

**5/21/79 [2]**

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 5/21/79  
[2]; Container 118

To See Complete Finding Aid:

[http://www.jimmycarterlibrary.gov/library/findingaids/Staff\\_Secretary.pdf](http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf)

THE WHITE HOUSE  
WASHINGTON

21 May 79

Jim McIntyre

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

EYES ONLY ATTACHED.



9:00 AM



ADMINISTRATIVELY CONFIDENTIAL  
EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

May 18, 1979

*Jim - You  
pursue and  
monitor -  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR. *Jim*  
SUBJECT: Assessment of Agency Performance Under  
E. O. 12044

Your recent note asked for a fresh, accurate and specific evaluation of agency performance on improving government regulations for Monday's Cabinet meeting. The first report we provided you focused narrowly on the quality of agency plans for carrying out the Order. We had little information at that time to make a broader assessment. We now have a more complete evaluation based on self-appraisals provided by the agencies and information gathered by OMB staff.

On the whole, I am disturbed that the agencies are not doing better than they are. Although there are some individual instances of positive actions by the agencies, collectively we have not done enough to show major progress.

In short, regulations are still not written in plain English, quality analyses are not being done on a regular basis, and in a few instances, top level attention is lacking.

The attached notebook provides details and a summary evaluation of agency progress toward each of the Order's five major goals. To the best of my knowledge, it is the first time such a government-wide "grading" has been done.

In the evaluation process each agency was rated on its own merit, and we then applied some relative judgments. To the extent possible, we sought comments and opinions from outside groups.

Of course, any grading of this sort involves a risk of being unfair. It is difficult to compare very different kinds of agencies and very different levels of regulatory responsibility. For example, it is hard to rank EPA against the Defense Department. My staff has consciously been tough in this first

assessment to encourage improvement.

We will continue to monitor agency performance and report to you on a regular basis. In addition, we will be working with the agencies to identify successes and shortcomings in their performance and will report back to you in three weeks. By August 1, we will provide you the first formal evaluation required by the Order.

The Cabinet meeting is an opportunity to reaffirm your personal concerns and stress the need for Cabinet involvement. I am enclosing talking points for your use.

Enclosure

P. S. Our evaluation of the agencies in this "report card" is, as you know, extremely sensitive. Therefore, I have marked it for your eyes only and recommend that it not be released.

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION -

ACTION  
FYI

*top page only*

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
EIZENSTAT
JORDAN
KRAFT
LIPSHUTZ
MOORE
POWELL
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ARAGON
BOURNE
BUTLER
H. CARTER
CLOUGH
COSTANZA
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
JAGODA
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
PRESS
RAFSHOON
SCHNEIDERS
VOORDE
WARREN
WISE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

TALKING POINTS FOR  
CABINET MEETING



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

TALKING POINTS FOR DISCUSSION OF  
REGULATORY REFORM - MAY 21

Jim McIntyre has given me his report on the progress you have made in your departments and agencies to reform regulation under my Executive Order 12044. I was very pleased to see some impressive individual indications of major efforts to cut costs, trim fat, reduce red tape, and increase public participation. But frankly, I was disappointed by the general level of results government wide.

I campaigned on this issue. The American people expect me - and you - to produce results. I do not intend to let them down.

I am pleased with the cooperation with Charlie Schultze's regulatory review group on some of the major regulations from DOT, DOI, and EPA, and the good results. Charlie has circulated a list of major new regulations for the group to review this year. I hope you will each pay close attention and continue to work with them.

The heart of my regulatory reform program -- and of the bill which we now have on the Hill -- is my strong conviction that this can only be achieved by tough, persistent management by the head of every agency. Congress is responding to public concern by giving itself the power to veto regulations. I think that will make the problem worse, not better, and I'm sure you agree. But we have to show that we can and will take charge of this problem, or else it will be no wonder that desperate alternative solutions gain appeal. I want each of you to give the kind of support to the Regulation Reform Act in the Congress that you gave to Civil Service Reform.

Ours is the first administration ever to address the regulatory problem in a serious way. But we have not done enough.

Since OSHA decided to eliminate 1,000 nit-picking useless safety regulations, I have not heard about much activity in the government to take wasteful requirements off the books. In reviewing Jim's report I did note that Brock Adams has already cut out requirements in the railroad safety program which he expects will save \$100 million annually. That is what the people expect and I want more of it.

We simply have to bear down and do more. So in three weeks -- by Wednesday, June 13 -- I want a report from each of you on your plans in this area. I want a report which specifies exactly what actions you are going to take to make major revisions in the regulatory programs in your agency, in accordance with Executive Order 12044, over the next six months. I want to know exactly when each of these actions will be completed. Jim will work with you in developing your plans and tracking your progress.



THE WHITE HOUSE

WASHINGTON

May 18, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
SI LAZARUS

SUBJECT: Jim McIntyre's 5/18 Assessment of Agency  
Performance Under E.O. 12044

We think this assessment is a considerably more useful assessment of agency efforts to establish regulatory reform programs. Unfortunately, as Jim's cover memo notes, the assessment is somewhat disappointing. There have been a number of important achievements. But it shows that the agencies have not done as impressive a job, by and large, as one would have liked.

In light of Jim's assessment, we think that his recommendations for handling the issue at the Cabinet meeting Monday are exactly right. In particular, it is essential that you take a fairly tough line with the Cabinet, as Jim suggests in his recommended talking points. This is so because the negative findings in his report are highly likely to leak; the best and perhaps the only way to dissociate yourself from a perception that the agencies have fallen short -- and indeed to capitalize on the development -- is to emphasize your dissatisfaction and impatience with the pace of progress.

Second, we believe it also essential for you to make and strongly emphasize the demand spelled out in the final paragraph of Jim's talking points memorandum -- that the Cabinet report directly to you in three weeks on steps they plan to take. This is important because your making this point face-to-face will make them take your interest in the issue seriously far more effectively than a memo from you or a memo from Jim. Getting this demand from you will encourage them to do their best to develop plans for significant dramatic announcements. (Especially with respect to sunseting out-dated regulations, most of the agencies have no plans or inadequate plans.) The reports themselves will give us advance notice, so that we can arrange to assure that you get maximal credit for the results. Finally, an emphatic statement from you will assure that OMB's regulatory staff gets maximum cooperation from the agencies.

You might also mention the Regulatory Calendar at the meeting and your concern that the agencies make it a useful agenda-setting device.

Finally, we think it would be very useful if you were privately to encourage Jim about the priority you attach to this effort, the difficulties you know it entails, and to assure him that he will have your support in seeing that the agencies carry out Executive Order 12044. Specifically, there appears to be some question within OMB as to whether its role under the Order is merely to monitor what the agencies are doing, or whether it means aggressively evaluating their efforts and actively assuring that the agencies take meaningful, dramatic, and visible steps to reform regulation. Our understanding has always been the latter, and we think it is important that Jim and his staff be assured on that crucial point.



EYES ONLY

ASSESSMENT OF AGENCY  
REGULATORY PERFORMANCE  
UNDER E.O. 12044

ASSESSMENT OF AGENCY PERFORMANCE  
UNDER E.O. 12044

---

1. Criteria for Assessment
2. Summary Grading Sheets
3. Individual Agency Assessments

## CRITERIA AND OVERVIEW FOR AGENCY RATINGS

Agencies were rated A thru D on progress on the five major goals of the Executive Order.

Outlined below are the standards used for determining the highest (A) and lowest (D) ranking for each goal. The other symbols in the assessment chart mean the following:

- B = Better than average, at least serious effort exists.
- C = Some progress but uneven results.
- = No grade; either not applicable or not possible to evaluate.

### Increased Policy Oversight:

The objective is more consistent, active involvement of the agency head and top policy officials in regulatory activities.

A = Consistent evidence of agency head involvement in regulatory issues both at the formulation stage and in the final stages.

D = Paper compliance only. No sense of interest or understanding of regulatory problem at the top.

### Meaningful Public Participation:

The Order requires increased opportunity for the public to participate in the development and review of regulations.

A = Demonstrable evidence of a genuine public participation plan, effective use of agenda, examples of intelligent outreach.

D = Business as usual, including violations of 60 day comment rule, no increase in public hearings or other ways to obtain public views; Agency views public involvement as simply delaying action and thus a requirement to be avoided.

### Effective Regulatory Analysis:

The Order requires an analysis of alternative regulatory approaches as the basis for making final regulatory decisions.

A = Procedures are in place to assess every significant rule for its possible economic consequences. Agency is willing to identify and analyze alternative regulatory approaches.

D = No regulatory analyses completed, no staff competent to do a regulatory analysis, or a general attitude that it is a requirement to be avoided.

#### Nature of Sunset Review

The Order requires agencies to review existing rules for modification, update, or elimination.

A = Existing rules have been eliminated or significantly revamped and modified. Plan exists for continuing reviews, sunset provisions occur routinely in new rules being published.

D = Some promises but no demonstrable performance.

#### Progress on Plain English

The Order requires that regulations be written in clear English, understandable to those who must comply.

A = Check points exist to assure clear draftmanship with concrete evidence of clearer preambles, rules rewritten etc.

D = Use of English occurs from time to time if it suits agency purposes.

The criteria have been applied on a relative basis to each agency. No F's were awarded in the first assessment.

#### Relative Ranking:

##### Upper third

DOT  
USDA  
HEW  
EPA  
OMB

##### Middle level

Treasury  
DOL  
DOD  
DOC  
GSA

##### Lower third

DOE  
State  
HUD  
DOJ  
DOI

AGENCY REGULATORY PERFORMANCE ASSESSMENT

AGENCY	INCREASED POLICY OVERSIGHT	MEANINGFUL PUBLIC PARTICIPATION	EFFECTIVE REGULATORY ANALYSIS	NATURE OF SUNSET REVIEW	PROGRESS ON PLAIN ENGLISH	OVERALL OBSERVATIONS
DEPARTMENT OF AGRICULTURE	B	A	B	B	C	GOOD START. DEPARTMENTAL MANAGEMENT BEGINNING TO WORK. POSSIBLE PROBLEMS RESULTING FROM REORGANIZATION OF E.O. OVERSIGHT STAFF.
DEPARTMENT OF COMMERCE	C	C	-	C	C	COMMERCE IS MAKING SOME EARLY EFFORTS AT PULLING TOGETHER ITS INDIVIDUAL COMPONENTS AND IMPROVING THEIR PERFORMANCE.
DEPARTMENT OF DEFENSE	C	C	-	B	C	A GOOD IMPLEMENTATION PLAN WAS DEVELOPED. FEW RESULTS EVIDENT. HAVE COMMITTED TO TOTAL SUNSET REVIEW OF ALL EXISTING REGULATIONS.
DEPARTMENT OF ENERGY	C	C	C	D	C	GOOD PROCEDURES IN PLACE BUT LEGISLATIVE BATTLES AND CRISIS ATMOSPHERE APPEAR TO BE UNDERMINING ANY REAL REFORM.
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE	B	B	C	B	C	UNEVEN PERFORMANCE WITHIN THE DEPARTMENT. GOOD PROCEDURES; MIXED ACCOMPLISHMENTS. FDA IS MAKING REAL PROGRESS. PROBLEMS EXIST IN HCFA AND PHS.

AGENCY REGULATORY PERFORMANCE ASSESSMENT

AGENCY	INCREASED POLICY OVERSIGHT	MEANINGFUL PUBLIC PARTICIPATION	EFFECTIVE REGULATORY ANALYSIS	NATURE OF SUNSET REVIEW	PROGRESS ON PLAIN ENGLISH	OVERALL OBSERVATIONS
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	D	B	D	C	D	NO EVIDENCE OF STRONG SECRETARIAL INTEREST. GOOD PROCEDURES ON PAPER; LITTLE SUPPORT FROM PROGRAM ELEMENTS. NO RESULTS EVIDENT.
DEPARTMENT OF THE INTERIOR	D	D	D	D	C	ONE OF THE BETTER IMPLEMENTATION PLANS. HOWEVER, CONSIDERABLE EOP PRESSURE HAS BEEN REQUIRED TO ACCOMPLISH MINIMAL EFFORTS.
DEPARTMENT OF JUSTICE	D	D	-	C	D	NO POLICY LEVEL INTEREST EVIDENT. WHILE NOT A MAJOR REGULATING AGENCY, DEPARTMENT SHOULD PAY MORE ATTENTION TO EXECUTIVE ORDER.
DEPARTMENT OF LABOR	C	C	C	B	C	GOOD IMPLEMENTATION PLAN BUT MIXED PERFORMANCE WITHIN AGENCY, TOOLS ARE THERE BUT NO EXAMPLES OF STRONG SECRETARIAL INTEREST.
DEPARTMENT OF STATE	C	-	-	D	C	OPPORTUNITY IS MODEST; ACHIEVEMENT EVEN MORE MODEST.

AGENCY REGULATORY PERFORMANCE ASSESSMENT

AGENCY	INCREASED POLICY OVERSIGHT	MEANINGFUL PUBLIC PARTICIPATION	EFFECTIVE REGULATORY ANALYSIS	NATURE OF SUNSET REVIEW	PROGRESS ON PLAIN ENGLISH	OVERALL OBSERVATIONS
DEPARTMENT OF TRANSPORTATION	A	A	B	B	B	THE MOST SERIOUS EFFORT IN GOVERNMENT IN BOTH PLAN AND FOLLOW-THROUGH.
DEPARTMENT OF THE TREASURY	B	B	C	C	C	IMPROVEMENTS NOTABLE OVER PAST YEAR. FOLLOW-THROUGH WILL BE KEY. RESULTS ARE UNEVEN.
ENVIRONMENTAL PROTECTION AGENCY	B	B	B	C	C	ONE OF THE BEST IN TERMS OF PROCEDURE, WITH SOME RESULTS. STRONG SUPPORTER OF REGULATORY REFORM GOALS.
GENERAL SERVICES ADMINISTRATION	C	D	-	C	B	ADEQUATE PROCESS IN PLACE. NO REAL INTEREST OR RESULTS YET.
OFFICE OF MANAGEMENT AND BUDGET	B	B	-	B	C	EFFORTS TO OVERHAUL ALL CIRCULARS UNDERWAY. MUCH RELATIVE IMPROVEMENT, BUT A LONG WAY TO GO.

## DEPARTMENT OF AGRICULTURE

### Increased Policy Oversight

USDA has provided some of the best examples of follow through on the goals of the Order. Until recently, a central staff in the Office of the Secretary was responsible for tracking agency performance and ensuring meaningful impact analysis. However, a May 7 reorganization split up this group, assigned monitoring to one individual, the analytical function was assigned to several staff members whose other responsibilities conflict with the performance of objective analysis. USDA's initial strategy of having a central staff gave sound promise of effective oversight. For example, 30 FSQS regulations were turned back by the policy staff on grounds of insufficient analysis. USDA provided several good mini-case studies on what effect strong policy level oversight has had.

### Meaningful Public Participation

The Department requires the development of a public participation plan for every proposed rule. Relatively speaking, the Department's plan (and performance to date) is one of the best in government. The Department cites recent Grain Standards regulations as a good example of how public participation improved the quality and lessened the burden of proposed rules. Efforts are not uniform throughout the Department-- e.g., some units are not allowing 60 days for public comment, but USDA is making a generally laudatory effort.

### Effective Regulatory Analysis

This is the only Department that has integrated all impact analyses into a single requirement. This means that Regulatory Analyses, environmental impact statements and community and urban statements are done as a single analysis. It is also one of the few agencies to require such an analysis on all rules and to require that the analysis be made available to the public. The Department believes the analyses have had a significant effect in reducing costs and improving rules. No USDA rule has been subjected to RARG review. CWPS staff observes that Food and Agriculture Policy Working Group review of rules reduces the need for RARG involvement.

### Nature of Sunset Review

The Department has shown much promise but little performance to date. It has picked good candidates, but no reviews are completed.

### Progress on Plain English

USDA has demonstrated inconsistent performance. It has identified and prohibits the use of a 150-word boiler plate sentence previously used in preambles to marketing order regulations. Overall improvements have been mixed. For example, although FNS significantly improved the Food stamp Form, the guidance it has provided for people to determine applicant eligibility is very complicated at key points such as how to assign a dollar value to private automobiles owned by applicants.

## DEPARTMENT OF COMMERCE

### Increased Policy Oversight

The Secretary has a less prominent role planned than in other departments (e.g., HEW, DOT), but the assistant secretaries seem to be closely involved in the department's regulatory decisionmaking. Recent establishment of an assistant secretaries' group to review certain regulatory matters contrasts sharply with absence of any effective oversight before the E.O.

### Meaningful Public Participation

Commerce admits that the E.O. has had "only a minor" effect on public participation. Patent and Trademark and Chief Economist's Office are doing more outreach than before.

### Effective Regulatory Analysis

NOAA conducts regulatory analysis assessments for regulations imposing large compliance costs; other components do not have a similar process. No other component has prepared any regulatory analyses. Commerce exhibits more interest in studying the cost of other agencies' regulations than its own.

### Nature of Sunset Review

Many components are behind the schedule set by the department for reviewing targets, and Commerce does not appear to have selected as targets those regulations most in need of review. No program of review existed before the E.O.

### Progress on Plain English

Commerce has assigned to specific people in each component responsibility for plain English review. Effect is uneven.

## DEPARTMENT OF DEFENSE

### Increased Policy Oversight

The new procedures are more evident on paper than in practice. However, departmental policy oversight in general is highly diffuse in Defense. The Department claims to have involved Deputy Secretaries and Agency Directors in the process; however, no specific evidence has been provided. In general, the result seems to have been more process attention to regulations -- trying to reduce the number of pages and write clearer. But there seems to be no real appreciation for the goals of the Order.

### Meaningful Public Participation

There appears to have been greater use of longer comment periods for regulations -- e.g., 90 days on some Corps of Engineers regulations. However, one regulation clipped from the Register allowed only 30 days. Actions taken in response to public comment generally have been to shorten the regulations, simplify the language, etc. DOD reports little public reaction to the notices it has published. This is probably because most are process rules that attract little public interest.

### Effective Regulatory Analysis

Because of the nature of the regulations and the fact that few if any major ones have been issued since the Order came into effect, DOD has not been rated. The Department cites Corps of Engineers regulations now under review as rules that have been or will be subjected to analysis. CWPS does not monitor this agency. Most DOD regulations do not meet the dollar trigger, but could have a significant effect on areas or specific groups.

### Nature of Sunset Review

This is the one area in which the E.O. has made a difference in Defense. DOD has committed to (and is) reviewing all regulations. The results will no doubt be simpler, shorter regulations -- some may be eliminated. DOD requires sunset dates on all new regulations. This is an administrative reform -- something that can be counted, measured, and monitored -- of the sort that DOD does well. There is only limited evidence that the goal of the review is understood, judging from the types of rules selected for review.

### Progress on Plain English

The Department appears to be trying. A recent notice on NEPA rules was very clear. The Army has established an awards program for employees who contribute most to improving Army publications.

## DEPARTMENT OF ENERGY

### Increased Policy Oversight

DOE has the tools in place to permit effective oversight. A special regulatory reform task force has been established along with a formal tracking system for following the progress of regulatory actions. However, recent conversations with staff and the confusion created by legislative battles and statutory deadlines have caused us to be highly suspicious of the seriousness of the Department's effort to comply with the Order.

### Meaningful Public Participation

This is the area where the Department has done the most work, although in a relative sense they have been ranked average. Comment periods have been increased to conform to the 60 day requirement. Special mailing lists have been developed on an issue-specific basis. Public hearings--particularly regional hearings--are being used more often. There is some evidence that ANPRMs are being used more often and that public comments are being taken into account.

### Effective Regulatory Analysis

Since June 1978, DOE has prepared more than 10 regulatory analyses. These have tended to focus on broad economic issues. Other concerns such as the consideration of various types of compliance mechanisms and alternative enforcement mechanisms were almost totally ignored. Staff assigned to prepare analyses have been inadequate. The apparent lack of commitment from top policy officers has been part of the problem.

### Nature of Sunset Review

DOE has focused more on implementation of new rules rather than review of existing ones. Except for reconsidering existing programs caused by phased-in deregulation, DOE has done little review. Most of this has involved such things as simplification of policies and development of uniform grant procedures. Actual results are as yet unknown.

### Progress on Plain English

As a general matter, DOE has attempted to make the preambles to its regulations more understandable. Regulations that will have to be implemented by non-lawyers have been carefully reviewed to assure that an educated lay person could understand them. Conversely, regulations aimed more at corporate lawyers are drafted in more precise, legalistic, technical language.

DEPARTMENT OF  
ENERGY

## DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

### Increased Policy Oversight

The Secretary and Undersecretary have been personally involved in specific rulemaking decisions (Hill-Burton Free Care, Age Discrimination, Day Care Standards) and are regularly briefed on important rulemaking activities. The Secretary's Operation Common Sense calls for review of all existing regulations in a special GC unit that reports to the Secretary. Of 329 regulations submitted in 1978 for the Secretary's signature, 83 were scrapped.

### Meaningful Public Participation

HEW reluctantly moved to the 60 day public comment period required by the E.O.; this is a significant improvement over the 30 days generally allowed before. For certain rules relating to hospital cost containment, 60 days has not been allowed and adequate justification for this has not been provided. More than 3,000 persons attended HEW public hearings in the year ending in March, hearings have been held at new sites, and special mailings announcing proposed rules have been sent to more than 110,000 persons and institutions. Regulations were published for public comment for more than 100 programs previously operated without regulations.

### Effective Regulatory Analysis

HEW has published two regulatory analyses: Hill-Burton Free Care (at OMB's request) and Age Discrimination. Four more at FDA and one at OHD are under development. FDA has complied with the full intent of the E.O. by providing, for each regulation determined not to require a regulatory analysis, an assessment of the reasons why. For other components, no documents in support of the determination are generally available.

### Nature of Sunset Review

All existing HEW regulations are being reviewed under Operation Common Sense; however, it does not appear that the most difficult or controversial regulations are being given priority. HEW is off to a good start on the OMB initiated hospital regulations study that is a potential model for cross-agency reviews of regulations affecting a given sector of the economy.

### Progress on Plain English

HEW cites absence of public complaints as evidence of progress. There is little other evidence of significant progress, although some improvement is evident in SSA.

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### Increased Policy Oversight

It has been over a year since the Executive Order was signed and HUD has still not established a system to assure Secretary/Under Secretary oversight of the Department's regulations. Work plans are still not provided and there is no evidence that Secretary Harris is involved in regulatory decisions. Much effort appears to have been devoted to meshing regulatory changes enacted into last year's HUD amendments and E.O. 12044.

### Meaningful Public Participation

A significant outreach program is being started with 90 consumer forums planned around the country. Comment periods have been extended and HUD was one of the worst culprits for unreasonably short comment periods in the past. There appears to be more willingness to provide Advanced Notices of Proposed Rules.

### Effective Regulatory Analysis

No procedures exist for identifying candidate regulations for analysis. No RA's have been done and no commitments have been made in the agenda of upcoming regulations to do an RA. There is strong resistance from substantive program offices to RA's. This is particularly distressing coming from the Department that feels so strongly about Community and Urban Impact Statements.

### Nature of Sunset Review

HUD has selected good candidates for a sunset review and start-up efforts have begun to review the Section 8 housing regulations which set minimum property standards for Federally-assisted housing. Unfortunately, no reviews have been completed and target dates for completion are elusive.

### Progress on Plain English

Review of the Federal Register and proposed public reporting requirements show no evidence of changes. This is distressing since plain English is a HUD priority with all regulations being reviewed for "clarity" by the Office of the Assistant Secretary for Neighborhood Voluntary Association and Consumer Protection.

## DEPARTMENT OF THE INTERIOR

### Increased Policy Oversight

Although DOI's plan looks good on paper, there is no concrete evidence that the new procedures are being used. Secretarial involvement has been mostly in reaction to EOP pressure, e.g., regulatory analysis of strip mine rules. The Department's semiannual agenda meets minimal requirements. However, one outside group (the National Coal Association) does not believe that all significant regulatory activity is being identified by the Assistant Secretaries and included in the agenda.

### Meaningful Public Participation

Off the record, Department staff characterize the effort as business as usual. Both CWPS and the Bituminous Coal Association have stated that although public comments are sought, the Department has already decided on its course of action when an NPRM is issued. The Association asserts a strong need for consultation earlier in the process to avoid what it sees as "pride of authorship" and bureaucratic self-preservation.

### Effective Regulatory Analysis

The Department of the Interior has produced one analysis on Surface Mining Regulations. The new agenda indicates a reluctance to designate other regulations as major and to commit to doing more regulatory analyses. For example, outside groups claim a new regulation on mining fees could "cripple" Carlsbad, New Mexico, but DOI does not plan an analysis and does not see this as a significant rule. The Surface Mining Analysis and regulations were modified only after considerable pressure from the RARG.

### Nature of Sunset Review

The Department is hedging on its prior commitment to review its regulations, claiming that it tried to do too much. It wants to cut down on the number of regulations to be reviewed to improve the quality of reviews.

### Progress on Plain English

Many DOI preambles to proposed rules are very good -- even for technical subjects. This is a new style since the E.O. went into effect.

## DEPARTMENT OF JUSTICE

### Increased Policy Oversight

There is no evidence of effective policy level oversight at Justice. Justice did not approve a plan for implementing the E.O. until May 8, 1979, and this achievement required repeated intervention by OMB. The first agenda of regulations will not be published until September.

### Meaningful Public Participation

The final Justice plan is weak with respect to public participation. Justice plans to allow at least 60 days for public comment "whenever reasonably possible."

### Effective Regulatory Analysis

There have been no regulatory analyses performed to date.

### Nature of Sunset Review

Justice plans to review each existing regulation at least once every four years. The candidates for initial review appear to be significant ones. No reviews have been completed.

### Progress on Plain English

No evidence of change.

## DEPARTMENT OF LABOR

### Increased Policy Oversight

The Department has established an orderly system for high level review of all regulatory proposals. Assistant Secretaries submit concept papers for Secretarial concurrence on such things as why a regulation is needed, what alternatives will be considered, and how the public will be involved. A Regulatory Review Panel has been established to determine the Department's regulatory work plans for each 6 month period. No specific examples of direct Secretarial involvement have been provided.

### Meaningful Public Participation

Most regulations now provide for 60 days of public comment or explain why less time is provided. A few have not, but the Department has extended them at OMB's request. People have observed that this has given them much needed time to review labor regulations. Generally doing OK--no outstanding successes--no large problems noted.

### Effective Regulatory Analysis

The Department has done four regulatory analyses in the past year. It has gone beyond the requirements of the order by preparing a mini-analysis of each proposed rule. These are made available to the public on request. Labor has one outstanding success in the OSHA acrylonitrile standard where both the Department and industry felt a balanced analysis had been done and appropriate changes made.

### Nature of Sunset Review

The Department has picked important candidates but it remains to be seen whether it will follow through. For example, it is reviewing Davis-Bacon and related regulations (work hours and safety standards), non-discrimination and affirmative action regulations governing Federal contractors, and a number of important OSHA rules. The big success was the elimination or modification of 900 safety standards--the so-called nitpicking standards in January.

### Progress on Plain English

The Department is writing clearer preambles for its regulations and has set up courses of instruction for teaching employees how to write clearer, more understandable regulations. An average to slightly better than average job is being done.

## DEPARTMENT OF STATE

### Increased Policy Oversight

Since implementation of the E.O., 17 regulations have appeared in the Federal Register, only 3 of which State felt were significant; one of these is really only a technical amendment. State's evaluation report claims that one of the department's three top officials was involved in each of these cases.

However, State's plan for policy oversight is weak because there is no policy level involvement before the process of development is begun.

### Meaningful Public Participation

All three significant rules were published as final rules. One had an earlier notice of proposed rulemaking that called for comments, one allowed for 30 days for public comment after the rule was effective, and the technical rule allowed for no public comments. The department plans to allow 60 days for public comment for the one item on its semiannual agenda.

### Effective Regulatory Analysis

None has been performed to date.

### Nature of Sunset Review

No reviews have been completed. Those initially listed as candidates were dropped by State and none were substituted in place of them.

### Progress on Plain English

The three significant regulations published since implementation do not indicate significant change, but State claims to be doing a better job.

## DEPARTMENT OF TRANSPORTATION

### Increased Policy Oversight

A Regulations Council chaired by the Deputy Secretary and a new regulation and enforcement section in the General Counsel's office have been established to oversee E.O. compliance. We have several examples of carefully coordinated regulations and active Secretarial involvement. Commendable success has been achieved thus far in overcoming the resistance of strong-willed bureaus.

### Meaningful Public Participation

A broad cross section of interest groups feel that DOT has made real progress in involving the public. Agendas are models of carefully prepared early warnings. In many instances they exceed E.O. requirements. Public hearings have increased and other innovative approaches have been tried. For example, rebuttal periods are allowed before the close of a rulemaking.

### Effective Regulatory Analysis

DOT has completed one regulatory analysis and another is about to be issued. RA's are required at ANPRM stage. CWPS staff generally support our assessment and indicate that DOT was cooperative in the RARG review of the handicapped regulations.

### Nature of Sunset Review

More than 200 regulations are under review and were listed on DOT's agenda. Some will require RA's. The current favorite example is the Federal Railway Administration's relaxation of numerous maintenance requirements which could save up to \$100 million annually.

### Progress on Plain English

A real effort has been made in the preambles to proposed rules. Most preambles explain clearly the purposes of the regulation and many describe the alternatives considered.

## DEPARTMENT OF THE TREASURY

### Increased Policy Oversight

Treasury has made real strides at developing central regulatory coordination where none had existed before. Although agendas are published by component units, work plans on significant regulations are reviewed by the Secretary/Deputy Secretary. Better intra-departmental coordination and policy guidance has occurred as a result.

### Meaningful Public Participation

Public comments have indicated a noticeable improvement in Treasury. Although agendas could be made more useful, ANPRM's are being used by some bureaus that had never used them before.

### Effective Regulatory Analysis

Treasury has not completed any regulatory analyses. Its first attempt is now underway on a regulation for "partial ingredient labeling for alcoholic beverages." Treasury still does not fully understand how to conduct a regulatory analysis but some first steps are underway.

### Nature of Sunset Review

Treasury originally was not interested in this area but recently new targets have been identified and prospects are somewhat more encouraging. For example, a major sunset review may be undertaken in the area of restrictions on alcohol beverage advertising.

### Progress on Plain English

Some progress is being made. Training programs for regulation writers have been conducted and regulation authors are routinely identified in proposed regulations.

## ENVIRONMENTAL PROTECTION AGENCY

### Increased Policy Oversight

EPA deserves credit for a serious effort at exercising a disciplined oversight policy by the Administrator and devoting resources to make sure he is well staffed. Detailed information is provided the Administrator at several stages in the regulatory development process and agency staff receive top level direction in some instances. However, it is not clear whether because of statutory/judicial deadlines and strong interest group pressures, the most effective regulatory solution is regularly achieved.

### Meaningful Public Participation

EPA has a long record of meaningful public participation. Ad hoc further improved its performance in this area. The agency has made more effective use of ANPRM's and more information is routinely provided the public. Public comment is taken seriously in the revision of rules. Specific examples of more responsive final rules have been provided.

### Effective Regulatory Analysis

EPA has the best analytical capability devoted to regulatory issues of any agency in the government. EPA policy level officials and the staff understand what sound economic analysis requires and these analyses are of consistently high quality. EPA recognizes that an important weakness in their approach is the lack of balanced analyses of alternatives other than the preferred approach. The agency is often unwilling to give serious consideration to more cost-effective alternatives and this is one of CWPS's major complaints.

### Nature of Sunset Review

Existing sunset reviews in EPA are largely driven by legislative requirements for review. The agency has undertaken a top to bottom screening of all regulations on the books and will schedule their review over a five-year period. EPA has begun to incorporate evaluation plans into all new significant regulations.

### Progress on Plain English

A plain English project has been established and rewriting of selected regulations is underway. A style manual for regulation writers is under development and a full-time editor has been hired. However, several major regulations have been proposed that are almost impenetrable (e.g., TOSCA premanufacture rules).

## GENERAL SERVICES ADMINISTRATION

### Increased Policy Oversight

GSA claims that the requirement to have the agency head approve significant regulations produced no change from past behavior for GSA. However, there was an improvement in other ways. Previously, the Administrator did not become routinely involved in the development stage; now he does.

### Meaningful Public Participation

Prior to implementation of the E.O., four of seven proposed rules provided 60 days for public comment. Since implementation, only two of nine provide for 60 days. GSA provides for public participation only in instances in which there is known public interest. GSA's evaluation report does not discuss changes made due to public comments or the number of comments received.

### Effective Regulatory Analysis

None have been performed to date.

### Nature of Sunset Review

No reviews are completed. However, the review work to date has led to the elimination of a regulation related to mandatory wage and price controls. GSA indicated that innovative approaches are being taken in the reviews. The initial candidates include several important regulations. The list is long and ambitious.

### Progress on Plain English

GSA has revised its internal procedures to emphasize clear, simple regulations and to provide rules for clear writing.

## OFFICE OF MANAGEMENT AND BUDGET

### Increased Policy Oversight

OMB's implementation plan requires the Director personally to approve revisions to existing circulars and development of new circulars. Instructions have been issued to the staff and the Director has approved the first plan for revising an OMB Circular--Reducing Federal Paperwork. Follow-through at the staff level to carry out the Order will be critical.

### Meaningful Public Participation

More frequent and meaningful public comments are being received on proposed and revised circulars as a result of the Executive Order, e.g., A-21, Cost Principles for Educational Institutions. Before the E.O., OMB circulars were not usually published for public comment. OMB has, on its own initiative, proposed placing circulars in the CFR to allow for easy public access.

### Effective Regulatory Analysis

None have been done to date, and this requirement is not directly applicable in all cases. However, given the analytical capability in OMB and its role as a model for other agencies, OMB is applying the principals of regulatory analysis in the development of its circulars.

### Nature of Sunset Review

An internal "sunset" review of all circulars has begun. Several circulars have been eliminated and major revisions will be made in the circulars governing paperwork controls and grant coordination.

### Progress on Plain English

Some improvements have been made in the procurement area. Other than this, the Executive Order has not resulted in much change.

THE WHITE HOUSE  
WASHINGTON

5/21/79

Charlie Schultze

The attached was returned in  
the President's outbox today  
and is forwarded to you  
for appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat  
Bob Lipshutz

ADMINISTRATIVELY  
CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

May 17, 1979

C  
1

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: California Gasoline Situation

Attached is the statement issued in your name yesterday on the California gasoline problem. I regret that you did not see it before issuance. As you will see, it follows very closely the outline that you gave me (attached).

On the timing of the release, let me repeat that I was the person who urged release of the materials before your meeting with Governor Brown. I thought that would show you acting affirmatively, and not just responding to Brown's requests. I deferred to Jody on this, who felt that we would be criticized for holding a "consultation" meeting after we had already acted.

Moreover, the basic DOE report was inadequate. It was filled with bureaucratic gobbledeygook, comprehensible to no one but gas allocation experts. Worse, in its few comprehensible sections, it criticized California's drivers for their refusal to drive less. Statements like that would have hurt us enormously had they been allowed to stay in the report.

Of even greater consequence, though, is the fact that the early drafts of the DOE report had almost no recommendations for action. Virtually every action you took yesterday - the DOJ - DOE investigation, the increased State set-aside, the allocation change, the appointment of a special representative - came from our efforts to improve the Report. That took some time, but on the whole I think you should know that we took only three days at the White House to do all of the work involved - rewrite the DOE report, write your released statement, write your press remarks, get all of the new ideas signed off by the bureaucracy, and do the political consultations not done by DOE.

**Electrostatic Copy Made  
for Preservation Purposes**

Finally, I think the way the situation was handled has helped you a great deal politically in California and in the California Congressional delegation. You are widely seen now as having responded to California's problem promptly and prudently. I think the California action is one of our bright spots in the last few weeks.

To make certain that view continues - we are working with the California press and the Congressional delegation to provide additional information and to solicit additional ideas.

Again, I am sorry that we did not have the time to give you a chance to review a revised version of the statement which I had given to you earlier in the day. We wanted to release the statement at the same time the DOE report was released, namely just after your opening statement and while Dr. Schlesinger and I were briefing the press on the details of your proposal. This in fact was what was done.

MAY 16, 1979

Office of the White House Press Secretary

---

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

Over the last month, California has been plagued by gasoline shortages and long lines at service stations. With the actions which I am taking today and the cooperation of the elected officials and the citizens of California, from this point we should begin to overcome the severe difficulties we have encountered.

California and certain other Western states have been particularly hard hit by the nationwide tightness in gasoline supplies. When I was in California, I learned first hand of the frustration and anger which the gasoline shortage has caused. For Californians trying to get to work, to meet emergencies, and to carry out the essential business of their daily lives, the shortage has caused acute and unacceptable problems, particularly where public transit is unavailable. I share the concerns of and sympathize with Californians who are stymied by long lines in trying to do their normal daily tasks.

California is a fast growing state; jobs have increased, thereby contributing to the health of our economy. This growth naturally increases demand for gasoline. We must act to ensure that jobs and economic growth are not lost.

We are still feeling the effects of the Iranian cut-off. It takes two months to transport oil from Iran to the United States, and additional time to get that crude oil through the refining and distribution system. This has contributed to making late April and May the low point in gasoline availability.

The Department of Energy, to help alleviate the shortage in California, recently changed its allocation rules to bring the basis for allocating supplies among the states up to date and to include growth as a factor. This will help California since it is a fast growing state, and old or out-of-date allocation bases hurt more there than in states with steady or declining populations. Once this new allocation formula is fully in place, California will begin to feel relief.

As I requested when I visited California on May 5, the Department of Energy has prepared a report on the underlying causes of the shortages and long lines in California. This report is now complete and it is being released at the same time as this statement.

The report indicates that the shortfall in California has reached about 70,000 barrels of gasoline per day relative to 1978 levels. Since demand has grown over the last year, the shortage is even greater than that, although restoration of supplies to 1978 levels would ease the situation considerably.

The reasons for this shortfall are several fold. The worldwide crude oil shortage caused by the loss of production in Iran last winter has made petroleum supplies tight throughout the world. The crude oil which did become available to partially offset the Iranian loss was lower quality, and therefore not as much gasoline could be produced. The gasoline allocation formula in effect prior to recent DOE changes was not able to reflect the rapid rate of growth in California and contributed to the shortage in the last month. Finally, the inability of the Congress to deal with the

MORE

overall oil problem when I proposed my comprehensive energy program in April 1977 has left us as a nation, and California particularly, more vulnerable and less well prepared than we should be.

We have already taken steps to deal with this problem. At my direction, the Department of Energy has made two very important changes in the nationwide rules for allocating gasoline supplies between the states. On March 1, the Department brought the base period for gasoline allocation up to date from 1972 to 1978. This began the process of ensuring that rapidly growing states such as California are not penalized by basing gasoline allowances on out-of-date statistics. On May 1, an additional change was made to allow automatic growth adjustments for gasoline dealers who have experienced unusually high growth since the 1978 base period. This will give California added supplies to accommodate growth which has occurred over the last year.

Once they are fully established in the system, these changes should significantly ease the California situation. In addition, on May 11 of this year, the Department issued a rule which will assure adequate diesel fuel supplies for California's vast agricultural production.

In June 1978, the Department amended its entitlements program to provide refiners with additional incentives to use California-produced crude oil. This action has resulted in increased California crude oil production of over 60,000 barrels per day. The Department has also recently established incentive prices for enhanced oil recovery projects and newly discovered oil, both of which will be particularly beneficial to California crude oil production.

Earlier this month, I approved a Department of Transportation grant of \$650 million to Los Angeles to improve its mass transit system. That was the largest federal mass transit grant ever awarded. The funds will be used to purchase 1200 new buses, to provide operating subsidies, and to develop a downtown "people mover" system. All of these projects should result in greater use of mass transit in Los Angeles and help provide an alternative to the automobile.

Today, I am directing that additional actions be taken to relieve the supply situation in California.

First, the DOE will increase from 3% to 5% the percentage of the State's total gasoline allocation that the Governor has authority to utilize, if requested by the Governor. While this action will not increase the total amount of gasoline available in California, it will give the Governor useful flexibility in directing gasoline to the areas where it is most needed.

Secondly, I am directing the Department of Energy, working with the Department of Defense, to change its regulations regarding the allocation of gasoline supplies to the Department of Defense to ensure that only direct, essential military and readiness oriented operations receive a 100% allocation of supply. Nonessential use of gasoline at military bases would be curtailed. This action should release some extra supplies of gasoline for the general population -- especially in States with major military installations such as California.

Third, I have instructed DOE to monitor the Western refineries' use of crude oil and gasoline stocks to make sure that they are not being unnecessarily cautious in releasing those stocks for immediate consumption. The Department will be prepared to use its regulatory authorities if necessary to assure proper use of stocks. In addition, DOE will work with the California refiners to ensure maximum

production of gasoline consistent with our overall national priority to rebuild home heating oil stocks for next winter.

Fourth, I have directed the Antitrust Division of the Department of Justice and the Department of Energy to establish a special auditing and investigative team to monitor the activities of oil companies, refiners, wholesalers and distributors of gasoline to ensure that supplies of gasoline are not being withheld or manipulated in violation of Federal regulations or the antitrust laws of the United States. If we find any evidence of illegal conduct among refiners or distributors, we will take appropriate action.

Fifth, to gain additional reliable information on stocks held outside the primary oil distribution system, I have directed the Secretary of Energy to expedite collection of information on the quantities and location of selected petroleum products (for example, gasoline, distillate and fuel oil) after these products are distributed by refiners and major wholesalers. The Department should be prepared to use all appropriate legal authority and penalties to make sure that this information is both accurate and submitted promptly.

Sixth, I have directed the Department of Energy to ensure that no gasoline is allocated away from California as a result of gasoline station closings within the state. Needed gasoline supplies should not be taken away from California just because a given retailer decides to discontinue his business.

Lastly, I am asking Charles Warren, who will be leaving shortly as Chairman of the Council on Environmental Quality, to oversee the implementation in California of the actions I am taking today. Mr. Warren will serve as my special personal representative for the California shortage problem. Before joining my Administration, he served as Chairman of the Energy Committee of the California State Assembly. He is intimately familiar with California's energy problems and will provide a central focus for the Administration's efforts to ease the California shortage.

There are other possibilities for action which depend on joint federal/state action for implementation.

First, enforcement of the 55 mile per hour speed limit could save up to 22,000 barrels of gasoline per day in California. I have directed the Secretary of Transportation to work with the Governors of all states to use the monies which the Federal Government now has available to strengthen enforcement of the 55 mile per hour speed limit. I will also support legislative efforts which would strengthen sanctions and accelerate the schedule of penalties against states which fail to enforce this limit.

Second, my Administration has identified several areas where current California environmental standards -- which are more stringent than those required by federal law -- could yield additional gasoline supplies. Lowering the state's standards for the lead content and vapor pressures of gasoline during the immediate shortage could produce up to 25-35 thousand barrels of gasoline a day. However, in deciding whether to reduce standards, the state must balance the health and environmental effects against the additional gasoline available, with the decision resting with the State of California. Should California decide to change these standards, the Environmental Protection Agency stands ready to assist in any way possible to approve any such action by the State. In addition, the State might consider expediting the issuance of permits to increase thermal recovery operations to enhance crude oil production.

When all of these measures are implemented, California gasoline supplies for the remainder of this spring and summer should be brought into closer balance with demand. The specific environmental measures and enforcement of the 55 mile per hour speed limit would save a major share of the current supply shortfall. With the additional cooperation of California drivers, the long lines should then ease.

Continued and close cooperation between the federal government and the State of California will be essential to our success in alleviating the current shortages. We have taken an important step in establishing a strong partnership in a meeting which I had this morning with Governor Brown, California Speaker Leo McCarthy, Mayor Tom Bradley and the California Congressional delegation. We agreed to work together in a mutually supportive way to resolve this problem.

We must also bear in mind, as we work to solve the immediate difficulties in California, that our nation has a serious, chronic long-term energy problem. Decontrol of crude oil which I have announced, will lead to additional production. Conservation will continue to be a key in dealing with the underlying energy situation which from time to time erupts in the kind of problem which California has faced over the last month. My windfall profits tax will generate the revenues for a massive effort to develop alternate energy technologies to reduce our dependence on uncertain foreign oil supplies.

These fundamental policies will help California and the nation meet our energy challenge.

#

#

#

This month problem

Analysis completed

Shortfall 70,000 bbl/d - May worst & will be <sup>later</sup>

- Causes:
- a) Worldwide, Iran - mention 80-85% Mex
  - b) Allocation formulae
  - c) Inc consumption vs auto regis
  - d) Fuelwast 2 yrs ago
  - e) Heated

Actions already taken

- a) Allocation formulae
- b)

Actions fed govt now taking (additional)

- a) DoD

Other possibilities

- a) 55 regis 22,000
- b) Environ 31,000
- c) Assess station closing

Fed/st coop

Problem chronic -

Conservation is key

Department of Energy

Report to the President

on

Gasoline Supplies for California

May 1979

**RECHARGED FOR RELEASE UNTIL  
AFTER THE BRIEFING**

Report to the President  
on  
Gasoline Supplies for California

On May 5, 1979, the President requested a report from the Secretary of Energy on the reasons for the long lines at gasoline stations in areas of California and possible steps to alleviate the situation. This report is in response to that request.

Long waiting lines of vehicles at gasoline stations began developing in certain urban areas of California during the latter part of April. On May 5, 1979, President Carter visited California and discussed the problem with officials and local residents. He shares the concerns, frustrations - and even anger - which Californians have felt over the last month. He requested that the Department ensure that the recent changes in the allocation program to provide additional gasoline to high use areas such as Southern California are strictly enforced.

The Department of Energy has studied the available information on the California as well as the national gasoline supply situation. The primary facts and conclusions are summarized as follows:

- o Current gasoline supplies in California are slightly higher than the average level of supplies in the rest of the country as a percentage of 1978 supplies. But the initial allocations of gasoline by refiners for the month of May are 7 to 8 percent less than in 1978 for California and the Nation. The total gasoline initially announced by suppliers to be available for California for the month of May would average 93 percent of May 1978 deliveries, while average supplies for the country would be 92 percent. The initial allocations of gasoline for the month of May for California are about 70,000 barrels per day below May 1978 supplies. These initial May allocations are expected to be the low point in the level of gasoline supplies resulting from the Iranian problem.
  
- o The petroleum production and import picture for the West Coast even in recent weeks is similar in most respects to the same period in 1978. The amount of crude oil processed and gasoline produced by West Coast refineries is at about the same level as in 1978. Crude oil and gasoline stocks on the West Coast also are at similar levels. The difference between the current level of gasoline supplies available to California, and the level in 1978, may be due primarily to reductions in gasoline shipments from

east of the Rockies because of shortages of gasoline supplies in other areas of the country as well.

- o The need for California to rely on gasoline shipments from other areas of the country reflects the inadequacy of refinery production capabilities in the area to meet the high rate of gasoline demand growth. This has been due at least in part to the difficult permitting conditions of the State, and Federal price control regulations, which have restrained refinery expansion.
- o The low gasoline supply level nationally, which has contributed to the California shortage, reflects the loss of crude oil and product imports due to the Iranian oil export curtailment starting late last year, which is only now being fully felt in supplies to end users. Although Iran resumed exports in early March, the level of its exports has averaged only about 50 percent of its pre-interruption level since early March, and the renewed production has not yet resulted in higher crude oil supplies for U.S. refineries, because of the lag time in moving oil from the Middle East.
- o Shortages of gasoline are likely to be the most severe during May as a result of the Iranian curtailment. It is expected that April was the low month for crude oil imports, which is now being reflected in low supplies of gasoline produced by refineries. It is projected that the supply situation in California and the rest of the country will begin to improve slightly before the end of May, and gasoline supplies are likely to be up to about the 1978 level during the coming summer.
- o U.S. refiners, and particularly refiners on the West Coast, appear to have been somewhat conservative in their use of crude oil and gasoline stocks in recent weeks, but this initial review based on unverified refiner reports does not show that refiners are withholding supplies awaiting higher prices. Prudent use of available stocks over the next 3 1/2 months will help ease the shortage. The Department will carefully review and track industry stock levels and will be prepared to take regulatory actions if necessary to assure that suppliers do not exercise unnecessary caution in the use of these stocks.
- o It appears that the primary reason for the severe supply problems and the particularly long lines in

California compared with the remainder of the country is the higher rate of growth in gasoline demand in that State. The growth in demand has been 11 percent from 1976 to 1978, which is nearly double the rate in the remainder of the country, and it has continued to be high in the first months of 1979. The high demand resulted in spot shortages at some stations, which in turn triggered efforts by motorists to assure gasoline supplies by topping their tanks and filling spare containers. This pattern of buying quickly pulled supplies from the gasoline stations and resulted in early station closings. Tank topping increased the frequency of purchases. Reports indicated reductions in average sales from about 8 gallons per sale to 3 gallons at some stations. There were more frequent visits by motorists to fewer stations during limited hours of business. The end result was long waiting lines. The situation in California reflects the high demand growth rate and the heavy dependence on the automobile, which contributed to the surge in buying as supplies became tight.

- o Allocation of gasoline among users under the price control and allocation system inevitably leads to distortions because the supply is based primarily on historical use rather than current demand. Fast growing areas generally will suffer greater shortages. The gasoline allocation system must be based on principles of equity, and must be workable during an emergency situation. Therefore, any allocation system is unlikely to accurately reflect variations in needs among areas of the country.
  
- o In an effort to improve the gasoline allocation system, the Department has recently revised the allocation system to permit a more accurate reflection of recent growth in gasoline use which should help ease problems in high growth areas throughout the country. The Department is investigating the allocations of gasoline at the various levels in the supply chain to ensure that the revised system is being followed to provide more gasoline to high growth areas such as the large urban areas of California. The Department also proposes two additional changes in the allocation system to help alleviate the shortage and to provide more flexibility in meeting the needs of high growth areas within States. The changes would reduce the allocation for defense needs except for defense operations,

and increase the amount of the set-aside of gasoline supplies that could be allocated by the States to deal with special problems in the States.

- o The only way to avoid entirely the inevitable allocation distortions, however, is to avoid the need for allocation of inadequate supplies by bringing supply and demand into balance. The current distortions in supply caused by the price control and allocation system are symptomatic of the weaknesses of the entire petroleum price control and allocation system, which creates incentives for greater use of foreign oil, and rewards increases in demand.
- o The actions already taken by the State of California to limit tank topping and restrict sales using the odd-even system may help alleviate the problem of long lines, but results to date show little improvement. There appears to be a reluctance by gasoline retailers to check gasoline gauges to enforce the tank topping rule, and the odd-even system may be encouraging motorists to return for gasoline every second day. There may be a need for the State to improve its tank topping rule to increase compliance and to implement procedures to extend or spread out the sales hours of gasoline stations. The relaxation of certain California environmental regulations - which are stricter than the National standards - could also result in increased gasoline production for the State.
- o Aggressive action must be taken by all States to reduce gasoline use if similar supply problems are to be avoided in other areas of the country. Because the States are in the best position to determine the most effective conservation plans for their areas, the States must take the leadership in reducing gasoline use by 5 percent below normal demand for 1979. For example, strict enforcement of the 55 MPH speed limit in California could save an estimated 22,000 barrels per day. Specific savings targets are to be provided to each Governor this week.
- o In summary, the Department of Energy will do whatever is feasible and equitable to ensure that the maximum possible gasoline supplies are provided for the shortage areas of California and other areas of the country. Coupled with actions by the State to increase gasoline supplies and restrain demand, the shortages and gasoline lines can be eliminated. With expected increased gasoline supplies by June,

and responsible actions by motorists to limit use to about the 1978 level, severe shortages also can be avoided in other areas of the country.

- o The supply and demand situation in California is discussed in more detail in the following sections.

### Supply of Gasoline

- o Total gasoline supplies available to California are slightly greater than the average for the Nation, as a percentage of 1978 supplies. The current refiner allocations of gasoline for the month of May would result in supplies for California at about 93 percent of the deliveries in May 1978. The National average supply level is reported at 92 percent for the month. Reports for other western states generally show a similar or lower percentage, with 89 percent for Oregon and Washington, 90 percent for Arizona, and 91 percent for New Mexico. These supply data are shown in Attachment A.
- o It is expected that the deliveries of gasoline to retail outlets for the month of May will increase slightly before the end of the month. This is likely to result as refiners become more certain of their crude oil supplies, as their priority delivery requirements are firmed up, and as the States allocate the gasoline which has been set aside for distribution by the States. Total gasoline supplies for California and the Nation as a whole could increase to 94-99 percent of the 1978 supply level as the allocations are completed for the month, based on estimates of crude oil availability and gasoline stocks.
- o The current gasoline supplies for California and the country are below the 1978 level primarily because of the shortage of crude oil imports since the curtailment of Iranian crude oil exports began last fall. The curtailment of Iranian production resulted in a loss of over 200 million barrels in world oil supplies. The lack of readily available crude oil and refined products on the world market in the first months of 1979 prevented U.S. refiners and importers from obtaining additional imports to meet the surge in demand for gasoline and distillate oil that occurred in January and February. The result was that U.S. stocks of crude oil, gasoline and distillate were drawn down by about 70 million barrels below normal,

and much of the supply flexibility normally available to U.S. refiners was lost. Rather than being able to draw down stocks significantly now to meet current demands, as occurred in 1978, total stocks have been increasing in the past few weeks as refiners attempt to restore distillate inventories to minimum operating levels and to protect gasoline stocks for the upcoming peak driving season.

- o Oil imports have continued to decline since December as the full impact of the Iranian curtailment is only now being felt in the U.S. American refiners are not yet receiving the supply benefits of the renewed oil exports by Iran. This is due to two factors:
  - The long transportation time from the Persian Gulf to the U.S. delayed the impact of the cutoff of Iranian exports and has delayed the receipt of the renewed production. As in the 1973-74 embargo, the most severe impact is being felt about four months after the start of the interruption.
  - U.S. refiners did not vigorously pursue purchases of the very high priced oil that was offered on the spot market by Iran and other countries.

The International Energy Agency and the Administration, in support of the objective of reducing the pressures for permanent world oil price increases, urged restraint in purchasing oil at the high spot market prices. Companies were not, however, prohibited from making such purchases.

- o It is estimated that May will be the low point in gasoline supplies as a result of the Iranian curtailment. Crude oil imports were low at about 5.9 million barrels per day in the past four weeks, and are expected to begin to increase. The reduced crude oil supplies in April and early May are now being reflected in the low level of gasoline output from refineries.
- o Oil imports by the U.S. during the past four weeks have averaged about 440,000 barrels per day more than in the same period in 1978, but supplies available for current consumption in California and in the rest of the country are less than in 1978 because crude oil and gasoline stocks are lower than in 1978 and are being drawn down at a much lower rate than last year. Stocks were being drawn down at the rate of about 990,000 barrels per day in April of 1978, while in the past four weeks of 1979 crude oil and gasoline

stocks were being drawn down at a rate of about 180,000 barrels per day due to the low level of these stocks nationally.

- o The Iranian curtailment also has resulted in a reduction in the supply of lighter crude oils which are best for producing gasoline. Replacement crude oil production has been of heavier quality, which reduces the percentage of gasoline that can be produced from each barrel.
- o Based on this preliminary review, the Department has no verified information that refiners or other suppliers in California have been withholding supplies from the market in order to push up prices, but audits of company reports have not been completed. DOE and the Department of Justice have established a special team to undertake a more detailed investigation of the flow of petroleum through the distribution chain to identify any problems that may exist and will be prepared to take strong action to resolve any problems that may be found.
- o Refiners appear to have been somewhat conservative in recent weeks in their use of available crude oil and gasoline stocks. Refiners on the West Coast in particular appear to have been conservative, where crude oil and gasoline stocks have been maintained at about the 1978 level. In view of the failure of U.S. consumers to restrain their demand for gasoline, and the lack of any mandatory gasoline conservation plan approved by the Congress, refiners should help ease the immediate shortage by increasing the rate of use of available crude oil and gasoline stocks to provide time for the States to implement measures to restrain demand, and help avoid long lines at gasoline stations. Nationally, crude oil and gasoline stocks could be drawn down by a total of about 48 million barrels by the end of the summer without causing serious operational problems. That would permit an average daily drawdown rate of 460,000 barrels per day of crude oil and gasoline stocks through the end of August, and could increase gasoline supplies to 97-98 percent of the 1978 level even if oil imports are not increased significantly from the current low levels.
- o As shown in Attachment B, the amount of crude oil processed and gasoline produced by West Coast refineries in recent weeks is similar to the levels for

the same period in 1978. It appears that the principal reason for the reduction in gasoline supplies in the area compared with 1978 is the decrease in shipments of gasoline from U.S. refineries east of the Rockies. The apparent reduction in those shipments reflects the general shortage of gasoline in the rest of the country, and helps equalize supplies in all areas based on 1978 use. The need for West Coast users to rely on shipments of gasoline from other areas of the country reflects the inability of West Coast refinery capacity to keep pace with the growth in demand for gasoline in the area. The difficulty in obtaining State permits for new or expanded refinery operations has contributed to this shortage of refinery capability.

- o Crude oil imports are expected to begin to increase gradually by next month, which also will help ease the supply shortage. It is expected that crude oil imports will increase by at least 200,000 barrels per day above the average level for the past four weeks, of 5.9 million barrels per day, which would permit gasoline supplies at about the same level as in 1978.

#### Gasoline Demand

- o Demand for gasoline in California has been growing nearly twice as fast as in the rest of the country during the past two years. From 1976 to 1978, demand for gasoline in California increased by about 11 percent, compared with a 6.5 percent growth in gasoline sales for the remainder of the Nation. The high rate of growth continued in early 1979, with a reported increase of 9 percent in February of this year over 1978. The large rate of growth in gasoline demand in California may be due primarily to:
  - The high population growth, which was 1.9 percent in 1977-1978, compared with a national average of .8 percent;
  - A high rate of increase in vehicle registrations, which was 3.58 percent from 1977 to 1978;
  - The relative lack of public transportation systems as alternatives to the automobile; and
  - The long distance traveled by many people to and from their work.

- o The normally high rate of demand was accelerated rapidly in recent weeks as motorists became concerned about their ability to obtain gasoline and began topping their car tanks and filling spare containers. The lack of acceptable alternative transportation modes for many motorists contributed to the sense of urgency in obtaining gasoline.
- o As motorists increased their purchases, many gasoline stations quickly sold their daily or weekly quotas and began to operate shorter hours. Reports indicate that average gasoline sales at some stations dropped from about 8 gallons to 3 gallons. This would more than double the amount of traffic at the stations. Therefore, there was more traffic, due to tank topping, which was forced into the shorter operating hours of the gasoline stations. The inevitable result was long lines.
- o As evidenced in the Washington, D.C. area on May 11 and 12, the public fear of not being able to purchase gasoline can quickly fulfill those fears. The lines experienced in parts of California could occur in many other urban areas of the country unless motorists restrain their use of gasoline and avoid tank topping.
- o Reports on increased use of public transportation in Los Angeles County indicate that the shortage appears to be resulting in reduced use of automobiles in that area. Reports show a 67 percent increase in ridership of the public transportation system in the County in recent weeks, with daily passenger levels increasing from about 600,000 to over 1 million. This should help reduce gasoline demand and shortages.

#### Allocation of Gasoline Among Users

- o The gasoline allocation system now in effect is based primarily on historical supplies of gasoline to the retailers. Refiners and distributors are required to allocate the bulk of their supplies among their customers based on deliveries in an historical base period. Only certain users, such as agriculture and defense, are provided 100 percent of current requirements. In addition, three percent of planned supplies for each State are set aside for allocation by the

State to meet emergency and hardship needs. The historical base period allocation system results in greater apparent shortages to those areas which have a high demand growth rate due to population increases or other factors. Accordingly, some areas in California may be suffering from a greater gap between supply and demand than are other areas in the State or in the country.

- o To help minimize these problems resulting from the allocation system, the Department of Energy recently revised the allocation regulations to permit the allocation to be based on either the supply in the corresponding month of the previous year or on the average supply in the five month period of October 1978 through February 1979 if that average is more than 10 percent above the corresponding month of the prior year. This is intended to assist those areas which have had a high rate of demand growth, and may result in redistributing supplies to provide more to some of the urban areas of California most seriously affected by the current shortages. The Department also recently provided that States can allocate gasoline directly to retail stations from the States' set aside which totals three percent of supplies available in the State.
- o The allocation process is not effective in quickly reallocating supplies to adjust to changes in demand during a shortage period. If the shortage itself results in reduced travel to resort areas, for example, there may be ample supplies in the resort areas and along the highways to those areas, while the urban areas still suffer substantial shortages.
- o The Department proposes to make two additional changes in the gasoline allocation system to help ease the shortage problems:
  - The priority allocation system for defense needs would be revised to limit the priority rating only to needs directly related to operational readiness. General defense support activities would share in shortages on the same basis as other historical users.
  - The amount of gasoline set-aside which could be allocated by the States would be increased from 3 percent to 5 percent of total supplies available

for a State each month. This would provide increased flexibility to the States, if they desired the higher set-aside, to direct additional gasoline to those areas within the States which have the highest growth rates and are suffering the most severe shortages.

- o It is not feasible to develop an allocation process that can be administered which will quickly overcome the problems mentioned above. As long as price and allocation controls are in effect it will be necessary to try to allocate supplies administratively, with inevitable distortions and inequities. The Department will continue to consider means of improving the current allocation system, but it must be recognized that no administrative allocation system will resolve all of the problems.
- o The preferred course is to reduce gasoline consumption so that allocation of inadequate supplies is not necessary. This will avoid the inevitable distortions of the allocation process as well as reduce U.S. demand for oil imports and upward pressures on world oil prices. A 5 percent reduction in demand for gasoline, as requested by the President on April 5, would achieve these objectives.

#### Other Factors Contributing to the Problem

- o Two environmental standards set by the State of California, which are more stringent than Federal standards, could, if relaxed, make additional gasoline supplies available, as follows:
  - The stringent limitation on the use of lead as an additive in gasoline reduces the percentage of gasoline that can be produced from each barrel of crude oil. Temporarily removing the current State limitation of .7 grams per gallon between now and October, in accordance with waiver procedures by the Environmental Protection Agency, could permit an increase in gasoline production of up to 10,000 to 15,000 barrels per day in West Coast refineries.
  - State standards regarding vapor pressures for gasoline restrict gasoline production capabilities. California has a standard of 9 pounds per square inch (PSI) compared with an industry standard of

10.5 PSI. Relaxation of this requirement by 1 PSI could result in an increase in gasoline production of up to 15,000 to 20,000 barrels per day, but the State will want to consider the effects of such a change on smog levels.

- Air permits for testing oil recovery steam generating units in Kern County have been delayed in a controversy between the State and local governments. The Federal EPA has issued permits for about 150 steam generating units and has pending applications for about 50 more which it expects to approve. Most of these units have yet to be permitted by the county because of State requirements which differ from the Federal requirements. Resolution of these differences could permit an increase in crude oil production by up to 90,000 barrels per day in four to six months.
- o The long lines at gasoline stations result in part from the closing of stations early in the day, so that most of the gasoline sales are forced into a few morning hours. As motorists come to expect early closings, they purchase gasoline earlier in the day, thereby leading to a further concentration of purchases, and longer lines. Staggering gasoline sales hours among stations in a community, so that some stations would be open all day, may help reduce lines as well as the pressure to top tanks.

#### Actions by the States

- o The actions already taken by the State of California and the several counties to limit tank topping may help reduce hoarding and the lines at gasoline stations, but the results to date are not encouraging. Many gasoline retailers apparently are reluctant to check gasoline tank gauges to enforce the tank topping rule. If the tank topping rule is not effective, the odd-even sales system may be counterproductive by encouraging motorists to return for gasoline every second day. In areas of high automobile density, the odd-even plan may not help and may actually worsen the lines at stations. Where concern about gasoline availability is high, the odd-even system is likely to result in most motorists returning for gasoline every second day when stations open, unless minimum purchase restrictions are fully enforced.

- o The particular problems of long lines in California may require a more refined system, including an effective tank topping rule and procedures to spread out the sales hours of the gasoline stations. Full compliance with the intent of these actions by motorists will end the counterproductive tank topping of gasoline, free up more gasoline for current use, and reduce the inconvenience and frustrations of waiting in long lines.
  
- o The States and individual motorists must act to reduce gasoline use immediately if the problems in California are to be solved and similar problems avoided in other areas. The States and each individual motorist must take the initiative in reducing gasoline use by such actions as increasing the use of carpools, avoiding unnecessary trips, and complying with the 55 MPH speed limit. Only a small reduction in automobile use by each motorist -- 15 miles per week -- would end the shortage, end the lines, and provide gasoline conveniently for essential activities. Full compliance with the 55 MPH speed limit in California would save approximately 2.6 percent of the gasoline consumed in the State, and would go a long way toward ending the shortage.

### Recommendations

The Department recommends the following steps to help end the gasoline lines in California and avoid similar problems in other States:

- o The Department will propose changes in its allocation system to provide for increases in the set aside of gasoline which could be allocated by the States, from 3 percent to 5 percent, if States desired the increased flexibility to direct gasoline to shortage areas within the States.
  
- o The Department will revise the allocation rules to remove priority allocation for defense uses not directly involved with operational readiness.
  
- o The Department will audit the allocation of gasoline supplies from refiners, through the distribution chain, to retailers, to identify any failure to comply with the revised regulations or any actions to withhold supplies. The Department will work closely with the Department of Justice in this effort.

- o The Department will monitor actions by refiners in using their crude oil and gasoline stocks to assure that undue caution by refiners does not result in withholding supplies from current consumption. The Department will be prepared to use its regulatory authorities if necessary.
- o The State of California could consider relaxing its environmental requirements temporarily to:
  - permit more lead in gasoline; and
  - allow a higher vapor pressure for gasoline.

The State will want to balance the public health effects of such changes against the projected increases in gasoline. The State also could act to expedite permits to increase thermal recovery operations to enhance crude oil production.

- o The U.S. Environmental Protection Agency and the Department of Energy should be prepared to assist the State in any way possible in making changes in its environmental requirements.
- o The State of California should consider means of improving its tank topping rule to help increase compliance.
- o The State of California should consider means to extend or spread out the hours of sales at gasoline stations, and it should review whether the odd-even day sales system is helping or hindering the effort to reduce lines at the stations.
- o All States should take actions to reduce gasoline use by 5 percent from normal levels for 1979 to avoid shortages during the coming summer months. Strict enforcement of the 55 MPH speed limit could provide much of the necessary savings.

The reduced gasoline use resulting from full compliance with the 55 MPH speed limit, and potential increased gasoline production by relaxing environmental restrictions, could save up to 55,000 barrels per day and offset a major share of the current gasoline shortage in California.

With the actions recommended above, and the expected increase in oil imports in the coming weeks, the gasoline lines in California can be eliminated and shortage problems can be avoided in other States.

Allocation of Supplies Among States

Suppliers serving California have initially estimated they will deliver into California this May 93 percent of the volume of gasoline delivered in May of 1978. The national ratio of May 1979 to May 1978 gasoline deliveries is estimated to be 92 percent. Thus, initially planned May gasoline deliveries into California are slightly higher than the national average in comparison with May 1978, and are generally consistent with surrounding states.

Under DOE's allocation program, suppliers must first meet needs of high priority users: agriculture and defense, (which receive 100 percent of current needs) and amounts designated as a state set-aside for meeting emergency and hardship needs. The remaining supplies are allocated primarily to historical purchasers based on a recent base period which can be adjusted for large increases in demand. The percent of each supplier's remaining supply obligations that can be met with its remaining supplies is known as an allocation fraction. While the vast majority of non-priority purchasers are receiving allocations based on a percent of historical purchases, DOE has permitted suppliers to adjust allocations to reflect unusual growth, new outlets, or other factors. Although such adjustments have the effect of reducing the allocation fraction for a state, supply to the state is not necessarily diminished. In the State of California for the month of May 1979, the combined suppliers' allocation fraction is 81 percent. For DOE Region IX (California, Arizona, Nevada and Hawaii) the allocation fraction for May is also 81 percent. The nation as a whole has a May allocation fraction of 84 percent.

A more complete picture of the total gasoline supplies available to a State can be seen from the total supplies in a specific month with the same month for the prior year. This includes supplies for all priority users, new outlets, and the State set-aside.

The total gasoline supplies for each State for May 1979 compared with May of 1978 are set forth in the following table for each region and State.

## DELIVERIES (000 BBLs)

	Actual May, 1978	Anticipated May, 1979	79/78 SUPPLY RATIO*
<u>DOE REGION I</u>	<u>11633</u>	<u>10916</u>	<u>.94</u>
Connecticut	3089	2672	.87
Maine	1175	1128	.96
Massachusetts	5404	5263	.97
New Hampshire	647	616	.95
Rhode Island	859	812	.95
Vermont	459	425	.93
<u>DOE REGION II</u>	<u>20291</u>	<u>18984</u>	<u>.94</u>
New Jersey	7383	6957	.94
New York	12908	12027	.93
<u>DOE REGION III</u>	<u>23757</u>	<u>21082</u>	<u>.89</u>
Delaware	705	638	.90
Maryland	4203	3836	.91
D.C.	419	372	.89
Pennsylvania	10855	9289	.86
Virginia	5937	5366	.90
W. Virginia	1637	1581	.97
<u>DOE REGION IV</u>	<u>42876</u>	<u>39399</u>	<u>.92</u>
Alabama	4418	4036	.91
Florida	9833	8874	.90
Georgia	6353	5878	.93
Kentucky	3841	3491	.91
Mississippi	2938	2611	.89
N. Carolina	6686	6280	.94
S. Carolina	3507	3272	.93
Tennessee	5300	4957	.94
<u>DOE REGION V</u>	<u>49968</u>	<u>45190</u>	<u>.90</u>
Illinois	10760	10031	.93
Indiana	6444	5900	.91
Michigan	10392	8755	.84
Minnesota	6104	5660	.93
Ohio	11232	10194	.91
Wisconsin	5036	4650	.92
<u>DOE REGION VI</u>	<u>35563</u>	<u>32188</u>	<u>.91</u>
Arkansas	2708	2472	.91
Louisiana	4623	3960	.86
New Mexico	1640	1486	.91
Oklahoma	4337	4170	.96
Texas	22255	20100	.90
<u>DOE REGION VII</u>	<u>14708</u>	<u>13930</u>	<u>.95</u>
Iowa	3900	3640	.93
Kansas	3505	3300	.94
Missouri	5433	5250	.96
Nebraska	1870	1740	.93
<u>DOE REGION VIII</u>	<u>8137</u>	<u>7590</u>	<u>.93</u>
Colorado	2922	2680	.92
Montana	1103	1020	.92
N. Dakota	958	890	.93
S. Dakota	1020	990	.97
Utah	1483	1400	.94
Wyoming	651	610	.93
<u>DOE REGION IX</u>	<u>28624</u>	<u>26859</u>	<u>.94</u>
California	24402	22783	.93
Arizona	2561	2300	.90
Hawaii	689	857	1.26
Nevada	981	919	.93
<u>DOE REGION X</u>	<u>8457</u>	<u>7577</u>	<u>.90</u>
Alaska	385	384	1.00
Idaho	1046	942	.90
Oregon	2775	2460	.89
Washington	4251	3791	.89
<u>NATIONAL TOTAL:</u>	<u>244014</u>	<u>223715</u>	<u>.92</u>

\* Ratio of projected total supply for May 1979 expressed as a percent of the actual total deliveries in May 1978.

Source: Based on information collected from suppliers by DOE

West Coast Refinery Operations

Crude oil availability for refineries operating on the West Coast appears to be nearly identical to the availability of crude for refineries east of the Rockies. Crude oil runs through refinery distillation units in Petroleum Administration for Defense District (PADD) V, or the West Coast, in the week ending May 4, 1979, were 99.2% of levels for the comparable week of 1978. Chart 1 compares PADD V crude oil runs for 1977 through 1979. In the area east of the Rockies, PADDs I-IV, crude oil runs to stills were at 99.9% of 1978 comparable week levels.

As shown in Table 1, DOE anticipates that PADD V refineries will be able to process 2.4 million barrels per day of crude oil during May 1979. These volumes would be 100,000 barrels per day above the 2.3 million processed in the week ending May 4, 1979. Crude stocks were rebuilt by four million barrels in that week, so that an increase in crude oil runs of 100 thousand barrels per day could be sustained. Chart 2 shows that crude oil stocks in PADD V were lower in January 1979 than in January 1978, and have been increased slightly since January. Unlike 1978, when crude oil stocks were drawn down to supplement imports, the crude oil stocks in PADD V have increased slightly since January of this year, and are now at about the 1978 level.

It is estimated that 1,035,000 barrels per day of gasoline could be produced from the crude runs of 2.4 million barrels per day, and provide about 88 percent of 1978 PADD V demand for the month of May. Chart 3 compares motor gasoline production in PADD V in 1977 through 1979.

There are two traditional sources of additional gasoline supplies for PADD V: foreign imports, and shipments from the refining centers east of the Rockies. Imports of foreign gasoline into the West Coast have historically averaged about 20 thousand barrels per day and are expected to remain at this level during May. Historical levels of shipments from PADDs I-IV to PADD V averaged 80-90 thousand barrels per day in 1978. In the most recent period for which survey data are available, February 1979, an average of 60 thousand barrels per day were shipped into PADD V from other regions. However, in discussions with 14 refineries regarding gasoline and distillate supplies, West Coast refiners indicated difficulty in obtaining any gasoline from other districts.

Latest gasoline stock data (Chart 4) show 25.4 million barrels in PADD V on May 4, 1979. Gasoline stocks at the end of May 1978 were 24.3 million barrels. During May 1978, refiners drew down gasoline stocks at an average rate of 44 thousand barrels per day and should be able to do this much or more this year.

As shown in Table 1, gasoline supplies for PADD V could range from about 94 percent of 1978 supplies, if no gasoline is shipped from east of the rockies, to 99 percent of 1978 supplies if 60,000 barrels per day are shipped from east of the rockies as in February. Any additional crude oil would result in greater gasoline availability in the summer months.

TABLE 1  
 PROJECTED GASOLINE PRODUCTION IN PADD V FOR MAY 1979  
 AS A RATIO OF MAY 1979 DEMAND  
 (thousands of barrels per day)

	<u>Actual</u> <sup>1/</sup>		<u>Projected May 1979</u>	
	<u>May 1978</u>	<u>Week Ending May 4, 1979</u>	<u>No Net Receipts From Other Districts</u>	<u>Low Net Receipts From Other Districts</u>
Crude Runs	2,336	2,301	2,400	2,400
Gasoline Production	1,020	1,002	1,035	1,035
Net Gasoline Move- ments from Other Districts	82	60 <sup>2/</sup>	0	60
Gasoline Net Imports	21	19	20	20
Stock Drawdown	<u>44</u>	<u>(53)</u>	<u>45</u>	<u>45</u>
Total Gasoline Supply	1,167	1,028	1,100	1,160
Ratio to 1978 Demand	1.00	.88	.94	.99

Assumptions for May 1979 Projections:

- a. Crude oil runs can be increased 100 thousand barrels per day above level of week ending May 4, 1979, as reported by American Petroleum Institute by either increasing imports of crude oil by 100 thousand barrels per day or drawing down crude oil stocks by 3 million barrels.
- b. Gasoline production computed as 41.3 percent of crude runs to distillation units and adding 45 thousand barrels per day for blending stocks.
- c. Assumes historical level of gasoline imports.
- d. Net transfers from PADD IV and PADD V averaged 60 thousand barrels/day in February. Current data on transfers from other districts are not yet available. However, some refiners have indicated that these transfers may not be possible.

<sup>1/</sup> Data Sources: May 1978 data from DOE surveys. Week ending May 4, 1979, from American Petroleum Institute survey except for net inter-district gasoline movements. Net gasoline movements were assumed to equal those reported in DOE February 1979 surveys, the latest month for which these statistics have been compiled.

<sup>2/</sup> Estimated

Chart 1

Crude Oil Runs - PADD V

MB/D

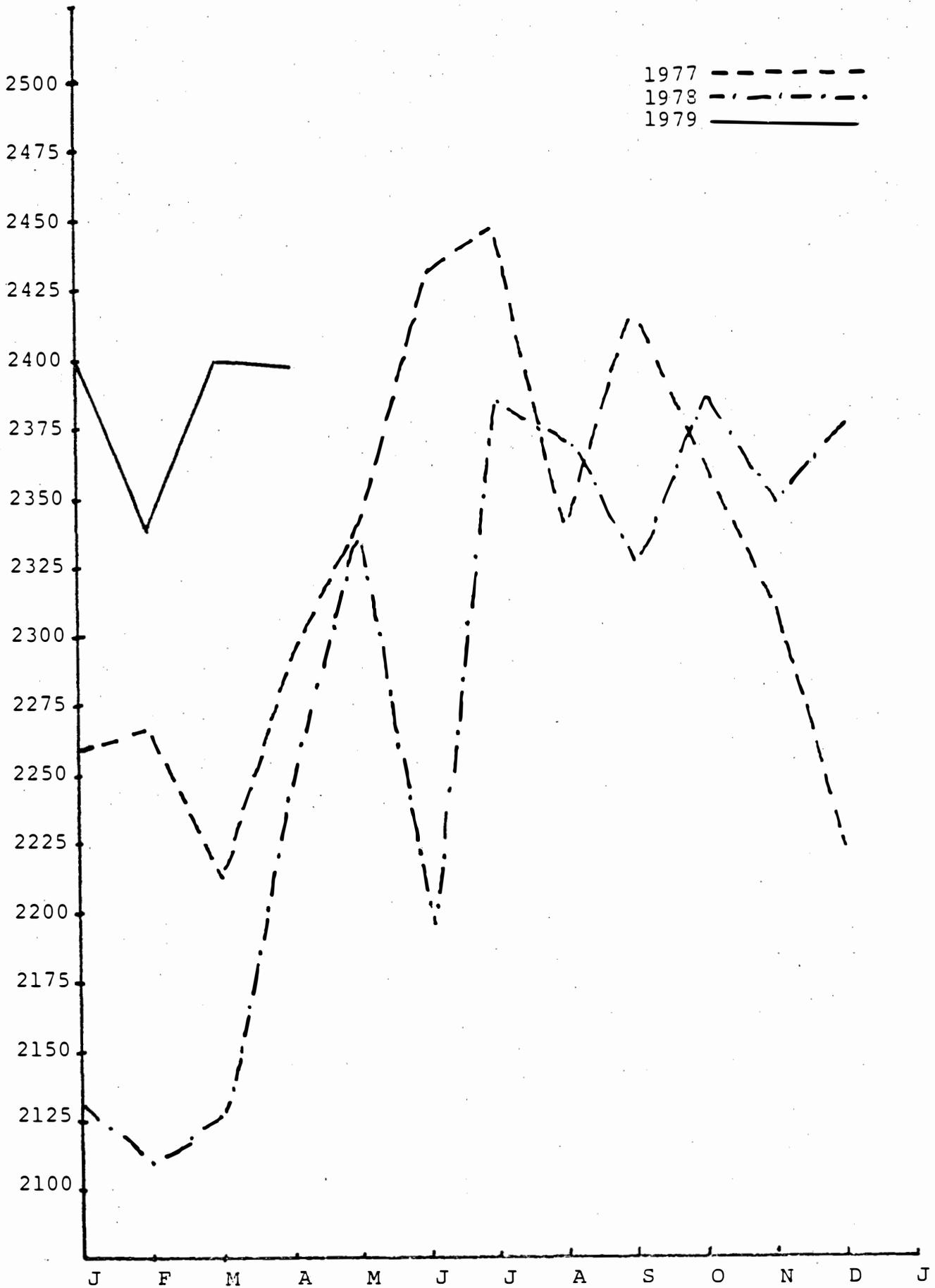


Chart 2  
 CRUDE OIL STOCKS - PADD V

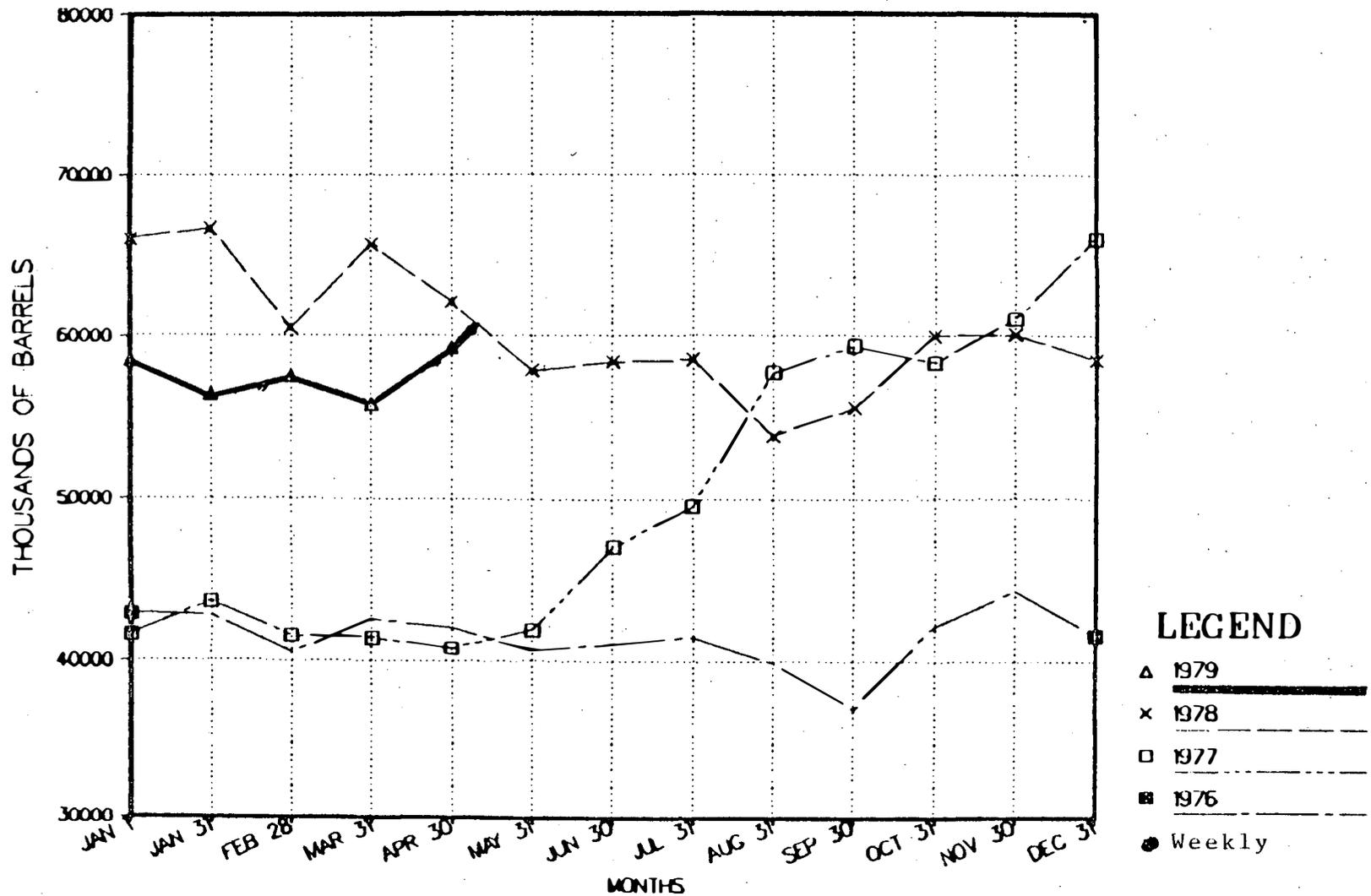


Chart 3

Motor Gasoline Production  
PADD V

MB/D

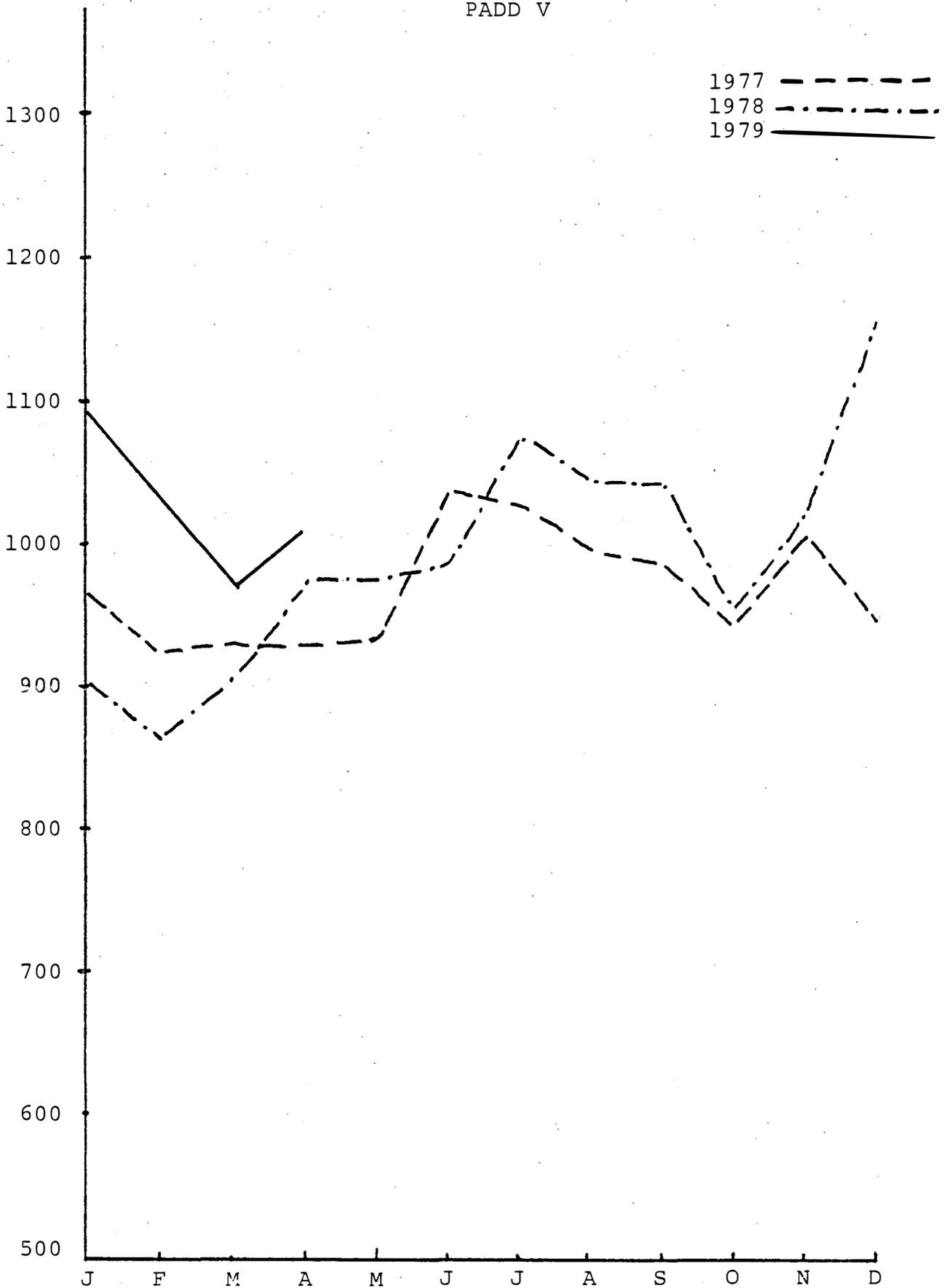
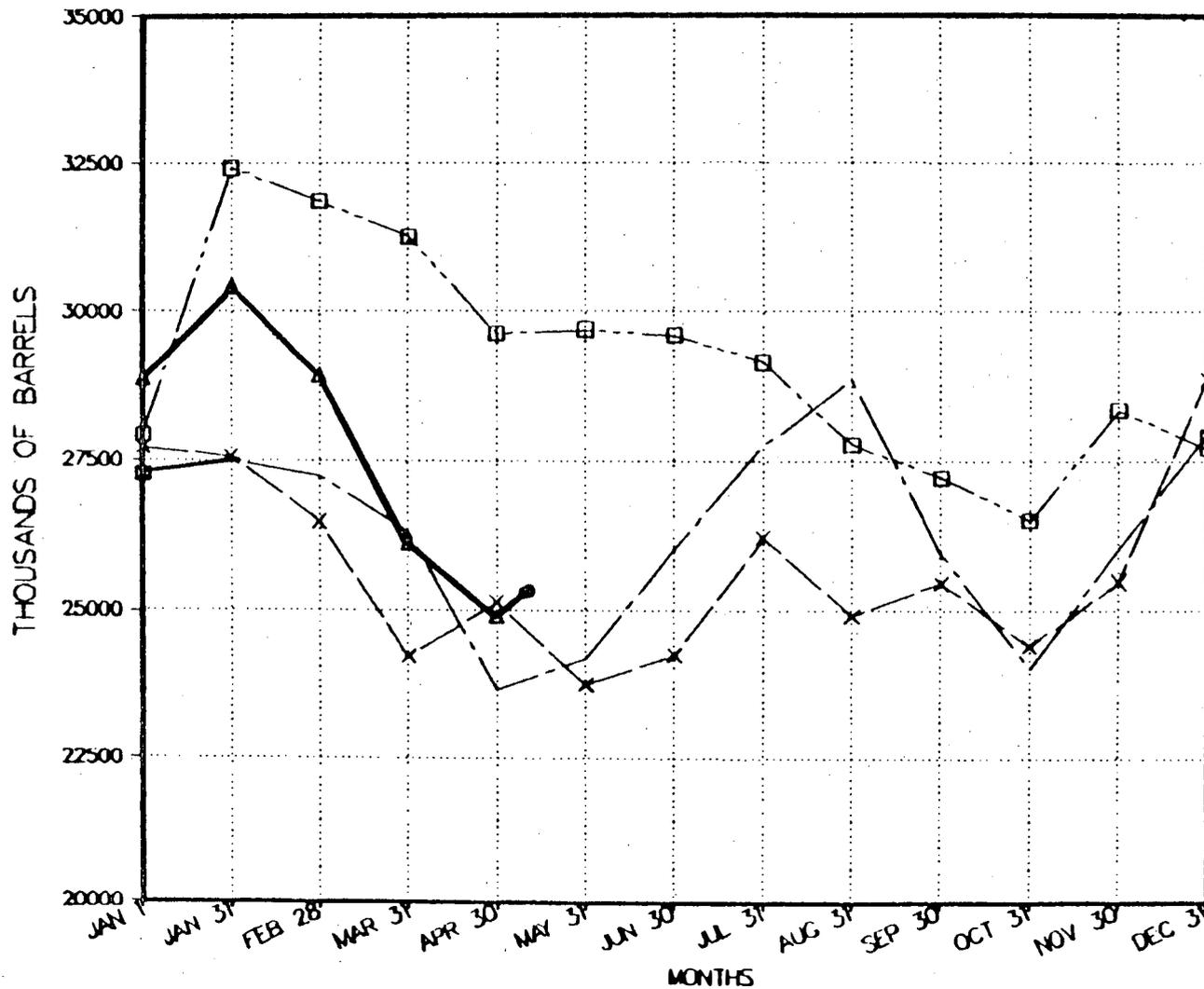


Chart 4  
 MOTOR GASOLINE STOCKS  
 PADD V



LEGEND

- △ 1979
- × 1978
- 1977
- 1976
- Weekly



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

Electrostatic Copy Made  
for Preservation Purposes

MAY 17 1979

*C. Schultze -  
You, Stu and  
Lipschutz  
prepare directive.  
as you all  
+ Mike  
have  
agreed  
J*

MEMORANDUM FOR THE PRESIDENT

*Mike*

FROM: W. Michael Blumenthal

Subject: Outline of steps needed to implement an improved process for economic coordination

At your direction, Stu Eizenstat, Fred Kahn, Jim McIntyre, Charlie Schultze, and I have met and come to an agreement that the following implementing steps are needed to improve the coordination of economic policy through the EPG:

1. Presidential statement that the EPG is the exclusive vehicle for overseeing the formulation, execution, and presentation of all economic policies.

2. Presidential directive that the EPG operate through frequent (e.g. thrice weekly) White House meetings of its Steering Group -- which consists of the Treasury Secretary (Chairman), the OMB Director, the CEA Chairman, the Inflation Adviser to the President -- with the Vice President and the Assistant to the President for Domestic Policy participating ex officio, and other Cabinet level officers involved as appropriate to the issues under review.

3. Presidential directive

. that the EPG Steering Group have full access to all decision papers from the Cabinet, or from EOP or White House staffs, dealing with substantive policy issues having a significant impact on economic variables such as inflation, real growth, employment, productivity, competition, and the international accounts;

. that the Steering Group is ultimately responsible for assuring that decision packages on such issues contain sound economic analysis and adequately relate the options offered to the Administration's overall economic program and priorities.

FORWARDED TO \_\_\_\_\_ (AN ADMINISTRATIVE  
TRAINING BY *Jay* DATE 6/25/80

"CONFIDENTIAL"

4. Presidential announcement that the Treasury Secretary, as EPG Chairman, is the Administration's chief economic spokesman and that major statements on economic policy by all Administration officials should, whenever possible, be reviewed and coordinated by the EPG Steering Group.

5. Presidential directive

. that the Executive Director of the EPG be located in the White House, as the coordinator for economic policy, and receive all policy memoranda circulated within the EOP (as CEA, OMB, DPS, etc. now do);

. that White House and EOP policy staffs work with the Executive Director to facilitate Steering Group oversight of economic policy-making;

. that EPG memoranda have a swift and efficient channel to the President, with the Executive Director working with Rick Hutcheson to assure Senior Staff review where appropriate.

6. The Steering Group will operate with these new procedures in such a way as not to disrupt the normal OMB and White House staff processes of legislative clearance.

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	LAST DAY FOR ACTION -

*also for me  
copy*

ACTION  
FYI

<input type="checkbox"/>	ADMIN CONFID
<input checked="" type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

<input type="checkbox"/>	VICE PRESIDENT
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	KRAFT
<input checked="" type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON
<input type="checkbox"/>	WEXLER
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	MCINTYRE
<input checked="" type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	GAMMILL
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	RAFSHOON
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN
<input type="checkbox"/>	WISE

<input type="checkbox"/>	ADAMS
<input type="checkbox"/>	ANDRUS
<input type="checkbox"/>	BELL
<input type="checkbox"/>	BERGLAND
<input type="checkbox"/>	BLUMENTHAL
<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CALIFANO
<input type="checkbox"/>	HARRIS
<input type="checkbox"/>	KREPS
<input type="checkbox"/>	MARSHALL
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VANCE

**THE SECRETARY OF THE TREASURY**

May 17, 1979

Mr. President:

This is in accordance with your request. The steps indicated have been agreed to without dissent.

W.M.B.

THE WHITE HOUSE

WASHINGTON

May 19, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Weekly Report

(1) New York City Tugboat Strike

Ed Koch is very pleased by your decision to permit the Coast Guard to assist New York City in coping with the tugboat strike and the serious problems it caused with respect to the City's garbage removal (see letter attached).

(2) North Carolina Inflation Effort

Jim Hunt has been firmly supporting your wage guidelines for state employees in North Carolina despite intense political pressure on him. Working with Fred Kahn, we were able to give Jim a ruling supporting his position over an attempt by the State teachers' lobby and his Lt. Governor to get an interpretation supporting a higher than 7% settlement. Jim was extremely pleased.

(3) Energy

I think the meeting with Governor Brown, Tom Bradley, Leo McCarthy and the California delegation went well, and reports are that it was well-received in California. Unfortunately, some of the press stories were interpreted by other governors to mean that you were moving gasoline supplies from other states to meet California needs. Gene and I have been on the telephone with numerous governors explaining the facts. Jody's press briefing was also very helpful in clearing up the misunderstanding.

(4) Three-Mile Island Commission

The flap over the subpoena legislation for the Commission is over. Once the legal issue that was causing the hang-up between the Judiciary Committee staff and the Justice Department was brought to my attention, we were able to get it

**Electrostatic Copy Made  
for Preservation Purposes**

resolved almost immediately. I should have looked into the matter sooner instead of assuming that everything was on track.

The Senate passed the bill on Thursday, and House action is scheduled for Monday or Tuesday. You will have the bill on your desk next week.

(5) Trade Seminars

The National Governors' Association/White House sponsored Trade Seminars in New York, Cedar Rapids, Iowa and Seattle will take place in June. This joint effort between the governors and the White House is a direct result of the creation of the NGA Committee on Trade and International Affairs established at your request.

Secretaries Kreps, Marshall, Bergland, the Attorney General, Ambassador Strauss and a number of sub-Cabinet officials will participate in one or more of the seminars. General Segnious will speak at each seminar on the relation of SALT II to U.S.-U.S.S.R. trade. Each seminar will attract 1,500 - 2,000 top-ranking business, labor and government officials.

(6) Follow-Up on Your Meeting with Senator Williams, Governor Byrne and Congressman Howard

My staff met on Friday morning with Governor Byrne's, Senator Williams' and Congressman Howard's staffs to discuss New Jersey's problems with the rapid transit funding levels. We are trying to negotiate a mutually-acceptable solution that takes into account all the relevant budget, political and substantive considerations. We will meet again on Monday in an effort to come up with a proposal that can be reflected in Brock Adams' testimony before the Senate Appropriations Subcommittee next Friday. I am reasonably optimistic that we can do so.

(7) New Jersey Sludge Problem

At the end of your meeting with the Governor on Thursday, he mentioned New Jersey's problem with the removal of sludge that, because of the tug boat strike, was about to be discharged into the river. Working with EPA, that problem is solved.



THE CITY OF NEW YORK  
OFFICE OF THE MAYOR  
NEW YORK, N.Y. 10007

May 7, 1979

Honorable Jimmy Carter  
The President  
The White House  
Washington, D.C. 20050

Dear Mr. President:

I want to thank you for your immediate affirmative response to my request for the assistance of the United States Coast Guard so as to provide us with help in towing our garbage scows during the current tugboat strike.

You were away and might not have seen the New York Times article with my comments and thanks, hence the enclosed.

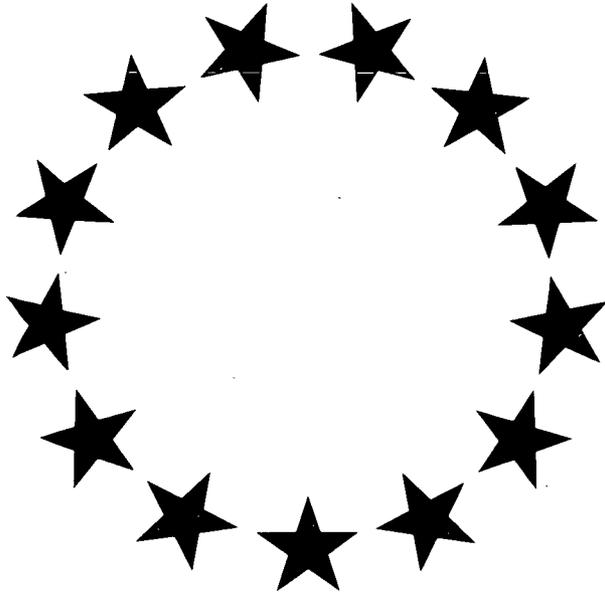
All the best -- you are a good friend.

Sincerely,

A handwritten signature in black ink, appearing to be "E. Koch", written over the word "Sincerely".

Edward I. Koch  
M A Y O R

cc: Jack Watson  
mt



The National Governors' Association

In Co-operation With

The White House

# Seminar on Foreign Trade and Exports

Featuring

Amb. Robert Strauss  
the President's Special Trade Representative

Hon. Juanita Kreps  
Secretary of Commerce

Hon. Bob Bergland  
Secretary of Agriculture

And representatives of eight  
other cabinet agencies

Five Seasons Center Complex  
Cedar Rapids, Iowa  
June 19-20, 1979

## Hotel/Motel Information

Stouffer's Five Seasons Hotel (host hotel)

Either Single or Double Occupancy - \$36.00

Roosevelt Royale Hotel

Single Occupancy - \$36.75 - 44.90

Double Occupancy - 42.85 - 49.90

Holiday Inn

Single Occupancy - \$25.00

Double Occupancy - 30.00

Sheraton Inn

Single Occupancy - \$29.00

Double Occupancy - 35.00 - 36.00

Best Western Town House

Single Occupancy - \$18.00

Double Occupancy - 23.00

Ramada Inn

Single Occupancy - \$25.75

Double Occupancy - 30.75

Red Roof Inn

Single Occupancy - \$14.95

Double Occupancy - 17.95 - 19.95

Exel Inn

Single Occupancy - \$15.00

Double Occupancy - 19.00 - 21.00

## Please Act Early

Due to the significance of the subject matter and the participation of several members of the Cabinet, a heavy turnout is expected for this Conference.

In order to avoid any possible complications, **you are urged to send in the Registration Form below and to make airline reservations as soon as possible.**

There will be a registration fee of \$45 per person for the Seminar. This fee includes:

- Admission to all Seminar sessions.
- Attendance at the Governor's Reception on June 19.
- Continental breakfast at the Seminar on the morning of June 20.
- Seminar Luncheon on June 20.
- Complimentary coffee and soft drinks at the Seminar.
- Conference materials.
- Complimentary shuttle bus service between hotels and the Conference site.

Because arrangements for food functions must be made several days in advance of the Conference, **all registrations must be received no later than June 10. We regret that it will not be possible to accept registrations after that day or on the day of the Conference.**

## Registration and Hotel Reservation Form

National Governors' Association Seminar on Foreign Trade and Exports  
Tuesday and Wednesday, June 19-20, 1979. Cedar Rapids, Iowa

Your Name \_\_\_\_\_ Company \_\_\_\_\_

Address \_\_\_\_\_ Title \_\_\_\_\_

City \_\_\_\_\_ Zip \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

Arrival Date \_\_\_\_\_ A.M. \_\_\_\_\_ P.M.

Departure Date \_\_\_\_\_ A.M. \_\_\_\_\_ P.M.

Arriving Via: Auto  Airlines  Private Plane  Other \_\_\_\_\_

Accommodations Desired: Single  Double  I prefer to be at the following Hotel/Motel (your first choice, second choice, etc.):

1. \_\_\_\_\_ 3. \_\_\_\_\_

2. \_\_\_\_\_ 4. \_\_\_\_\_

Deadline for reservations: June 10. Send this form and your \$45.00 registration fee to:

**Cedar Rapids Convention and Visitors Bureau**  
127 - 3rd St. NE  
Cedar Rapids, Iowa 52401

**Make checks payable to: Cedar Rapids Convention and Visitors Bureau.**

11:15 Am ✓

THE WHITE HOUSE

WASHINGTON

May 11, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Major Jose A. Muratti, Jr.

I had planned to formally introduce Jose Muratti, the new Army Aide, to you; however, it is my understanding that you have already had the opportunity to meet him.

I do want to furnish you with some background on Jose, and, if you desire, schedule a meeting with him.

I have also forwarded a copy of the attachment to Rosalynn for her information.

cc: The First Lady  
/

**Electrostatic Copy Made  
for Preservation Purposes**

**Electrostatic Copy Made  
for Preservation Purposes**

MAJOR JOSE A. MURATTI, U. S. ARMY

- o Born June 2, 1942, in San German, Puerto Rico. Attended grade school in Puerto Rico, and junior and high school in D.C. area and Germany while accompanying his career-Army father. Parents now reside in San German, Puerto Rico.
- o Wife is the former Socorro Jo Reyes who was born in New York City; raised in Spanish-Harlem area. Father - Puerto Rican; mother - Dominican Republic. Parents now reside in Miami.
- o Two sons, 11 and 7, Joey and Ricky.
- o Jose and wife fluent in both Spanish and Portugese. Wife teaches Portugese. Fluent in different Spanish dialects. Considerable exposure to Castillian Spanish.
- o 1964 graduate - United States Military Academy, West Point. Student Spanish tutor.
- o Graduate from Brazilian Army's Command and Staff School (1973), and also Field Artillery Officer Advanced Course and Armed Forces Staff College.
- o Masters Degree in Latin American Studies, University of Florida (1972). Qualified in Spanish to take this course.
- o Two combat tours in Viet Nam (Bronze Star and Air Medal).
- o Assistant Army Attache at U.S. Embassy in Lisbon, Portugal (1975-1978) -- was there during their revolution.
- o Enjoys tennis, jogging and swimming.

9:00 AM ✓

C  
—

THE WHITE HOUSE  
WASHINGTON

May 19, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Agenda for the Cabinet Meeting  
Monday, May 21, 1979  
9:00 a.m Cabinet Room

All members of the Cabinet are expected to attend except Secretary Schlesinger, who will be represented by Deputy Secretary Jack O'Leary; Secretary Andrus, who will be represented by Under Secretary James Joseph; Secretary Vance, who will be represented by Deputy Secretary Warren Christopher.

DOMESTIC ISSUES

Energy

It would be useful to have Jack O'Leary report to the Cabinet on the series of steps being taken to respond to the gasoline shortages in California and elsewhere. The point should be made that California's problem is not being dealt with at the expense of other state's allocations.

In addition, Mr. O'Leary and Bob Bergland should discuss the status of your commitment to meet 100% of agriculture's diesel fuel requirements. Reports over the weekend in mid-west papers (particularly Des Moines) suggest this commitment is not being met.

FY 1980 Budget

Jim McIntyre can report on the status of the Budget Committee's Conference Report which meets your outlay request, but makes more optimistic revenue assumptions to produce a smaller deficit than you predicted.

**Electrostatic Copy Made  
for Preservation Purposes**

Government Regulations

You asked Jim McIntyre for a progress report on the implementation of Executive Order 12044, Improving Government Regulations. This report and talking points for your use at the Cabinet meeting was submitted to you on May 18th.

Inflation and Regulatory Reform

Fred Kahn can provide a brief report on the anti-inflation program. Specifically, Fred recently wrote an excellent letter to John DeButts listing the ways we have been delivering on the promise of regulatory reform as a part of your anti-inflation program. You may want to ask Fred to report on that letter and distribute a copy of it to each member of the Cabinet.

Economic Indicators

Charlies Schultze is prepared to report on recent economic indicators.

Welfare Reform

Wednesday is tentatively set for announcing the scaled down welfare reform proposal to be sent to the Congress. You may want Joe and Ray to brief the Cabinet on its major provisions.

Alaska D-2 Lands Bill

Jim Joseph can report briefly on the successful House vote on the Alaska Lands Bill and prospects in the Senate.

FOREIGN ISSUES

Rhodesia

Warren Christopher can brief the Cabinet on the status of Rhodesian policy review in light of the Senate's Sense of the Senate Resolution last week on lifting economic sanctions.

Panama Canal

Warren Christopher can also brief the Cabinet on the House vote on the implementing legislation for the Panama Canal treaties.

China

Juanita can report on her trip to the Peoples' Republic of China and the elements of the trade agreement she initialed while there.

SALT II

Warren can report on the status of preparations for the Vienna Summit and the Senate SALT debate.

Middle-East Negotiations

Warren can brief the Cabinet on the next phase of the Middle-East negotiations.

Turkey

Warren can report briefly on the status of American-Turkish relations in light of recent reports of economic and political instability in that country.

MISCELLANEOUS

Following the Cabinet meeting, I have invited the Cabinet to join this year's White House Fellows and the newly selected class which comes on board in September to a coffee reception in the Roosevelt Room. John Gardner, who chairs the White House Fellows Commission, will be in attendance.

If the meeting adjourns before 11:00 a.m., all the Fellows would be thrilled, and I would appreciate it, if you came into the Roosevelt Room just to say hello. You need make no remarks or spend more than 3 - 5 minutes.

Also, Terry Smith, a reporter for the New York Times, will be present for the first 10 minutes of the Cabinet meeting.

cc: Vice President  
Phil Wise