SFChronicle NCX AD DEC 13 1973 DEC 13 1973

Cut in Gasoline Output Ordered---5% Below '72

U.S. Oil Plan Starts Dec. 27

Washington

The administration yesterday announced a mandatory oil allocation program designed to cut gasoline production 5 per cent below 1972 levels and conserve the resulting shorter supply for top priority users

The administration first announced yesterday that it planned to cut gas production 25 per cent, but late last night acknowledged its error and said the cut would be held to 5 per cent.

"We screwed up this morning," said Jonathan Brown, an official of thenew Federal Energy Office. "We had two separate drafts of the regulations and we took the numbtr from one and inserted it in the language of the other."

The incorrect announcement stood for ten hours during which it appeared in afternoon newspapers across the country and was used on radio and television. In issuing a correction, Brown said he was advised of the error by Robert Hemphill, head of the energy policy task force on fuel allocations.

A spokesman then belatedly said that the 5 percent cutback would really mean a 25 per cent gasoline shortage early next year.

The explanation by John Sawhill, deputy director of the new Federal Energy Office, capped a day of confusion over proposed petroleum allocation regulations and their impact on gasoline supplies.

Officials had neglected to mention that the 5 per cent cutback in refinery production comes on top of the gasoline shortage caused by the Arab nations' cutoff of crude oil deliveries to the U.S.

Sawhill said in a late-night interview that the two factors add up to this: the nation will get 1.4 million barrels less gasoline daily than

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it needs, in the first quarter of next year.

And Sawhill said that amounts to about 25 per cent of the demand.

"Does that mean, in simple terms, that we will have 25 per cent less gasoline than we need, as a real shortage?" Sawhill was asked.

"Yes, that is correct," he answered.

As finally laid down, the mandatory oil allocation program announced by the administration is far less severe than anguished businessmen, commuters and housewives orginally were led to believe.

It will reduce gasoline output only 7.4 per cent below current levels, or by about 470,000 barrels a day, in stead of the 1.7 million barrels a day called for under the early morning announcement.

But the plan still will require considerable belt-tightening by motorists and other users of oil not given priority status.

The program, scheduled to go into effect December 27 unless changed before then, will give police, fire and other emergency services, farmers and fuel producers, and mass transit systems all the gasoline they need.

Other businesses are assured supplies equal to the amount they usedd uring the corresponding months of 1972.

Individuals — and businesses wanting more than their alloted amounts — will have to line up at service stations for the remaining supplies.

The program, which operates at the refinery and wholesale level and does not involve any retail rationing system, also

Refiners having above-average supplies of crude oil — the average early nect year, by current administration estimates, willb e about 83 per cent of the refiners' capacity — will be required to sell these supplies within 30 days to other refiners.

The sales will be privately negotiated, but at government controlled prices.

William E. Simon, administrator of the new Federal Energy Office, emphasized that thep rogrami s intended to operate throughc ontrol of oil products at the refinery and wholesale level, and does not involve retail rationing.

He said the plan, which he called a "monumental undertaking," was intended to assure "the essential petroleum needs of all Americans — from the average wage earner, the businessman, the farmer, the physician, to the nursing home resident."

The administration viewed the system 'as a temporary expedient to assure equity," Simon added. He said that while the oil shortage could last for years, he hopes to eliminate many of the program's restrictions as soon as possible and let market forces play a greater role.

The program as outlined in 50 pages of proposed regulations replaces the present voluntary programs for allocating gasoline, residual fuel oil and crude oil and the mandatory programs allocating propane and kero sene, jet fuel, home heating oil, diesel oil and other so-called middle distillate fuels.

Under the plan, U.S. refiners must reduce their output of gasoline 5 per cent below the 1972 level.

The reason for this is to increase the output per barrel of crude oil of other oil products viewed as more essential to pub. lic health and safety and to the maintenance of jobs and production. These products include heavy fuel oil for electricity and industry, heating oil, chemical feedstocks for production of synthetic fibers and plastics, and jet fuel.

Just how much of the other products will be producted depends on the actual amount of crude oil available in the early months of next year.

Los Angeles Times