

REMARKS OF SENATOR BOB DOLE
POLITICAL SCIENCE CLUB CONFERENCE ON ENERGY
WICHITA STATE UNIVERSITY
APRIL 18, 1974 (BY TELEPHONE HOOK-UP)

CONGRESS HAS A LOT OF CATCHING-UP TO DO ON ENERGY LEGISLATION. FOLLOWING THE ARAB EMBARGO AND THE IMPOSITION OF CRUDE OIL PRICE INCREASES, CONGRESS HAS SPENT SIX MONTHS MAKING SPEECHES AND GRABBING HEADLINES WITH NO WORTHWHILE LEGISLATION YET ENACTED.

SO NOW THAT THE EMBARGO HAS ENDED AND THE COUNTRY HAS PASSED OUT OF THE CRISIS PERIOD, IT IS TIME FOR CONGRESS TO GET BUSY ON LEGISLATION THAT WILL MAKE MORE AND BETTER FUELS AVAILABLE TO OUR COUNTRY, PROVIDE MEANINGFUL PROTECTION TO CONSUMERS AND RE-ESTABLISH OUR INDEPENDENCE IN THE PRODUCTION OF ENERGY.

MAJOR BILL BEFORE FINANCE COMMITTEE

AS A MEMBER OF THE SENATE FINANCE COMMITTEE, I AM INVOLVED IN WORK ON ONE OF THE MOST IMPORTANT OF THESE ITEMS. IT IS THE BILL WHICH MUST ACCOMPLISH THE DUAL PURPOSES OF PROTECTING CONSUMERS FROM UNFAIR AND EXCESSIVE ENERGY INDUSTRY PROFITS WHILE AT THE SAME TIME ASSURING AN ECONOMIC CLIMATE THAT WILL ENCOURAGE EXPANDED EXPLORATION AND DEVELOPMENT OF OUR VAST POTENTIAL ENERGY RESOURCES.

THIS BILL IS NOW NEARING THE FINAL STAGES OF PREPARATION IN THE HOUSE WAYS AND MEANS COMMITTEE, SO I AM HOPEFUL THAT HOUSE ACTION CAN BE COMPLETED AND THE FINANCE COMMITTEE CAN BEGIN ITS WORK SOMETIME NEXT MONTH.

CONSUMER PROTECTION

ON THE CONSUMER PROTECTION SIDE, I THINK A VERY IMPORTANT JOB HAS TO BE DONE. CONSUMERS MUST HAVE ASSURANCE THAT THEY WILL NOT BE MADE THE HELPLESS VICTIMS OF THE OIL COMPANIES IN A TIME OF UNCERTAINTY AND CHANGE. THE OIL COMPANIES HAVE NO RIGHT TO CONVERT A PERIOD OF NATIONAL CHALLENGE AND TRIAL INTO AN "OPEN SEASON" ON THE AMERICAN PEOPLES' PAYCHECKS, PENSIONS AND PEACE OF MIND. AND WE IN CONGRESS HAVE A VERY SERIOUS RESPONSIBILITY NOT ONLY TO PREVENT SUCH A DEVELOPMENT BUT TO PROVIDE VISIBLE AND CLEAR-CUT ASSURANCE THAT IT WILL NOT HAPPEN.

EFFECTIVE MECHANISM

THIS IS A PRIMARY REASON WHY THE BILL TO TAX EXCESS PROFITS IN THE ENERGY INDUSTRIES IS SO IMPORTANT. UNLIKE MOST OF THE SHALLOW SCHEMES AND SIMPLISTIC REMEDIES WHICH HAVE BEEN TOSSED ABOUT IN CONGRESS SO FAR, A SOUND TAX MEASURE CAN EFFECTIVELY PROVIDE THIS PROTECTION. THE TAX SYSTEM IS A KNOWN ENTITY. IT IS PREDICTABLE AND, MORE IMPORTANT, IT IS ENFORCEABLE. IT DOES NOT RELY ON SOME HOPELESSLY INEFFECTIVE ADMINISTRATIVE BOARD TO RULE ON WHETHER SOMEONE HAS EARNED AN "UNREASONABLE" PROFIT. IT DOES NOT DELEGATE UNWARRANTED ECONOMIC POWERS TO THE PRESIDENT FOR SETTING AND CONTROLLING PRICES. BUT IT CAN ESTABLISH CLEAR STANDARDS AND PRECISE CRITERIA FOR DETERMINING MARGINS OF PROFIT AND THE OPERATION OF THE TAXING

-5-

MECHANISM ON THOSE PROFITS. EVERYONE -- CONSUMERS, ENERGY COMPANIES AND THE GOVERNMENT -- WILL KNOW WHERE THEY STAND AND WHAT CAN BE EXPECTED. AND ON THIS SOLID BASIS I BELIEVE THE NECESSARY PROTECTION FOR CONSUMER INTERESTS CAN BE ESTABLISHED AND ENFORCED.

NEED FOR PLOWBACK

ON THE OTHER HAND, WHILE LOOKING OUT FOR THE CONSUMER, THIS SAME BILL MUST RECOGNIZE THE ECONOMIC FACTS OF LIFE. AND IF OUR DOMESTIC ENERGY SOURCES ARE TO BE EXPANDED, THERE MUST BE A CLIMATE IN WHICH SUCH ACTIVITIES ARE SEEN AS WORTHWHILE. THAT IS TO SAY, THERE MUST BE A REASONABLE EXPECTATION FOR MAKING A PROFIT.

THEREFORE, THIS BILL CANNOT BE TRANSFORMED INTO A DEVICE FOR PUNISHING THE OIL INDUSTRY -- OR ANY OTHER SEGMENT OF THE ECONOMY -- IN AN EFFORT TO DELIVER A SCAPEGOAT FOR PAST MISTAKES AND FAILINGS.

FOR THIS REASON, I BELIEVE THE EXCESS PROFITS TAX SHOULD CONTAIN A SUBSTANTIAL "PLOWBACK" FEATURE FOR FUNDS WHICH ARE NOT TAKEN AS PROFITS BUT "PLOWED BACK" TO FINANCE ADDITIONAL EXPLORATION, UNDERWRITE RESEARCH INTO NEW ENERGY TECHNOLOGY AND SUPPORT OTHER ENERGY-RELATED ACTIVITIES WHICH CONGRESS SPECIFIES. THE NEED FOR SUCH A PROVISION IS SHOWN BY ONE ESTIMATE THAT FORESEES THE REQUIREMENT FOR MORE THAN TRIPLING OIL COMPANY ANNUAL

CAPITAL INVESTMENTS TO ACHIEVE PETROLEUM SELF-SUFFICIENCY
BY 1985.

BASIC GOALS

IN EXAMINING THIS PLOWBACK CONCEPT, I BELIEVE IT IS IMPORTANT TO KEEP IN MIND WHAT THIS EXCESS PROFITS TAX IS SUPPOSED TO ACHIEVE. IT IS INTENDED TO KEEP THE COMPANIES FROM GETTING UNJUSTLY FAT AT THE PUBLIC'S EXPENSE. BUT IT IS NOT INTENDED AS A MAJOR REVENUE-RAISING MEASURE, AND IT IS NOT DESIGNED TO PUNISH THE INDUSTRY. AND MOST IMPORTANTLY, IT AND OTHER TAX AND POLICY DECISIONS TO BE VIEWED IN THE OVERALL CONTEXT OF OUR EFFORTS TO INCREASE AMERICA'S ENERGY SUPPLIES. WE CANNOT STEP ON THE BRAKE AND THE ACCELERATOR AT THE SAME TIME AND ACHIEVE THE GREATEST PROGRESS. WE

MUST KEEP OUR GOALS IN MIND AND MATCH THE STEPS WE TAKE TO THEM. WE CAN AND MUST PROTECT THE CONSUMER. BUT WE CAN DO SO AND STILL ENCOURAGE INDUSTRY TO EXPAND ITS ACTIVITIES AND BRING ABOUT THE INCREASE OF OUR ENERGY RESOURCES WHICH IS SO VITAL TO OUR NATION'S FUTURE.

BROAD LEGISLATION

IT IS ALREADY APPARENT THAT THIS BILL WILL GO BEYOND THE EXCESS PROFITS QUESTION. REPEAL OF THE DEPLETION ALLOWANCE HAS ALREADY BEEN INCLUDED BY THE HOUSE COMMITTEE, AND I BELIEVE THE AREA OF FOREIGN TAX CREDITS AND OTHER SUCH BENEFITS FOR OPERATIONS OUTSIDE THE UNITED STATES SHOULD BE CAREFULLY EXAMINED.

THEREFORE, I LOOK FORWARD TO THE FINANCE COMMITTEE'S CONTINUING WORK ON THIS LEGISLATION. IT IS ONE OF THE MOST IMPORTANT AND PROBABLY MOST COMPLEX PARTS OF A CONGRESSIONAL EFFORT WHICH HAS LAGGED BEHIND THE PACE OF EVENTS AND THE NEED FOR A COMPREHENSIVE AND RESPONSIBLE NATIONAL ENERGY POLICY.

* * * *