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Nixon's Oil Aides Accused Of Ignoring Shortage Peril

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WASHINGTON, Dec. 13—A Senate subcommittee investigating causes of the oil and gasoline shortages was told today that the Administration officials responsible for setting petroleum import quotas ignored for more than two years warnings that crude oil supplies were insufficient to meet rising demand.

According to testimony at a public hearing of the Senate Permanent Investigating Subcommittee, key officials of the White House Office of Emergency Preparedness "never saw" a 1972 staff warning that domestic oil production had "peaked"—reached its maximum—leaving the country with fixed supplies of crude oil in the face of a known rise in demand. Accordingly, the import quotas were not sufficiently increased.

The subcommittee's investigations said that in 1971, 1972 and 1973, while the Government's oil import quotas were consistently being set at levels too low to satisfy demand for finished petroleum products, the top White House oil official, Peter M. Flanigan, intervened at least once in the bureaucratic quota-setting machinery to oppose a large increase in foreign imports—the position supported by several large American oil companies.

However, another former Nixon Administration official, Gene P. Morell, who then headed the Interior Department's Office of Oil and Gas, was

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quoted by the subcommittee staff as having warned early in 1972 that insufficient oil quota allowances might precipitate a pre-election "petroleum shortage identified with oil import controls [that] could be made into a major political issue" against the re-election of President Nixon last year.

Mr. Morrell has since left the Government and is a vice president of the Lone Star Gas Company.

This apparent confusion of internal political advice affecting Government oil policy was only one of scores of examples of conflicting admonitions, unread staff studies, failures to obtain or study oil statistics and "lost" programs that the subcommittee drew from witnesses today, or in previously taken affidavits made public for the first time today.

The testimony most potentially damaging to the Nixon Administration was contained in affidavits, or sworn statements, obtained in interviews last month by LaVerne J. Duffy, the sub-committee's assistant counsel, with six former Government officials responsible for a large part of the nation's pre-crisis energy planning.

United Press International

Laverne J. Duffy, assistant counsel to Senate subcommittee investigating causes of oil and gasoline shortages, testifying yesterday.

Subcommittee aides said the statements of the six former "insiders" were "almost" the equivalent of the Pentagon papers" on the origins of the Vietnam war.

In another case that Senator Henry M. Jackson, Democrat of Washington, the subcommittee chairman, labeled today as "incredible," the drew from Brig. Gen. George A. Lincoln, retired, the 66-year-old former West Point professor who headed the White House Office of Emergency Preparedness until last November, the little-known fac that the O.E.O. had prepared a stand-by gasoline rationing pla as long ago as 1972.

The stand-by plan, indicating an unpublicized Government concern about petroleum supplies as long ago as 1972, apparently disappeared.

Senator Lincoln, whose office then set annual oil import quotas, was confronted today with testimony by former Gov. John A. Love of Colorado, who quit 10 days ago after being displaced as the Nixon Administration's "energy czar," that the Government had never had a contingency gasoline rationing plan. Mr. Love's testimony was given to a closed session of the Senate Interior Committee, also headed by Senator Jackson, last October.

'A Complete Program'

Explaining that the civilian rationing that he and his associates in the Office of energy-Preparedness had drawn up a year earlier was "far from being polished, but it was a complete program," General Lincoln testified today that the proposal had been sent from his office to the General Services Administration, the Federal housekeeping, purchasing and real estate agency. He said he did not know why.

"Where is that plan now?" General Lincoln was asked by Senator Edward J. Gurney, Republican of Florida. "I have no idea," he replied.

"Love wouldn't have known of it," General Lincoln told the subcommittee today, adding that "I am induced to think there was a lack of communication in the executive branch."

"I find it incredible that this was to be a function of the G.S.A.," Senator Jackson commented. "This shows the low priority it was given."

It was a morning of pungent testimony before, at one point, reacting to the long indictment of his oil policy operations presented by the subcommittee counsel — with the aid of the six affidavits of former Administration oil aides — General Lincoln interrupted his rambling testimony and burst out, "I think this reflects on my integrity"—"I am called a damn fool."

"I have searched my mind for things that might have been done better," the witness said, "and certainly with 20-20 hindsight we ought to be able to find some, but certainly we were neither knaves or fools."

The testimony of Mr. Duffy, the subcommittee investigator, however, showed that in their sworn statements General Lincoln's former associates had been, by and large, critical in assessing his and their roles during the three years that preceded the Arab oil embargo last October.

Mr. Duffy's testimony contained charges that General Lincoln's oil policy makers, few of them experienced in petroleum matters, had "missed opportunities," had "gambled and lost" and had allowed "bureaucratic comfort" to take priority over the need to preside over a tedious distribution formula for increased imports of foreign crude oil.

"So they refused to expand the level of oil imports sufficiently and created the shortages," the subcommittee investigator declared.

The most crucial failure, Mr. Duffy testified, was the O'E.P's failure to heed—or even to read—a memorandum dated March 30, 1972, in which the most experienced oil economist on General Lincoln's staff Phillip L. Essley Jr., wrote that domestic crude oil producers were then reaching peak production.

The memorandum siad that perpetuating a tight crude oil market by holding down import would give the largest oil companies greater power and higher profits and work to the disadvantage of "crude-deficient" independent refiners.

Recollection of Memo

General Lincoln testified today that "I do not recollect ever seeing Mr. Essley's paper, nor did Mr. (Elmer F.) Bennett." the former assistant director and general counsel of O.E.P.

The testimony of the subcommittee counsel, citing "over 250" government documents and the sworn statements of the former O.E.P. aides, then disclosed that a month later, on April 25, 1972, Mr. Flanigan, an assistant to the President who has been a principal Nixon Administration liaison man with the oil industry, had attended the meeting of the O.E.P.'s Oil Policy Committee, which set new oil import quotas.

O.E.P. staff recommendations for the new import quota levels, which were to take effect in May, were for 250,000 to 300,000 barrels a day of additional foreign crude, the testimony showed.

'230,000 Barrels a Day'

"The figure General Lincoln finally arrived at was 230,000 barrels a day," Mr. Duffy testified. "While eGneral Lincoln's idea carried the day at the April 25 Oil Policy Committee meeting, there was another person at the session whose opinion probably had an impact. That person was Peter Flanigan, the assistant to President Nixon."

Mr. Duffy testified that the minutes of the April 25 meeting "reported that Peter Flanigan opposed increasing imports to such a level" that domestic oil producers could reserve some output and thus maintain a "balancing" effect on the total crude oil market by supplying small refiners on demand.

Reached by telephone this afternoon, Mr. Flanigan said that it had been "entirely proper" for him to attend the April, 1972, Oil Policy Committee meeting, and that he or his aides "attended most of them" as a representative of the White House, "but of course not as a statutory member of the committee."