

very tough spot last fall, they leaned too heavily on him so that Vic and Lillian Roberts, New York's Joan of Arc, had to call a strike for a day or two. We got to watch that.

You see, the big factors in this city are the unions and the banks, and there has to be give and take. The Democrats and City Hall are no longer a big factor and certainly won't be after the elections.

Given time, we can do anything we have to, but the

problem is we have this damned six-month period because of the elections, and there's no guarantee the whole thing will all last that long. You got to have elected people unfortunately, and these people will wave the flag of bloody populism. This isn't Russia. You can't line up people against the wall and shoot them, so we got this mess on our hands.

## Energy Independence Or Energy Disaster?

### UTILITIES

The Carter Administration's energy policy, emphasizing a shift to domestically mined coal as the United States' major source of fuel is not, as Carter claims, a policy aimed at lowering the nation's bill for imported oil and protecting it from a possible Arab oil boycott.

Indeed, if this were the case, Carter's most rational policy pursuit would be to expedite licensing and construction of nuclear power plants.

In fact, the Administration's coal plans are part of the Rockefellers' grandiose "Project Independence" — a plan for a \$100 billion bailout of the New York banks through funding of large-scale, domestic slave labor projects and expensive projects involving coal and coal gasification — where the Rockefellers have already made heavy unrealized investments.

Far from "energy independence," this scheme spells "energy disaster" for the U.S. economy, and in particular threatens to destroy the U.S. electrical utilities industry, the U.S. industry which has historically been the most avid fighter for economic growth and technological progress.

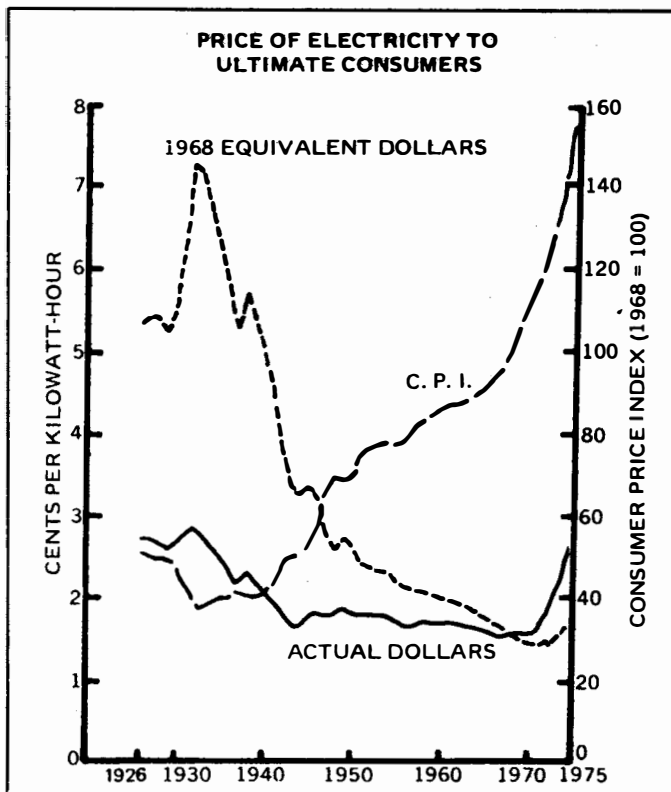
#### *Ban Oil, Gas, and A-Energy*

The Administration is proposing a ban on all construction of oil and gas burning generating plants and a heavy tax which will force the utilities to convert all existing oil and gas plants to coal by 1985. In addition, the Administration plans to allow nuclear plant construction starts to come to a half, and is canceling the fast breeder reactor development.

This forced conversion to coal will cost utilities \$71 billion, the Edison Electrical Institute estimates, and will affect 115,000 Megawatts of existing and planned oil and gas burning capacities, nearly one-fourth the total capacity of the industry today.

The increased coal requirements would be on the order of 350 million tons by 1985, and presently projected coal output would have to be augmented by 88 percent — necessitating the opening of 40 new surface mines and 75 underground mines.

Additional costs to the economy are for the purchase of thousands of new railroad cars and scores of locomotives to move the coal from the West to the Northeast and from the Southwest to the Pacific Coast.



Social costs of such a magnitude can only be justified by increased energy production. But under the Carter Administration plan, the monumental sums involved will be spent largely for conversion of existing and already planned capacity. Because of the poor financial health of the utilities, these costs would be borne *at the expense of energy expansion*.

As of December 1, 1976, the Federal Power Commission projected total capacity needs of the industry to be \$250 billion by 1985, if a slightly lower annual growth rate than the historic 6 to 7 percent were maintained — and not counting the \$71 billion coal conversion cost. Only 60 percent of that \$250 billion capital budget would be used for expanding generating capacity; the rest would be needed for improvements in transmission facilities.

Even these modest Federal Power Commission projections are made with great qualifications. As documented by this news service and admitted by all knowledgeable utility analysts, the industry is in grave financial condition. A huge and growing debt hangover, skyrocketing bond rates and a reversal of a cost

reduction market expansion strategy can all be traced to the halt of on-line technological improvement represented by nuclear power.

Nuclear energy is far cheaper to generate than any other source, and the industry's capital structure has been erected on the assumption that it could steadily increase electricity usage by cutting costs to consumers through such new technologies as nuclear power. (See "Carter Energy Program Would Bankrupt Public Utilities," *Executive Intelligence Review*, Vol. IV, No. 9 (Feb. 29, 1977), Economics Section pp. 9-11.)

In 1973 the industry appeared to be off to a healthy start in the nuclear business, with permits granted to construct 40,000 megawatts of new capacity. In 1974 this was halved; in 1975 the total was reduced 80 percent further and in 1976 no new permits were granted as a result of uncertainty due to a concerted attack by environmentalist groups.

That this legal onslaught is traceable to the same Rockefeller-Trilateral Commission sources that advise Carter reveals the Administration's real policy on nuclear power. Laurance Rockefeller's Natural Resources Defense Council is one leading anti-nuclear group.

The losses incurred by utilities as a result have left them strapped for funds. Their response has been to slash capital outlays 14 percent during the fourth quarter of 1976 and increase dividend payments, in the hope of raising funds internally through the sale of stock. Industry spokesmen contend that unless rate changes and regulatory reform increase their rate of return to 15 percent, they cannot fund the needed capital development.

Contemplating Carter's proposed \$71 billion increase in costs, the Edison Electrical Institute does not mince words, labeling the proposal "financially disastrous" and "impossible."

#### Scare Tactics

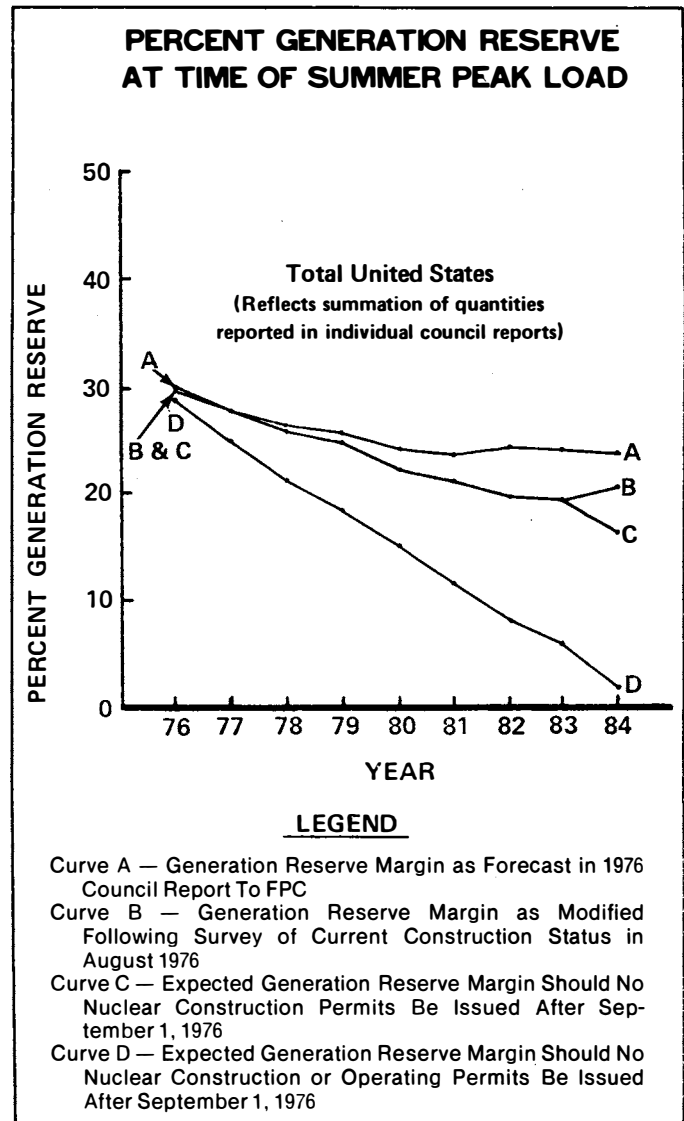
The Carter-Rockefeller forces are relying on "energy-shortage" scare tactics to bully their opponents into acquiescence.

In a recent report, the Federal Power Commission forecasts that electrical generating reserves will be reduced from the present level of 28-30 percent to 17 percent by 1981 as a result of construction delays already incurred. This reduction will increase the occurrence of blackouts, power reduction and other forms of shortages a thousand-fold. Another group — Americans for Energy Independence — said in a letter to Carter Energy czar James Schlesinger that if the trend continues, the reserve would be under 8 percent by 1985, with 248 plants over 40 years old counted in. The percent of generating capacity out of usage in any given month for repair and maintenance is 15 to 20 percent.

In this crisis atmosphere — which official government sources now claim is unavoidable — giant price increases are only one of the results. The Carter-Rockefeller forces are hoping to push through the following plans:

#### 1. Slave Labor

Regional financial corporations able to float government-backed bonds are now being set up to fund coal conversion — including the more expensive vastly more



inefficient coal gasification technology. Professor Louis Kaden, legal counsel for the Conference of Northeast Governors describes the purpose of CONEG's Northeast Energy and Economic Development Corporation (NEED): "Our purpose is to solve the Administration's energy program's most glaring shortcoming, insufficiency of capital instrumentation." Mr. Kaden also made it clear that funding a place for welfare victims in the NEED program for coal development was a major concern.

With most of the new coal coming from the West, mine operators are expected to use non-union workers in an area of the county where miners are largely unorganized.

The breaking up of the United Mine Workers Union is a necessary prerequisite to the mass labor relocation operation that would be necessary to get Rocky Mountain coal out of the ground. Though there is now a surplus of miners in the country, the Bureau of Labor Statistics says there are "dramatic shortages" of miners in Colorado, Utah, Wyoming and Montana, the area Carter expects to produce the most coal. The BLS is now debating how to relocate large numbers of Appalachian miners — the section of the workforce they characterize

as the most immobile in the country.

To quote UMW Secretary Treasurer Harry Patrick on the subject, "If we don't organize the West this union is finished."

### *II. Carterite Control of Industry*

Because the Clean Air Act governing coal burning is a more stringent "environmental protection" law than anything the utilities are now fighting on the nuclear front, conversion to a coal economy would place utilities under the tight control of Energy Czar Schlesinger and Naderites ensconced in the Carter Administration.

A government spokesman estimates 40 percent of the coal now being burned creates pollution which violates the standards set by the act. In addition a case is now being fought in Ohio that could cut coal usage by one-third in the state on the basis of a computer program predicting ecological effects.

### *III. Decentralization*

The Ford Foundation has outlined regulatory reform

that would organize regulatory commissions on the regional level, disbanding the state commissions which have historically been pro-industry.

The May 8 issue of the Baltimore Sun summed up the aim of Carter's coal program: "The administration sees the use of coal as a means of decentralizing energy production in the next two decades, analysts believe, with factories served by their coal gasification plants, with new electrical power demands being met by smaller plants . . . and with homes and businesses supplying larger portions of their own energy needs through solar power."

This precise issue was fought and won by Edison and Insull at the turn of the century in their battle against the Morgans' plan for production of small generators for each household. They established the most capital-intensive industry in the world. We have to protect it.

— James Rotonda