The House report—93-531—is absolutely clear on this subject. It states:

The reference to equitable prices in paragraph (e) is intended to emphasize that the objectives of the mandatory allocation program are to *prevent price gouging or price discrimination which might otherwise occur on the basis of current shortages*. . . . Moreover, it is expected that the President in exercising this authority will be conscious of the need to determine prices which *equitably balance the objectives of obtaining adequate supply and holding down consumer costs*." (Emphasis added)

As far as I can see, Mr. Simon and Mr. Sawhill have never administered this act to "equitably balance" anything. They have passed on to the American consumer every cent of increased costs and more. They have passed on to the American consumer the excessive profits now being realized by the oil producers as well as sharply increased margins at the retail level. The impact on our already serious inflation has been devastating. I am placing in the RECORD at this point a study by the Economics Division of the Library of Congress which was prepared at my request entitled "Financial impact of Oil Pricing Policies." It estimates that various decisions of the administration and one decision made by the Congress—relating to stripper oil—have cost the American consumer $11.53 billion in the last year and resulted in a significant "ripple" effect on inflation generally. To summarize for the Members, the economics division found the following costs to the consumer:

First. Decontrol of "new" oil, $1.82 billion.

Second. "Old" oil pricing—$1.00/barrel included—$1.95 billion.

Third. "Released" oil decontrol, $2.23 billion.

Fourth. Decontrol of "stripper" oil, $2.64 billion.

Fifth. Increased dealer margins, $2.89 billion.

I would note that with regard to the decision to exempt stripper oil from the Emergency Petroleum Allocation Act, while an amendment was offered in the House, this was done with full concurrence and support from the administration and was endorsed by Mr. Simon in testimony before the Committee on Interstate and Foreign Commerce.

I include the following:

THE LIBRARY OF CONGRESS,
CONGRESSIONAL RESEARCH SERVICE,
Washington, D.C., October 3, 1974.

To The Honorable John E. Moss.
From Economics Division.
Subject: Financial Impact of Oil Pricing Policies.

In response to your request for an assessment of the aggregate dollar cost to the nation as a whole of oil pricing policies, data have been assembled and some straightforward calculations are made below. In making these computations, it must be kept in mind that decisions were made during the gloomiest embargo months vis-a-vis grim alternatives.

These five simple computations define costs with precision, if the hypotheses are accepted. Perhaps this is due to the almost mechanical way in which petroleum prices are set, with key pricing policies functions of very straightforward parameters. But had the Federal Energy Administration and the Cost of Living Council not taken the price regulating actions discussed herein, prices and their inflationary impact could have been worse than we see them now.

The data used below are largely of the type available to a concerned citizen, although some require persistent research. Calculations made herein are of a similar nature.

Cost element by cost element, FEA decisions of substantial consumer impact are discussed in the following paragraphs. A conclusion about their role in the inflation which now impacts our economy is drawn in closing.

A final note that should be made is that decisions now frequently attributed to FEA began at the Cost of Living Council (CLC). And one decision, decontrol of stripper wells, was mandated by Congress. Nevertheless, FEA has ratified them all, and their downstream impact can be attributed to FEA directly rather than CLC's legacy.

1. *New Crude Oil Prices.* Crude oil prices were originally frozen in 1973 at $4.25 per barrel by CLC, a price which was nearly ⅓ higher than had been historically the case. In August 1973, CLC freed new crude oil from controls to provide exploratory incentive. The 1974 effects of this and supporting data are:

Current price of "new" domestic crude—$10.50 a barrel

Daily production rate of all oil—8.9 million barrels per day (a steadily declining rate).

"New" oil is 16 percent of this total.

To compute the annual cost of new oil decontrol, which followed the price increase from $4.25, we make this calculation:

($10.50–$4.25) x .16 (8.9 million bbl/day) x 365 days/year = $6.25 x 1.42 million bbl/day x 365 days/year = $3.25 billion per year.

If one assumes that $10.50 is excessive incentive to produce something whose estimated production cost averages very roughly $1.00 a barrel in the U.S., and hardly ever more than $2.00, the Canadian experience may provide a measure of guidance. Canada has an oil surplus, and a $6.70 posted price. If we say that $7.00 will create sufficient incentive, as it has in Canada, an increase of ($7.00–$4.25) x 1.42 x 365 or $1.43 million would have been "adequate." If this is correct, it may be assumed that U.S. consumers have had to pay $3.25 million less $1.43 billion, or $1.82 billion more than an "adequate" price of $7.00 per barrel.

2. *Old Oil Prices.* Without analytically detailed rationale, CLC just before its merger with FEA increased the price of "old" oil from $4.25 to $5.25. This is oil that costs, again very roughly, less than $1.00 to produce, in this case average cost may be as little as 50 cents. In the current production situation, "old" oil is 60 percent of domestic production. So, this computation of the aggregate cost of the $1.00 increase is made:

($5.25–$4.25) x .6(8.9) x 365 = $1.95 billion.

3. *So-called "Released" Oil.* In its effort to provide producer incentive, CLC provided for the release of one barrel of "old" oil from price controls for every barrel of "new" oil produced. This really means that a barrel of new oil costs consumers $10.50 plus the additional cost of releasing the barrel of "old" oil which immediately increases to $10.50 from $5.25. So this adds up to a true "new" oil cost of $15.75; including the incremental cost of the barrel of old oil.

Specifically, the released oil program's cost is delineated by the following estimation procedure:

Released oil is 11 percent of domestic production. It should really be priced at the old, "old" oil price—$4.25. Hence, ($10.50–$4.25) x .11(8.9 million) x 365 = $2.23 billion is the extra cost to consumer for this oil.

4. *"Stripper" Oil Decontrol.* Congress mandated that oil from wells producing less than 10 barrels per day be exempt from price controls. In theory, this was to provide incentive to keep these marginal wells in production. The cost of this incentive is calculated as follows:

Stripper wells account for 13 percent of domestic production. Therefore,

($10.50–$4.25) x .13(8.9 million') x 365 = $2.64 billion.

5. *Gasoline Dealer Margins.* In order to offset gasoline station operators' revenue shortfalls due to reduced sales volumes during the Arab oil embargo, FEA raised retailers margins from the CLC frozen 7.25 cents per gallon level to a March 1974 level of nearly 11 cents per gallon, according to FEA figures. The authoritative Lundberg Survey, however, points to more nearly 12 cents. Competition has eroded dealer margins in recent months. In July, FEA claims margins ran at 10.2 cents; Lundberg estimates 10.7 cents. Taking the lower FEA estimate, we make this calculation of the margin differentials impact on gasoline users:

Gasoline sales will average 6.4 million (42 gallons) barrels per day for the foreseeable future—hence,

(10.2 cents/gal.–7.25 cents/gal.) x 42 (6.4 million) x 365 = $2.89 billion.

The need for increased mark up now appears questionable since gasoline sales have returned to pre-embargo levels, and there are fewer gas stations now than there were when margins were set at 7.25 cents in 1973. So sales per retail outlet are up, probably reducing the need for increased mark ups.

6. *Mandated Oil Prices' Role in Inflation.* Inflation can conveniently and accurately be defined as increases in total revenue accruing to sellers of a given product without changes in quality or quantity. A tabulation of revenue increases given to the petroleum industry in items (1) through (5) fills this definition. In summary, we now have the following mandated elements of oil price inflation:

	Billion
(1) Decontrol of "new" oil	$ 1.82
(2) "Old" oil pricing	1.95
(3) "Released" oil decontrol	2.23
(4) Decontrol of "stripper" oil	2.64
(5) Increased dealer margins	2.89
Total	11.53

To estimate the role of inflation in GNP which ran at a second quarter 1974 yearly rate of $1,387 billion (current dollars), we must calculate the rate of increase of the GNP deflator from the second quarter of 1973 to second quarter 1974. The GNP deflator is perhaps the best, and the broadest indicator of inflation. During this period, it increased from 152.6 to 167.4 (1958 = 100), 9.7 percent. This implies that 9.7 percent or $135 billion of current dollar GNP is due to inflation or price escalations without quantitative or qualitative increases to match. The above estimated $11.5 billion of this is due to oil price increases, so it can be said that $11.5 billion divided by $135 billion, or about 8½ percent of inflation, or a little over 8/10ths of 1 percentage point of the 9.7% price escalation, stems from these price increases which followed decisions of the CLC, FEA, and Congress in the instances cited above.

7. *A Broader View of Oil's Inflationary Role.* During the past year, domestic oil prices have increased from $4.25 per barrel to $5.25 and $10.50 or a weighted average price of $7.35. In total, this has been an escalation of $3.10 per barrel x 8.9 million barrels per day x 365 or $10.07 billion. Adding $2.89 billion from dealer margins, we have $13 billion or 10 percent of inflation directly attributable to governmental action. It should be noted that this calculation is not substantially different from the above estimate of $11.5 billion or about 8½ percent.

A secondary, but hard to quantify, effect of escalating oil prices is that they have dragged coal and intra-state natural gas power, land transportation—railroads, passenger buses, trucks, taxicabs, automobile emergency—disaster communications and public safety, police and fire departments, forest conservation, and highway maintenance, and operations by amateurs or other private citizens who use radio as a hobby or convenience. The Experimental Radio Service is used to license radio stations for research and development projects such as the radio tracking of birds and animals and remote control of construction equipment.

Mr. Speaker, I yield to the gentleman from Texas such time as he may consume.

Mr. COLLINS of Texas. Mr. Speaker, basically all that is involved in Senate bill, S. 2457, is the furnishing of additional subsidiary licenses used in granting radio licenses to a parent corporation. It is a technicality. It grants radio station licensing to own and operate stations in the Safety and Special, and Experimental Radio Services.

This bill corrects the unfairness to small individuals that do not have the resources to form corporate subsidiaries. In our committee this bill was passed unanimously. There were no objections to it during the committee hearings. I would move for its passage.

Mr. WYLIE. Mr. Speaker, will the gentleman from West Virginia yield for two questions?

Mr. STAGGERS. I yield to the gentleman.

Mr. WYLIE. Is this bill more restrictive or less restrictive, as far as the granting of alien or foreign licenses to operate radio stations is concerned?

Mr. STAGGERS. As I stated earlier, S. 2457 would continue the prohibition against aliens, alien corporations, and corporations with officers and directors receiving or holding licenses for broadcast, common carrier, or aeronautical en route or aeronautical fixed radio stations. This legislation would only lift the prohibition with respect to licensing radio stations in the Safety and Special Radio Services and the Experimental Radio Service.

The SPEAKER. The question is on the motion offered by the gentleman from West Virginia (Mr. STAGGERS) that the House suspend the rules and pass the Senate bill (S. 2457), as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate bill was passed.

A motion to reconsider was laid on the table.

EXTENDING THE EMERGENCY PETROLEUM ALLOCATION ACT OF 1973

Mr. STAGGERS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 16757) to extend the Emergency Petroleum Allocation Act of 1973 until August 31, 1975.

The Clerk read as follows:

H.R. 16757

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4(g) (1) of the Emergency Petroleum Allocation Act of 1973 is amended by striking out "February 28, 1975" wherever it appears, and inserting in lieu thereof "August 31, 1975".

The SPEAKER. Is a second demanded?

Mr. SYMMS. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. STAGGERS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the singular purpose of this legislation is to extend for an additional 6-month period, until August 31, 1975, the existing authorities under the Emergency Petroleum Allocation Act of 1973. Unless extended, that act would terminate on February 28, 1975—at a time when the focus of the new Congress will undoubtedly be confined to administrative matters. The 6-month extension proposed in this legislation, if enacted, would assure that the important allocation and price control authorities contained in the act would continue through the ensuing winter and spring and would give the Congress an opportunity which is not now available to it to consider whether the act should be further extended or whether to make substantive amendments to its terms.

The Emergency Petroleum Allocation Act was enacted on November 27, 1973, at a time when this Nation was confronted with unprecedented shortages in crude oil and petroleum products. I believe that this act has contributed greatly to this Nation's ability to survive the Arab oil embargo. Also it has in large measure worked well in providing for the equitable distribution of supplies and in forestalling a further erosion of competition in the oil industry. I am aware, of course, that the Act itself and, more particularly, the Federal Energy Administration's implementation of it has been criticized by a number of my colleagues, several Members have introduced legislation which proposes to make specific amendments to the fabric of the allocation program. Many of these register dissatisfaction with the implementation of the price control authority under the congressional mandate that the Federal Energy Administration establish "equitable prices" for petroleum products. In several important respects, I would agree, the congressionally defined objectives have been misunderstood, misinterpreted, or in some cases, ignored. The committee was dissuaded, however, from attempting to make substantive amendments to the act at this time. Instead, it was determined to wait until the next session of Congress when time would permit a more reasoned and detailed evaluation of the program. In this regard, it is noted that the program has been in effect for less than 1 year.

In its short life, the regulations have been undergoing almost constant change. It is the sincere hope and expectation of the committee that the Federal Energy Administration will make the necessary revisions in its regulations to bring the program more nearly in line with the firm intent of the Congress and the requirements of the law. In this regard I should point out that the Federal Energy Administration is given great administrative flexibility under this act to respond to situations where the price control and allocation requirements are producing unintended inequities.

Let me also inform my colleagues in the House that it is my intention to request that the committee conduct full oversight hearings of the administration of the allocation program in the early part of the first session of the next Congress. At that time, substantive amendments will be considered and an assessment will be made of the need for continuance of the act.

I would also like to point out that, in fashioning this legislation, the Congress coupled with the allocation mechanism, price control authority designed to afford a protective shield for industrial and individual consumers from artificially inflated prices. Today, the price control authority contained in the Allocation Act stands as the only authority available to the executive branch to assure the petroleum prices are rationally based.

I believe that it is imperative that the Congress act now to extend this important authority and I respectfully ask for the support of the membership of the House for this legislation.

Mr. MOSS. Mr. Speaker, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from California.

(Mr. MOSS asked and was given permission to revise and extend his remarks, and to include statistical data.)

Mr. MOSS. Mr. Speaker, I rise in reluctant support of this 6-month extension of the Emergency Petroleum Allocation Act. I will explain to the House my support—and my reluctance.

I am going to vote for this bill because it is the only existing authority for the allocation of scarce petroleum products and for price control over petroleum products. Without it, independent refiners, jobbers, and retailers would face even worse problems than they face now because the major oil companies could refuse to furnish crude oil to them or could furnish high priced imported oil rather than domestic oil which is presently frozen at $5.25 a barrel. Without the price control authority of the Emergency Petroleum Allocation Act, consumers would face even more problems than they face now. As inadequate as the decisions of the Federal Energy Administration have been, in at least one category—old oil—these controls have required the price of $5.25 a barrel, which is better than $10.50, the approximate price of new oil. Without this legislation every driver in this country would be at the mercy of the major oil companies and prices would be set exclusively by Exxon, Texaco, Mobil, and others, so Mr. Speaker, I will reluctantly vote for this extension.

On the other hand, I have grave misgivings over the shortcomings of the Federal Energy Administration. There is a necessity for more effective control on the price of crude oil and gasoline and on the excessive profits of the petroleum producers. As written, the original Emergency Petroleum Allocation Act mandated that the administration set "equitable prices" to all consumers.