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**PRESS BRIEFING**  
**BY**  
**SECRETARY OF ENERGY**  
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**AT THE**  
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SECRETARY SCHLESINGER: I thought we should have our weekly roundup with regard to where we stand in terms of operations of the refineries, crude oil runs, prospective gasoline availability and the build-up of distillate stocks. As you will recall, when we started these discussions in the spring, we projected a rebuilding of crude oil arrivals in June and July. We were concerned with a policy of undue conservatism. There has been a gradual increase in the pace of refinery operations. There has been a build-up in the arrival of imported crude. In May, crude oil arrivals averaged less than six million barrels a day.

We projected, that if we were to get up to something on the order of 6.4 million barrels a day, we would essentially be able to restore the availability of gasoline at the same time and that we would be able to meet the target of 240 million barrels of distillate in inventory during October.

That has been the case. Indeed, in recent weeks during July, we have been averaging crude oil imports of some 6.6 million barrels a day. The pace of refinery operations has been increased. In May, crude oil runs still were running 14.2 million barrels a day; and in recent weeks, they have been running something on the order of 15.2 million barrels a day.

Our original judgment was that if crude oil runs to stills got up to 15 million barrels a day that we would be in the clear with regard to the availability of product and that, indeed, seems to be the case. The pace of refinery operations is now 88 percent as opposed to 83 percent during May, and we have had a substantial build-up of distillate inventories by 43 million barrels or 35 percent since the end of May.

During this month, distillate stocks have climbed at an average of 800,000 barrels a day, a rate, if we sustained it, that would allow us to reach the target of 240 million barrels a day in October with a good deal of room to spare.

We have distributed to you the Department's calculations with regard to reaching that level of 240 million barrels. In this last week, inventories of distillate reached 165 million barrels with an increase of almost 8 million barrels from the previous week level. In other words, a rate of increase of 1.1 million barrels a day. We are only some 13 million barrels behind last year at this time. And I think, generally speaking, that we should conclude that if crude oil continues to be available, and we see no reason that it should not be, there should be no difficulty in reaching the target that we have outlined and there should be no serious

problem with regard to the availability of heating oil during this winter.

With regard to the gasoline situation, gasoline stocks are now at 237 million barrels. That is 21 million barrels above the inventory position at the same time last year. We have restored, therefore, gasoline stocks well into the normal range and this has permitted some degree of flexibility in adjusting refinery yields. As a consequence of that, the distillate fractions in the course of the last week went over 22 percent, and it is this that has contributed to achieving the very high rate of build of the distillate inventory.

The latest figures for July indicated that we have reached something on the order of 94 percent of last year's availability. For the month of August, we would expect to be at something on the order of 96 to 98 percent, which will be a very high level of availability since August of 1978 was a very high consumption month. At the present utilization rates, therefore, I think that we should expect that there should be no recurrence of gasoline lines, certainly not until the onset of the driving season of next summer -- the summer of 1980.

The overall conclusion, therefore, is that we should be guardedly optimistic with regard to the availability of petroleum products. I have mentioned before that the world-wide supply system remains stretched taut and that there is always a possibility of an adjustment in supply because of decisions of particular producing nations. In other words, supply remains risky though not necessarily precarious. Saudi Arabia has increased production. As you know, there have been reductions of production in Nigeria, prospectively in Algeria, indications of a desire to reduce production in Kuwait, and one item that I neglected to mention last week but should put some degree of emphasis on, it appears now that the Soviet Union will have peaked out in terms of production in 1979. Production in the first months of 1979 is no greater than the last six months of 1978, and all indications are that this will be the year of peaking out for the Soviet Union.

That implies that in the early 1980's, net exports from the Soviet Bloc will tend to drop off. How much, of course, depends upon internal decisions and the rate of consumption of oil within the Soviet Union - all of which are subject to Administrative discretion. But the projection of a peaking out of Soviet production put forward two years ago

seems to have been confirmed with all of the consequences that flow from that.

Some other items that I should announce. We have selected three firms for centrifuge production for use in two uranium enrichment facilities: Boeing, Garrett Corporation and Goodyear. They will begin to produce centrifuges for production of enriched uranium. We will require additional enrichment facilities sometime toward the end of the decade. As you know, our shift to centrifuge and gaseous diffusion has been based upon the desire to economize in terms of energy consumption, as well as our expectations that the cost of production from centrifuge will ultimately be lower than from new gaseous diffusion facilities.

The other item that I wanted to mention was the continuing desire to get on with the Alaska Natural Gas Pipeline. The attractiveness of that pipeline, which has always been high, has been increased by the surge in world oil prices that has occurred since December of last year.

If we use residual oil prices as an indication of the appropriate price for natural gas, the effect of this surge of oil prices, and consequently of residual prices, has been to bring the period in which the Alaska Natural Gas Pipeline price would be higher than alternatives at sources down to

the first few years of operation of the pipeline, the first two years in the case of a 30 percent overrun, the first four years approximately in the case of a 90 percent overrun on the pipeline. And, of course, if one were to compare the price of gas to distillate oil prices, the attractiveness of the pipeline would be enhanced. So we intend to move ahead with as much vigor as we can in persuading the producers on the North Slope to join in with the consortium that intends to build the pipeline in order to move this project which is vital to the national interest.

I think that those are the major items that I wanted to mention at the outset. Are there any questions?

QUESTION: At what point is there enough gasoline prospectively available where the price will go down?

SECRETARY SCHLESINGER: I think there is every possibility that there will be competition in the fall among the service stations and that this may well begin to do what occurred in the period from 1974 to 1978; to wit, begin to drive down retailer and distributor margins generally. To the extent that crude oil prices are what they are, I do not expect to see any reduction in crude oil prices or any significant reduction in crude oil prices. The spot market which has grown weaker of late still remains above the posted prices of OPEC.

QUESTION: Mr. Secretary, I understand you to suggest the possibility of a return to gasoline lines shortly before the Democratic Convention next summer. Have you discussed this possibility with Mr. Carter and can you give us his reaction?

SECRETARY SCHLESINGER: Let me say that you could have glossed some of the words I used. I said I would not expect the possibility of a recurrence until next summer's driving season. Now you want to put that in prospective to other dates on the calendar. Of course, that is your own decision. There is a prospect that we will have an excess of demand over supply during next summer's driving season and that there will be spot shortages, not as severe, of course, as the spot shortages that we have experienced as a result of the shortfalls that have come from the lack of availability of crude oil during the spring of this year. But given the prospective demand for gasoline, there is a possibility -- I do not want to say that it will occur, but I do not want to suggest for a moment that there is an absence -- of that risk.

Yes, indeed, I have mentioned that possibility far and wide.

**QUESTION:** Senators Durkin and Kennedy have introduced a bill this afternoon which has a companion to or an amendment to Senator Jackson's bill which leans heavily on conservation and tax credits for industries for using oil and loans, et cetera. Do you think this would be an acceptable way to add to the synfuel?

**SECRETARY SCHLESINGER:** We have been strongly in favor of all activities that would result in additional fuel efficiency. There has been some question about additional mandatory activities but, generally speaking, it is conservation and we would be happy to look at any additional conservation measures. I am happy to report that in the last two years the potentiality of conservation has been almost universally recognized and we have had a very respectable record in terms of achieving higher fuel efficiency. So, we will be prepared to look at additional conservation measures.

There is one point, however, that I should stress - that conservation is not a substitute for additional production. We will have serious difficulties in the 1980's. Irrespective of how successful we are in the conservation area, as we look into the later 1980's and the early 1990's, the availability of crude oil will begin to diminish. It is indispensable and in the national interest to proceed now with the development of the synfuels industry.

I do not think that we should regard any measures proposed as a substitute for the development of synfuel capability or a substitute for additional emphasis on domestic production.

QUESTION: Just if I could clarify your answer then when you speak somewhat general terms, have you looked at or been involved in this particular set of measures?

SECRETARY SCHLESINGER: I have not looked at this particular set of measures.

QUESTION: How are we affected by cutbacks of oil exports by countries like Algeria and Nigeria? Are they affecting us at all?

SECRETARY SCHLESINGER: I think that that points to a very, very significant aspect of the current oil market.

During the period in which exports from Iran were first cut off and then resumed at a much lower level, one of the problems that existed for the United States was the inability of Mexico to come up in terms of production to the levels that they had previously intended. As a result, they were obliged to use force majeure on some of their contracts, relatively small volumes, a couple of hundred thousand barrels a day -- under other conditions we could simply have brushed off such relatively small adjustments in supply --

and that occurred during the spring of this year at a time when the world was quite short of crude oil.

We are not in exactly the same conditions but the same point continues to apply. Given the tautness that continues to exist with regard to conditions of supply, the loss of 200,000 or 300,000 barrels a day may be the thing that tips us over the knife edge from a position of relatively satisfactory supply conditions to one which is unsatisfactory.

QUESTION: Well, is there a comparison between the situation Iran put us in last year and Nigeria?

SECRETARY SCHLESINGER: No. Because the production in Nigeria at this point amounts to some 300,000 barrels a day. This is six or seven percent of the loss of production represented by the close down in Iran. It is relatively easy to adjust to.

I should point out that that decision with regard to reduction in Nigeria occurred last week. This week, there has been a decision to nationalize the assets of British petroleum. That is a separate decision. We do not know what the consequences will be. We assume that the oil that was previously made available to British petroleum will in one way or another continue to be available in the world market.

**QUESTION:** Mr. Secretary, you have some interest in the centrifuge contracts which you mentioned. Would you elaborate on that a bit? What is the size of these contracts and have decisions been made where the gas centrifuge facilities are to be located?

**SECRETARY SCHLESINGER:** The centrifuge facilities will be located in Portsmouth, Ohio. It is an extension of the existing facilities and you will recall that there was some question two years ago whether or not those facilities should be located at Portsmouth or Oak Ridge, Tennessee. The ultimate decision in selecting a Presidential commitment was to locate them at Portsmouth, Ohio.

The total amount of money -- estimated costs for the two phases of the contract -- would amount to something on the order of a billion and a quarter dollars between now and 1983.

Sir?

**QUESTION:** Mr. Secretary, there have been reports that negotiations with Mexico in the sale of natural gas have broken down. That there was tentative agreement at a price and the Mexicans came back and said, "No, we now want something over \$4.00." Can you comment on that?

SECRETARY SCHLESINGER: I can comment on that. The reports that you refer to seem to have emanated from the State of California. Some of the sources seem to be located in the capital city of that state, Sacramento, and I think that it has more to do with the aspirations of presidency on the part of certain individuals than it has to do with tone and pace of the negotiations.

The negotiations, as I have previously indicated, have been encouraging. They continue. We are hopeful, though we have no certainty, that it will ultimately result in a contract price that is agreeable to both nations.

As you know, the original contract that was signed by six American firms called for a price equal to the Btu equivalent of Number 2 fuel in New York harbor. If that original contract were now in effect, the price would thus be something on the order of \$4.04 per Mcf, about twice as much as we are paying for new gas from our own domestic producers.

I think that it is universally recognized by the purchasers, by the prospective purchasers, by the prospective sellers, as well as others, that basing the sales price of natural gas at the border under those circumstances was a most desirable contract.

We, I think, recognize the necessity of having a competitive price, which means something equivalent to the competitive price at the burner tip for residual fuel oil.

QUESTION: Has the situation there changed at all over the last week or two? The reports I have seen were more elaborate than would have come just from a single source in California. Has something happened? Once before in negotiations you came close to agreement and people at the top of the Mexican Government rejected deviation from the formula. Is that kind of thing developing again?

SECRETARY SCHLESINGER: I would certainly hope not. I think that the negotiations have proceeded. We had a meeting last week. Further exchanges will occur through diplomatic channels and we expect to have further meetings. I do not see that there has been any extraordinary adjustment in the pace of the negotiations.

QUESTION: The handout that we got today says that this 240 million barrels estimate for distillate is based on the pessimistic projection that there will be a 20 percent colder than normal winter. Similar handouts of June were saying that it was based on a projection of a five percent colder than normal winter. Lincoln Moses went up and submitted for the record estimates last week saying that a twenty percent colder

than normal winter would have a fairly serious and devastating effect on the stocks at the end of the winter.

SECRETARY SCHLESINGER: Is Carl here? Carl, why don't you come down here and answer that if you know the answer. If you don't know the answer, just disappear. I think that there may be a problem in the basis of comparison.

The 1976-77 winter was substantially colder than normal and most of the comparisons have been in relation to that winter; that is, something that is five percent colder than the 1976-77 winter would be on the order of twenty percent colder than normal.

Carl, where are we?

MR. HYSTAD: The 240 million barrels will give us adequate supplies if we are 20 percent colder than normal. That assumes that we can increase refinery yield above the 21 percent that has been the normal through the recent years. Refineries indeed can go up to 25 percent without great difficulty. So, with 240 million barrels we have protection if the winter is 20 percent colder, or possibly more, than normal.

QUESTION: Than normal or 1976-77?

MR. HYSTAD: No, 1976-77 was 20 percent colder than normal.

QUESTION: So you are talking about if the winter is similar to 1976-77?

MR. HYSTAD: That is right. 1976-77 was the most severe winter in recent years and was about 20 percent colder than normal and we could deal with that kind of winter again.

QUESTION: Mr. Secretary, could you talk about the study on oil import quotas that is supposed to be underway and when the quotas might be put into effect and when they might actually cause a pinch and how they might work?

SECRETARY SCHLESINGER: As you know, during recent discussions over the confirmation of Secretary Duncan, representations were made by the New England delegation with regard to the issue of the impact of any quotas on oil. It was agreed by the Administration that before reaching any decisions with regard to the mechanism, that we would place in the Federal Register, various alternatives that might be used and called for public hearings prior to any decision by the Administration.

There are various techniques that can be used. One is an auction system. The consensus of an auction system, which will make use of market forces, would be to raise the price of crude oil and, consequently, of petroleum products.

There are great advantages in that in terms of administration consequences and efficiency, and great advantages in avoiding the need for allocations and the possibility of a restoration of an entitlement system. Those are the great advantages of having an auction system.

To the extent that we go towards an historical base period, as we have under prior quota systems, that drives us to some sort of allocation system normally based upon historical experience. And, it has also resulted in a whole process leading to exception, appeals for exceptions and the like that can get rather cumbersome to use a very polite term.

Those kinds of alternatives, however, will be published in the Federal Register.

QUESTION: How soon do you expect that?

SECRETARY SCHLESINGER: Very shortly, I would think within two weeks.

QUESTION: Is there any tentative date for when quotas might actually be put into effect?

SECRETARY SCHLESINGER: I am sorry. I missed the last half of your question. As has been indicated, the 8.2 million barrel ceiling for this year should not bite and

consequently, although we have a quota in place for 1979, since it will not bite there is no need to have in place a mechanism to deal with the allocations of supplies. The level of acceptable imports for 1980 has not as yet been established. It will be something less than the 1977 level but probably above the level for this year.

We do not know as yet when such a level would have affect. The reason for that being that we have the cushioning effects of a prospective downturn in economic activity; and, as you know, the latest prognostications of the downturn in economic activity are gloomier than they have been hitherto. The effect of this should constrain the demand for oil and petroleum products.

So once again, in 1980, there may be no impacts in terms of pinching the distribution of oil and petroleum products through a quota. By 1981, however, almost inevitably there is any restoration of the level of economic activity, the level of oil imports below the 1977 level will begin to bite and there would have to be a mechanism in place by that time to allocate one way or another, through price or through direct allocation, the oil ascertainment of the United States.

QUESTION: Sir, are you suggesting that we could wait until 1981 to get the mechanism going?

SECRETARY SCHLESINGER: No, I am not suggesting that. I think that we are planning to establish the appropriate mechanism as soon as we have had an opportunity to have public hearings and to evaluate the analysis, plus the response of the public.

QUESTION: So sometime between now and the end of the year?

SECRETARY SCHLESINGER: By the end of the year we should have to the President recommendations for the mechanism to deal with the effects of any quota.

QUESTION: If you have a quota in which you allocate the right to import through an action -- and you said you are going to raise the price of imported oil and the price of domestic oil -- before you take such a decision, you presumably would have tried to estimate by how much it would go up. Why not avoid a quota system altogether and simply impose a tariff on that magnitude?

SECRETARY SCHLESINGER: Of course, amongst the alternatives would be the possibility of an imposition of a fee under Section 232B of the Trade Expansion Act. This is one of the mechanisms that will have to be considered.

One must bear in mind that a consequence of the establishment of such a mechanism is that there must be some scheme for equalizing the cost for various refiners who use the different percentages of domestically produced oil and oil that is imported and subject to the fee, unless the price of domestic oil also is to be raised to the level of the international oil price plus this fee.

QUESTION: Well, wouldn't you have that same situation arise under quotas that are auctioned? In other words, you have the same impact on domestic oil prices?

SECRETARY SCHLESINGER: You could well have the same impact. It depends on the decision that is made with regard to whether one is going to rely upon market forces with the impact on consumer prices or not.

QUESTION: Mr. Secretary, would you explain the Sacramento connection to the Mexican national gas bill?

SECRETARY SCHLESINGER: The stories that you read were datelined in California. I think that the episode speaks for itself to those who are of a suspicious turn of mind and for those who are not. There is no amount of explanation that will clarify it.

**QUESTION:** Mr. Secretary, the refiners have known all along that ERA could order yields, then why did ERA decide to issue a rule now at the time that the stocks seem to be approaching normal?

**SECRETARY SCHLESINGER:** Only on a standby basis. I think we indicated in our press announcement that we felt that as a result of the build-up of distillate stocks and the trends we have observed in recent months, that there is, in all likelihood, no need to make use of such a rule. However, it will be useful in the event that there happens to be a further interruption in the availability of crude for one reason or another, or the production of distillate ceases to go in the direction that it is going at the present time.

It is purely on a contingency basis and we do not think that the contingencies will arise.

**QUESTION:** Following up on that, what assumptions have you made about Saudi and Nigeria production in terms of crude run for the rest of the year?

**SECRETARY SCHLESINGER:** We have been able to make no assumptions about those runs. We do not expect Nigerian runs to be above 2.1 million barrels. With regard to Saudi Arabia, as you know, they have given permission to operate

at these higher ceiling levels for the third quarter of this year, but there is no indication, as yet, as to what will happen in the fourth quarter. We are, of course, hopeful that in the fourth quarter of this year, the levels will continue to run above the ceiling as at the present time.

QUESTION: So in computing the projections on the distillate stocks, you are going high on the Saudi's and low on Nigeria?

SECRETARY SCHLESINGER: No. In making those projections, we have had a fairly cautious level of about 15 million barrels a day as you can see in the paper. We do not see any reason that we should be below 15 million barrels a day in crude oil runs to still; but we also have a plan, if crude oil runs to still diminish from 15 million barrels a day to 14.3 to 14.2, that we can make those targets.

QUESTION: Do you have that broken down?

SECRETARY SCHLESINGER: Yes. It is in Table 1 and Table 2 of the document.

QUESTION: By countries?

SECRETARY SCHLESINGER: No. We have not separated that out. As a matter of fact, as you know, there has never been a public statement with regard to the level of production in

Saudi Arabia. That is regarded as a sensitive matter by the Saudi Government and we have refrained from commenting on that.

QUESTION: Mr. Secretary, the memo that was handed out said that DOE would take steps to assure that heating oil supplies would get into the dealers tanks and get into the homeowners tanks. Can you tell me what steps DOE plans to take to assure that storage is at the secondary and tertiary level?

SECRETARY SCHLESINGER: Well, we will take the usual step, which is to check upon indications that normal contractual arrangements have not been entered into by the major refineries in dealing with the distributors. If so, they can come and raise questions and, if there have been problems, we will get them straightened out.

There is also a set of problems associated with some of the states in the upper Midwest, such as Minnesota. We recognize that much of the distillate is shipped in along the Mississippi; that the Mississippi freezes over during the winter months and, therefore, the distillate must be in place and we will be continuously checking on that.

QUESTION: If I may follow-up, is DOE taking any steps then to deal with the Shell pull out in the Northeast? I understand that is causing supplier problems for some dealers who are unable to find other suppliers.

SECRETARY SCHLESINGER: I am unfamiliar with that particular case but we will be watching it. Now, I don't know precisely what the circumstances imply but, once again, I should assure all of you that it looks as if there will be ample heating oil this winter.

QUESTION: There have been some suggestions that the disappearance of the gasoline lines -- perhaps coupled with some uncertainty about whether the White House or the Department of Energy is now in charge of energy policy -- has slowed the momentum of the Administration's legislation, and I guess some people have gone so far as to suggest that some parts of that legislation might now be in jeopardy. I wonder if you would comment on that in light of this week's events on the Hill?

SECRETARY SCHLESINGER: Unquestionably, there has been a loss of momentum because of the events of recent weeks on the one hand, and the disappearance of the gasoline lines has diminished the sense of urgency, and that may be reflected in the legislative process.

Unquestionably, some elements of this legislation will have an easier chance at going through than others. It appears quite clear that an Energy Mobilization Board, at least in the form that the Administration sent it up, is likely to clear the Hill.

It seems likely that we will have a rationing plan of one sort or another. It seems likely that we will have a Windfall Profits Tax sometime before the snow lies. It is plain that the Energy Security Corporation, at best, faces an uphill fight on the Hill.

Does that cover the waterfront?

Sir?

QUESTION: Just as an addition to that, were you surprised by the Wiley Amendment on building temperature controls and what would you expect the fate of that to be now?

SECRETARY SCHLESINGER: I would hope that will be dropped in conference.

QUESTION: Did it surprise you that it was brought up and passed by 40 votes?

SECRETARY SCHLESINGER: No. The enthusiasm for mandatory conservation seems to be inversely related to the amount of discomfort that it imposes.

Sir?

QUESTION: Do you think that the gasoline market might get loose enough this fall that you could drop the allocation program?

SECRETARY SCHLESINGER: Well, of course, the allocation program as implemented will tend to disappear. I should emphasize that we do not have, as it were, an allocation program that we administer. What we do is to observe the equity with which the companies administer the allocation program. The Department of Energy does not have the manpower resources to allocate fuel, even if we desired to do so.

As the gasoline builds up, it appears on the basis of present projections that it will be unnecessary for the companies to continue to impose an allocation fraction through the fall.

If your question goes beyond that, which is, will those events eliminate the need for an allocation program as a result of dropping gasoline price controls, it continues to be a longer term objective of the Administration to eliminate gasoline price controls. Quite obviously, the ease of market conditions would be conducive to such elimination but would not necessarily lead to such a result at any particular time.

QUESTION: Mr. Secretary, why can't you just get rid of the allocation regulations? I understand what you said about watching how the companies allocate, but you do have this framework of equity type allocation regulations that they operate within. Why wouldn't it be possible to get rid of those even if you couldn't decontrol the price? I have never understood why they must go together.

SECRETARY SCHLESINGER: You have to have some kind of allocation. You don't have to have the uniform allocation fraction based upon historical norms. That clearly was the intent of the legislation as passed by the Congress in 1973 and 1975. That the concept of equity -- and this was reflected once again in the Senate's reaction to the proposed rationing plan -- the concept of equity is one of some percentage of historical base.

The companies have recognized that. Under our existing regulations, the companies are free to adjust by five percent. They have been very reluctant to do so. Under our recent regulations, Governors have the authority within their own States to adjust by an additional five percent.

The problem that you have is that there is an appeal of a uniform allocation. Some may be uncomfortable with it; others may find it acceptable. But no one can say that it is inherently unjust.

There has been some discussion in recent years about the character of the oil industry. The public position of the oil industry is not at least as high as those in the industry would like it to be. Under those circumstances, they have been naturally reluctant to take on the additional burden of taking gasoline away from small towns, which may feel already short, or rural areas, in order to put into urban areas.

Similar reactions on the part of the Governors. Whether or not the uniform allocation fraction is the most inherently efficient, it has the spurious quality of fairness and the companies have been consequently unwilling to, at the state costs, make adjustments on the basis of any other consideration.

QUESTION: They would presumably be unhappy if you had no allocation regulations?

SECRETARY SCHLESINGER: The allocation regulations at the present time provide them with the flexibility they require.

QUESTION: But they would rather use it and the Governors would, to say they are making us do it on a uniform basis. In other words, you fall back on the Feds saying, let's have it uniform.

SECRETARY SCHLESINGER: But the Feds do not say that it must be uniform. What the Feds say is that you can make adjustments within a state and between regions as is necessary. That flexibility has not been utilized and the reason is that the refiners will be under pressure, if they have an allocation fraction of 65 percent in Waco and 80 percent in Dallas. They have dealers in Waco who will be disturbed by that.

The easiest path to follow is a uniform allocation fraction and, unquestionably, that leads to results which are not consistent with a changed pattern of demand but which are most politically defensible by the industry, by the Governors or by the Federal Government, if the Federal Government were in the position of making these allocations.

Sir?

QUESTION: May I ask one other question in this area? What is the position of the Administration regarding its authority to end gasoline price controls? Do you consider that under the discretion phrase in terms of controls, the President can do that or does Congress, in your opinion, still have veto power over that action?

SECRETARY SCHLESINGER: Let me state, first, that we have consulted our lawyers throughout the Administration and we believe that the intent of the Congress under the EPCA was

quite clear. That after June 1, 1979, the President has the authority to end price controls.

That position, taken by the Administration lawyers, is not necessarily shared by Committees on the Hill. Some of the Committees on the Hill, pointing to different phrases in the law, suggest that an energy action would be required, at least formally, to end price controls.

The third point is that no one doubts that the President has the authority to raise the ceiling to a level that would, de facto, eliminate the efficacy of price controls. He can raise the ceiling in the view of everybody. He cannot, in the views of some people on the Hill, eliminate formally the price controls without an energy action but the Administration lawyers say that he can.

**QUESTION:** What do you have to say about reports that came out today that because of the declining dollar and unhappiness with the last price increases, that the OPEC nations will again be meeting in September to discuss raising prices?

**SECRETARY SCHLESINGER:** I would comment that I am not at all surprised that indeed they would take the kinds of actions they have indicated in the past that they are prepared to take.

In the past they have been quite concerned about the erosion of purchasing power to the extent that the dollar declines, vis-a-vis other currencies, since oil payments will be noted in the dollar, and that they would consider taking action under those circumstances in light of current conditions in the oil market, should not be surprising.

It may be disappointing if they were to go ahead in that way, but it should not be surprising.

Thank you.