U.S. Drafts Mandatory Oil Sales Plan

6/30/73

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The chairman of the President's Oil Policy Committee has concluded that the voluntary program to assure fair distribution of gasoline and other oil products is not working and that the administration is "drafting a mandatory program to take its place."

In a letter ot Sen. Thomas J. McIntyre (D-N.H.), Deputy Treasury Secretary William E. Simon said that a mandatory program requiring major oil companies to supply independent buyers will help keep them in business, although it will not increase total output of oil and its products.

The letter was dated Thursday, June 28, the day before the President announced that he would name Colo. Republican Gov. John A. Love to head the administration's new energy policy office.

Love told reporters at the Western White House that he was opposed to a mandatory allocation system and said he favored a voluntary program. In response to a question, Love said he had not yet talked to Simon.

Last May, the administration announced a voluntary oil allocation system which called on all suppliers to sell their customers the same percentage of their refinery output and supplies of crude oil that they sold them in the year ending Sept. 30, 1972.

Simon promised then that if "voluntary compliance fails, more stringent measures will be taken." Two weeks ago the administration held hearings on whether the voluntary system was working.

Simon told McIntyre that the administration's "current plans" for the mandatory program will require major oil companies to supply independent gasoline wholesalers and marketers who were their customers during March of 1973. They will be required to supply that marketer "for the duration of the allocation program."

The major oil companies must supply the wholesaler or independent marketer, such as an independent service station, the same amount that they used during calendar year 1972.

If the oil company cannot supply all of its customers with their 1972 levels, it must curtail all of them "evenly, across the board." The company could not cut back an independent station 60 per cent and one of its own outlets by 10 per cent, Simon said in his letter to McIntyre.

Simon said that there are two different dates in the plan because the single base period in the voluntary program caused "extraordinary administrative difficulties," particularly where retail outlets "which sold the product of one major oil company are now selling the products of another."

So the independent's supplier is determined by the supplier he had during March, but the supply he should receive is determined by the amount supplied him during 1972.

Simon said the change was made to calendar year 1972 because most companies keep records on a calendar year basis.

Simon told McIntyre, who introduced the amendment giving the President authority to allocate oil, that if a "particular marketer had no supplier in March 1973, he will be able to apply to the Office of Oil and Gas (of the Department of the Interior) for a priority allocation."

Interor is administering the current voluntary program.

Simon cautioned McIntyre that "what I say is subject to change."

In another development, four of the nation's major producers of gasoline confirmed that they would be able to increase deliveries to wholesalers and retailers.

The confirmations — from Texaco, Gulf, Exxon and Shell — considerably brightened the picture for gasoline supplies this summer.