19)

Recommends establishment of an improved National Energy Information System.

Endorses creation of a system of strategic petroleum reserves.

Urges the Federal Government to add solar hot water and heating systems to "suitable" Federal buildings.

U.S. Labor Party, Susan Kokinda (June 1)

Contends that the President's energy program is one of resource control motivated by bankruptcy of international monetary system. Asserts that the present resource crisis could be alleviated by development of clean, cheap, inexhaustible fusion energy. Maintains that the President's program, by eliminating the breeder reactor and cutting fusion R. & D., fosters a resource shortage which will favor financial and lending interests of the International Monetary Fund and New York banks. Favors establishment of hard currency source of credit to provide capital for high-technology, job-creating investments.

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