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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 expressed his concerns about the inconvenience caused by the gasoline shortages, and 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 gasoline initially made available by refiners for the month of May is 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.
- o The petroleum supply picture for the West Coast 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, appears to 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.

the remainder of the country, and it has continued to be high in the first months of 1979 in spite of the urgings by the President to reduce gasoline use to avoid shortages. 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, sometimes called "panic buying," quickly pulled supplies from the gasoline stations and resulted in early station closings. 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. It is not feasible to simply move supplies on an ad hoc basis from other areas of the country to California to help meet the immediate demands in that State. 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,

- o The need for California to rely on gasoline shipments from other areas of the country reflects the failure to expand refinery production capabilities in the area to keep pace with demand growth. This has been due at least in part to the difficult ~~conditions~~ permitting conditions of the State.
- 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 last November, 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.
- 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 has not found evidence 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 closely monitor 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

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, <sup>entirely</sup> the inevitable allocation distortions, however, is to avoid entirely 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. The State also could help ease the shortage by relaxing temporarily the environmental requirements which curtail gasoline production in 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.

*There may be a need for the State to improve its tank topping rule and to implement procedures to extend or expand with the sales hours of gas stations.*

- 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 currently planned gasoline availability 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. This 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 94-97 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 November. 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. which 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 price increases by OPEC, urged restraint in purchasing oil at the high spot market prices.

- 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 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. By contrast, in April 1977 oil imports were 860,000 barrels per day higher than in April of this year, even though U.S. oil use was about 400,000 barrels per day lower in April 1977 than in April 1979.

- 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 very preliminary review, the Department has found no evidence that refiners or other suppliers in California have been withholding supplies from the market in order to push up prices. DOE is beginning 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 could 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 through the end of August, and could increase gasoline supplies to 96-97 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 failure of West Coast refinery capacity development 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; and
  - The relative lack of public transportation systems as alternatives to the automobile.

- o The normally high rate of demand was accelerated rapidly in recent weeks by panic buying 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 and to the hoarding.
- 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 hoarding.
- 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 <sup>which could</sup> to 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, 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 The environmental standards set by the State of California, which are generally more stringent than Federal standards, have contributed to the shortage of gasoline 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. Removing the current 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.
  - 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 15,000 to 20,000 barrels per day, with a temporary increase in hydrocarbon emissions.

- Production of crude oil in California could be increased by up to 90,000 barrels per day in four to six months if producers were granted environmental permits to increase thermal recovery operations.
- 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, would significantly 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. 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 hoarding 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 gasoline 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 operations readiness.
- o The Department will audit the allocation of gasoline supplies from refiners 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 should consider relaxing its environmental requirements temporarily to:

- permit more lead in gasoline; and
- allow a higher vapor pressure for 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.

With these recommended actions, 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.

**GASOLINE SUPPLY MAY 1978**

**DELIVERIES (1000 BLS)**

	Actual May, 1978	Anticipated May, 1978	75/78 SUPPLY RATIO*
<b>DOE REGION I</b>	<b>11433</b>	<b>10916</b>	<b>.94</b>
Connecticut	3089	2672	.87
Maine	1175	1125	.96
Massachusetts	5404	5263	.97
New Hampshire	647	616	.95
Rhode Island	859	832	.95
Vermont	459	425	.93
<b>DOE REGION II</b>	<b>20251</b>	<b>18954</b>	<b>.94</b>
New Jersey	7383	6853	.94
New York	12868	12101	.93
<b>DOE REGION III</b>	<b>23367</b>	<b>22063</b>	<b>.95</b>
Delaware	705	638	.90
Maryland	4203	3836	.91
D.C.	419	372	.89
Pennsylvania	10815	9285	.86
Virginia	5937	5366	.90
W. Virginia	1637	1563	.95
<b>DOE REGION IV</b>	<b>42576</b>	<b>38268</b>	<b>.90</b>
Alabama	4418	4036	.91
Florida	9833	8874	.90
Georgia	6353	5878	.93
Kentucky	3842	3491	.91
Mississippi	2938	2631	.89
N. Carolina	6661	6160	.92
S. Carolina	3507	3172	.90
Tennessee	5300	4957	.93
<b>DOE REGION V</b>	<b>46948</b>	<b>43187</b>	<b>.92</b>
Illinois	10760	10131	.94
Indiana	6444	5920	.92
Michigan	10392	8751	.84
Minnesota	6104	5640	.92
Ohio	11232	10194	.91
Wisconsin	5036	4650	.92
<b>DOE REGION VI</b>	<b>31163</b>	<b>32188</b>	<b>.93</b>
Arkansas	2708	2472	.91
Louisiana	4623	3901	.84
New Mexico	1640	1486	.91
Oklahoma	4337	4170	.96
Texas	22255	20000	.90
<b>DOE REGION VII</b>	<b>14708</b>	<b>13630</b>	<b>.93</b>
Iowa	3500	3640	.93
Kansas	3505	3300	.94
Missouri	5433	5050	.93
Nebraska	1670	1740	.93
<b>DOE REGION VIII</b>	<b>8137</b>	<b>7160</b>	<b>.88</b>
Colorado	2522	2480	.98
Montana	1103	1020	.92
N. Dakota	958	890	.93
S. Dakota	1020	950	.93
Utah	1483	1400	.94
Wyoming	653	610	.93
<b>DOE REGION IX</b>	<b>28827</b>	<b>26855</b>	<b>.93</b>
California	24402	22783	.93
Arizona	2561	2300	.90
Hawaii	680	857	1.26
Nevada	984	919	.93
<b>DOE REGION X</b>	<b>8457</b>	<b>7572</b>	<b>.90</b>
Alaska	385	384	1.00
Idaho	1046	947	.90
Oregon	2775	2460	.89
Washington	4251	3751	.89
<b>NATIONAL TOTAL:</b>	<b>244034</b>	<b>223715</b>	<b>.92</b>

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

Source: Based on information collected from suppliers by DOE Form EIA-25.

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 been held relatively steady 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.

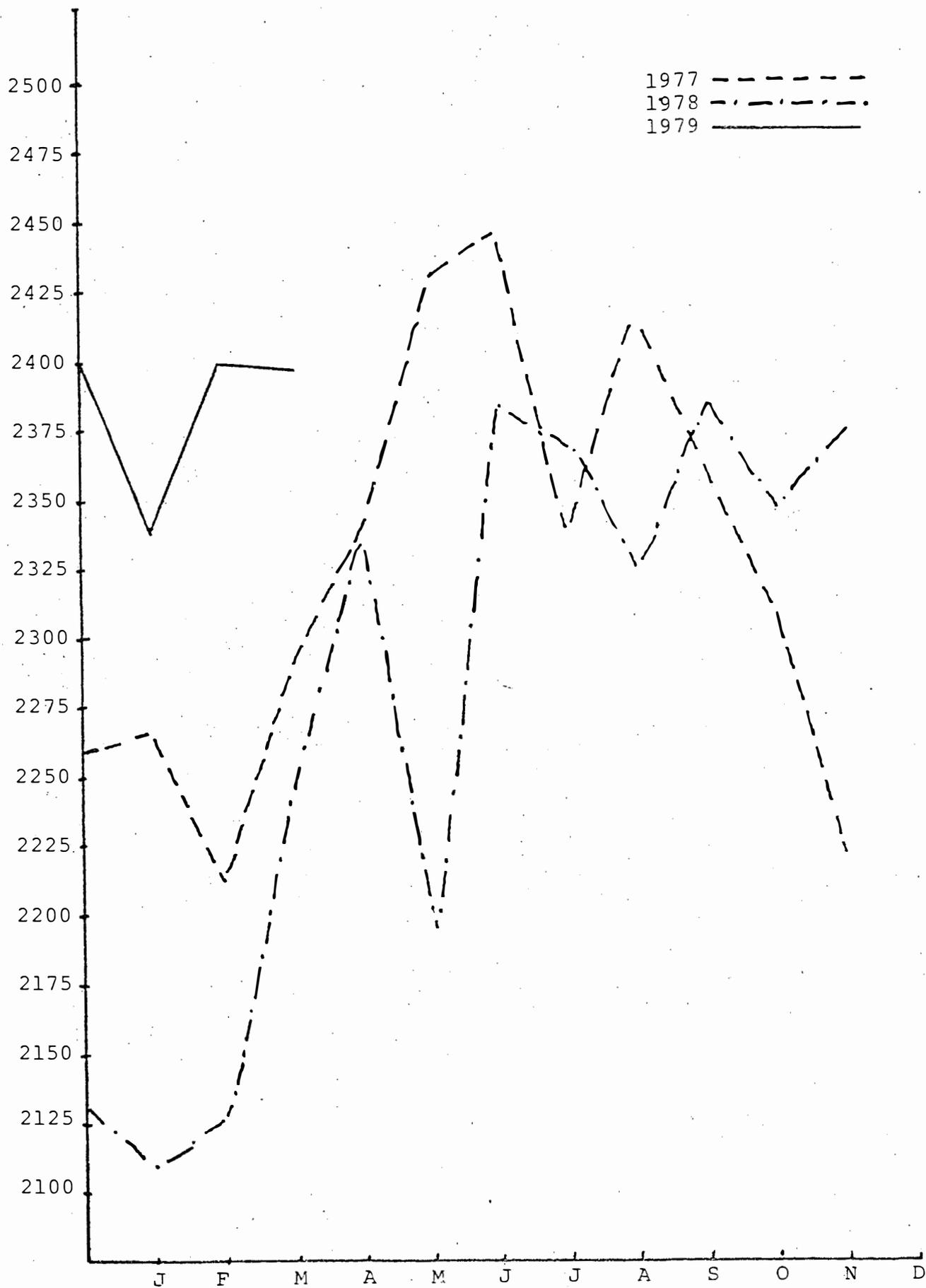
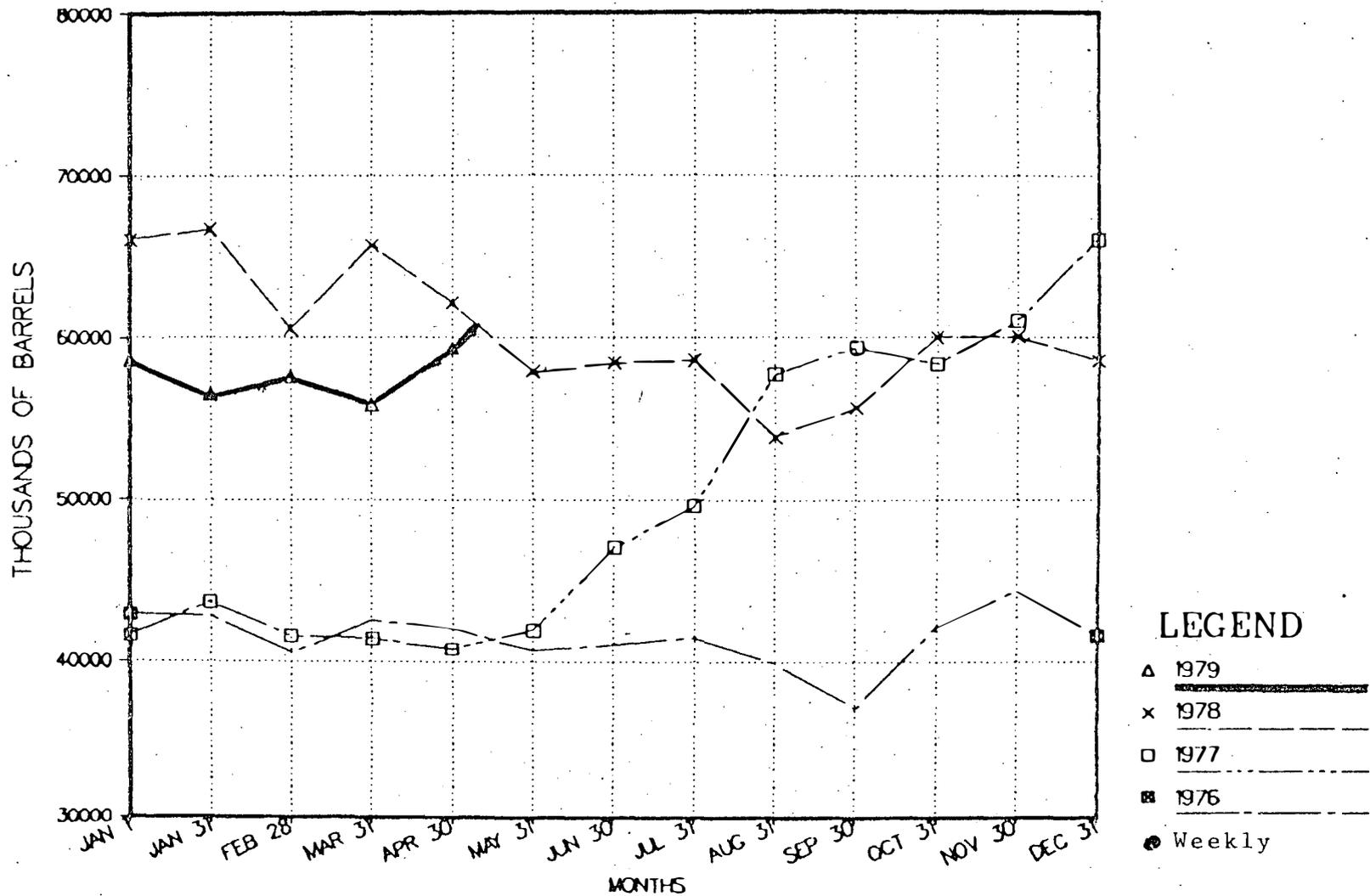


Chart 2

# CRUDE OIL STOCKS - PADD V



## LEGEND

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

Chart 3.

Motor Gasoline Production  
PADD V

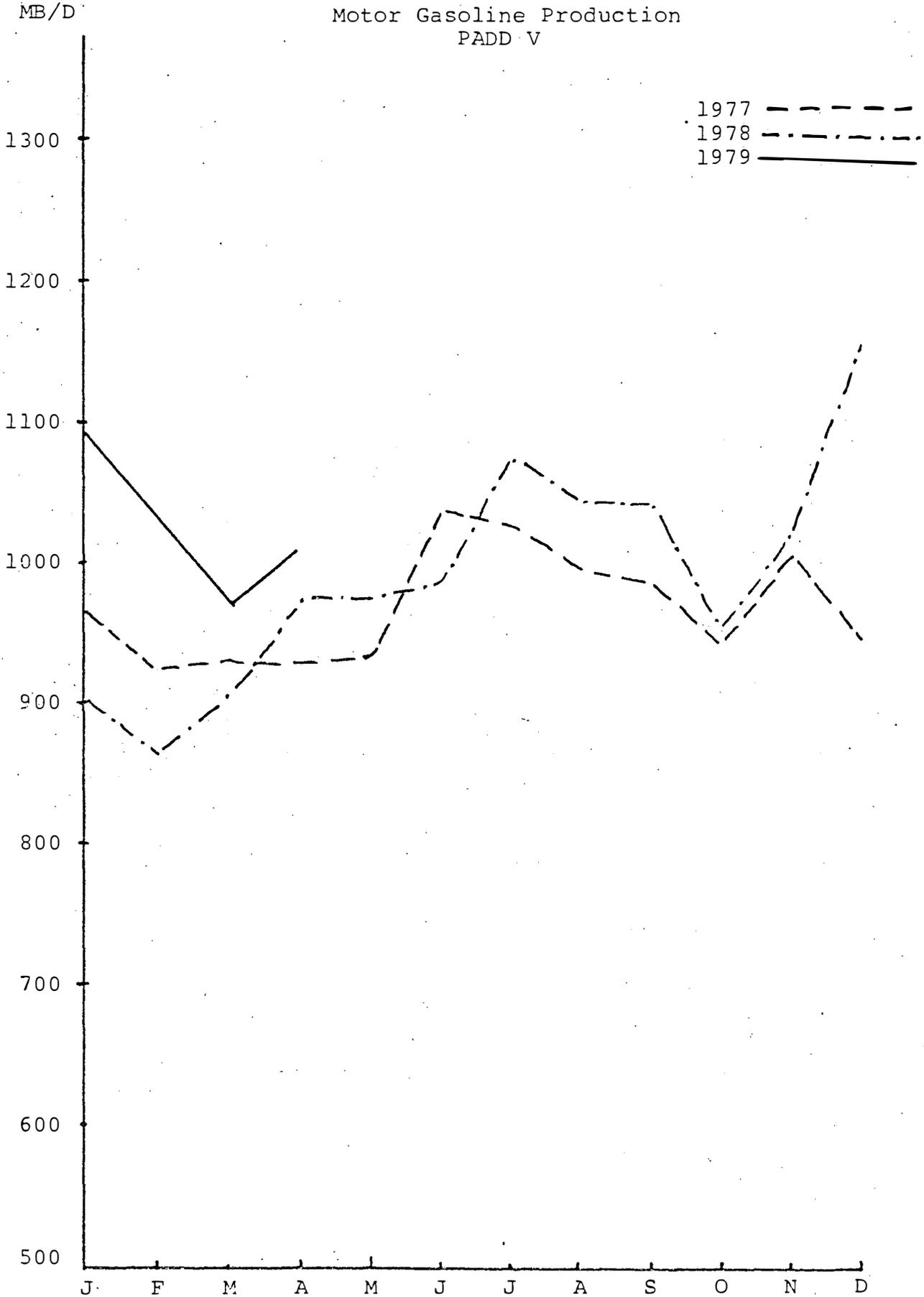
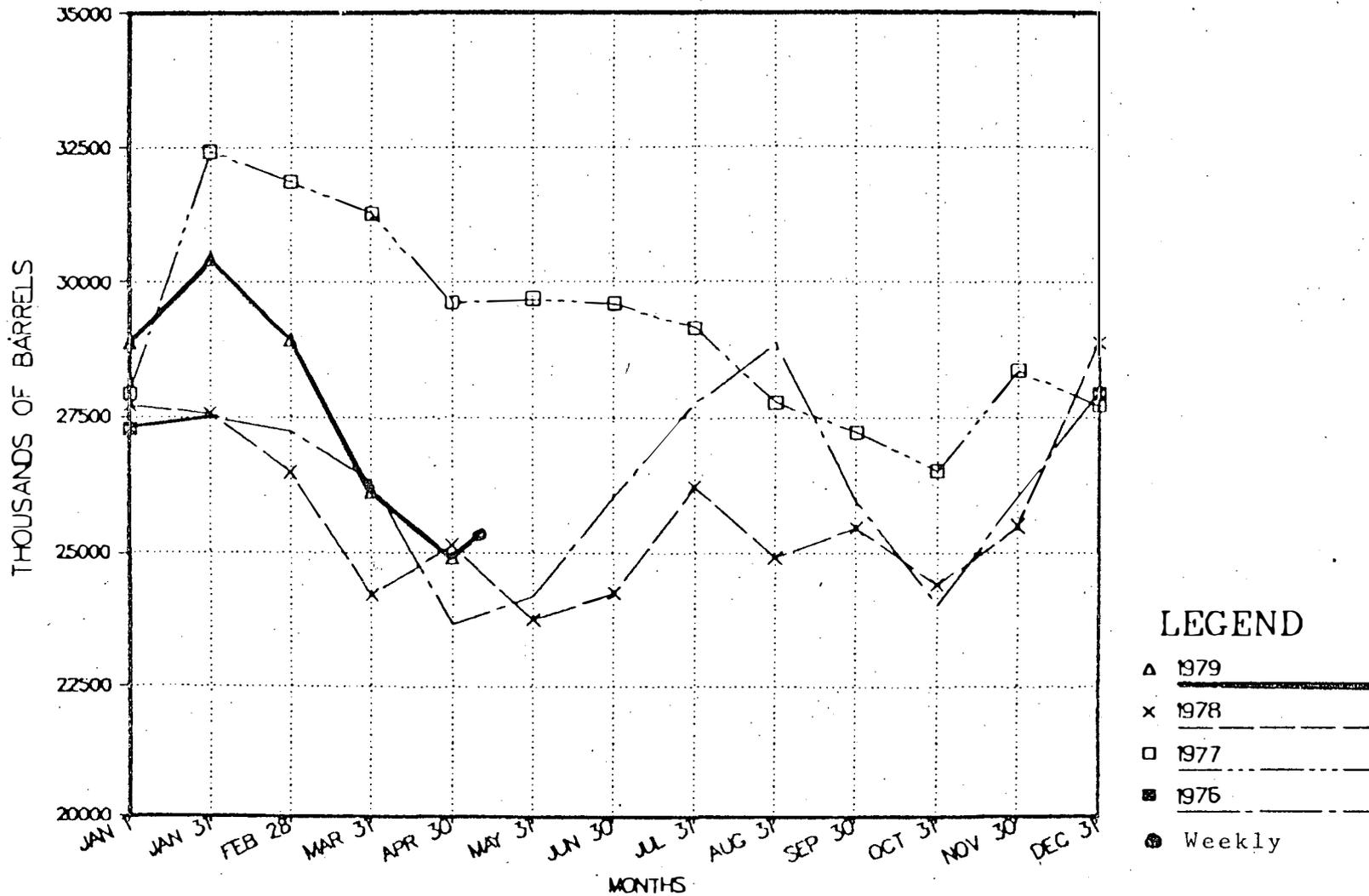


Chart 4  
 MOTOR GASOLINE STOCKS  
 PADD V



LEGEND

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

Press statement 5-16-79

CALIF. DISTRESSED

FED/ST COOP

GOV. MAY. SPKR. CONG

NAT PROB. CA. grow. Kit

CAL REF & CAL CRUDE

ALLOCATION SYSTEM

TODAY. > STEPS

CONTINUING PROB

IMPROVING IN CAL/NEU

JUSTICE/DOD INVEST

BETTER DATA

CHARLES WARREN

4/77- NO RE OIL

DECON. W'FALL

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Calif gas 5-16-79 <sup>1/2</sup>  
 70,000 short tons <sup>270 US</sup> <sup>1/2 year US</sup>  
 -7%/yr demand + 2X US  
 refineries → max gas  
 Iran prob still impacts <sup>still (-30%)</sup>  
 May prob worst month  
 '73 → '78 base  
 Tank topping a prob  
 No evidence of collusion  
 Need coop fedst<sup>ry</sup> or illegalities  
 Conservation is key  
 DoE report - to be released  
 1. inc. set aside 3% → 5  
 2. DoD 100% = only essential  
 3. DoE & DOJ audit - indet  
 4. W. refiners - not cautious  
 5. EPA Pb - gas vapor pressure  
 25-35 T bbl  
 6. Permits - thermal recovery  
 7. 55 mph. 22 T bbl <sup>21/2%</sup>  
 8. distribution info  
 9 - pers rep

5/16/79--10:00 a.m.  
 Calif delegation/gas

Muskie 5-16-79

Pol. pol sit? Eanes  
US Cong supportive?

Sp demo stable?

Sp: US treatment? busy

Pol Greece stable?

Families reunited?

Pope's visit?

NATO Haig vs others?

FRG Schmidt. TFW

Turkey

senator ed muskie

5/16/79

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small business admin.

SBA 'person of the year'

5/16/79

3 yrs - 2/3 new jobs

Paperwork - OSHA

Reg Reform 12 yrs/100,000 pp

WH Conf - Jan '80

Suggestions - Imp.

57 prep Conf - 20,000

7478 = 3B Loan + 63%  
24%

GARY MCDANIEL - KAN  
AIR FILTER SYSTEMS

10 yrs - \$23,000 + 25,000  
\$

100X

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10:00 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH GOVERNOR BROWN  
AND THE CALIFORNIA CONGRESSIONAL  
DELEGATION

Wednesday, May 16, 1979  
10:00 a.m. (15 minutes)  
The Roosevelt Room

FROM: Stu Eizenstat *Stu*  
Kitty Schirmer

I. PURPOSE

Governor Brown requested this meeting to discuss the causes of and the remedies for the current gasoline shortage and long waiting lines in California.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The DoE Report which you requested when you were out in California on May 5 was submitted to us on Tuesday. We are delaying release of the Report until after the meeting with Governor Brown to ensure that all areas of cooperation have been fully explored and any recommendations he may have are fully considered. It will be released either Wednesday afternoon or Thursday morning, depending upon whether changes are warranted as a result of the meeting.

The major findings of the Report are:

- ° While California gasoline supplies relative to what was available at the same time last year are on a par with the national average--a 7 to 8% reduction in overall availability as compared to May 1978--California's demand for gasoline has been growing at a rate almost twice as high as the national average. Population has grown in California, and vehicle registrations are up.
- ° California refineries are producing gasoline at a rate equivalent to that of last year, and appear to be maximizing gasoline production.

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Some of the supplies of gasoline which have historically been available to California from states east of the Rockies are not now available to California since gasoline supplies are tight nationwide, and home heating oil production is being emphasized, particularly in the Eastern states.

- ° The effects of the loss of Iranian production are still being felt because exports from that country have not reached 1978 levels, and there is a lag time in transportation of Iranian oil to the U.S. and to refineries. Crude that was substituted for Iranian oil was generally lower quality which in turn reduces the amount of gasoline which can be produced from a barrel of crude. As Iranian oil begins to flow through the system, we expect the overall availability of gasoline to improve. The shortages experienced this month should be the worst of the summer.
- ° The DoE allocation system, which allocates supplies based upon historical usage patterns, complicates problems for fast growing states such as California. DoE has recently updated the base for allocating supplies from 1973 to a 1978 base. This should help California, though no allocation system based upon historical use patterns can ever exactly match current growth patterns and some distortions are inevitable. Some lag time is automatically attached to changes in the allocation system, so California may not yet be receiving the full benefits of the recent DoE changes.
- ° Panic buying and tank topping have contributed substantially to the shortage and tend to make the problem feed on itself. Actions now underway in California to limit tank topping, if enforced, should help this problem. It is less clear whether the odd-even gasoline sales restriction has helped or hurt. It may be encouraging motorists to fill their tanks every two days. Actions to ensure that gasoline stations are open more frequently could help.
- ° There is no current evidence of any collusive or otherwise illegal behavior on the part of the oil companies, the refineries, or the marketers in withholding supplies to force price increases.



Further investigation will be undertaken, however, to examine more fully the entire distribution system. It does appear that U.S. refiners, and western refiners particularly, have been conservative in releasing stocks of gasoline and crude oil for immediate consumption. This may be in part due to recent changes in the allocation system for gasoline which have made refiners uncertain about the exact levels of future supplies.

- ° Conservation is still the fastest and surest way to eliminate lines and shortages. California and other states should take a leadership role in this area if the problem is to be eliminated in California, and avoided in other states.

The Report's recommendations are included in the talking points and we suggest that you run through them briefly at the meeting. Key Members of the California delegation were briefed Tuesday night on the recommendations and generally their responses have been favorable.

Rather than make the Report's recommendations the sole focus of the meeting, we suggest that you give Governor Brown and the delegation adequate time and room to make whatever recommendations or observations they may have. We are not aware of any specific proposals or criticisms which Governor Brown may have, though inquiries to his staff have produced little information of any kind.

Brown has requested time to meet with you privately before the session with the entire California delegation. Phil Wise has indicated that a short session just before the larger meeting will be arranged.

- B. Participants: See attached list.
- C. Press Plan: Press pool and photo opportunity.

### III. TALKING POINTS

1. I am glad we have this opportunity to discuss recommendations for alleviating the serious problems of gasoline shortages and lines which has plagued some of the major urban areas of California in recent weeks. As you know, I asked

the Department of Energy for a Report on the causes of the shortage, and the possible remedies for easing its impacts in your State. That report has been submitted to me, and will be released later today or tomorrow morning. I did want to ensure that we had an opportunity to incorporate, in it any suggestions you may have.

2. Briefly, that report found that while gasoline availability in California, relative to 1978 levels, is no worse than the shortfall in supply that we are finding nationwide -- a 7 to 8% reduction -- California is experiencing particular difficulties because it is a rapidly growing state. The population is growing, vehicle registrations are up and therefore it is natural to expect that demand has increased at a considerably more rapid rate than the national average. While we have updated our gasoline allocation system to reflect more accurately the needs of states such as California, this system cannot completely keep up with growth and it does have some lag time built in.
3. Based upon the Department of Energy's recommendations, I intend to take several actions which, with your cooperation and support, I hope will help to ease the shortage. I should stress, however, that the gasoline situation is tight nationwide, and there is no specific magic wand we can wave at this problem to make it disappear. Conservation will still be required if we are to eliminate the most severe repercussions of the overall gasoline problem in California and avoid it in other parts of the country. We do hope that with the resumption of Iranian production, which is just now beginning to flow back through the transportation and refining system, that the situation will ease toward the end of the month and gasoline availability will increase to 1978 levels over the summer.
4. The eight specific steps which I am prepared to take are as follows:
  - o I am directing DoE to increase the set-aside allowed for the State from 3% of the overall allocation to 5%. While this does not increase the overall volumes of gasoline available to

California, it does give the Governor additional flexibility in allocating supplies within the State to those areas which are having the greatest difficulty.

- ° The DoE will change its regulations on the allocation of gasoline to the Defense Department to ensure that only essential military and readiness oriented operations continue to receive a 100% allocation of supply. Non-essential uses at military bases -- of which California has many -- will be curtailed.
- ° I have directed DoE and the Department of Justice to establish a special auditing and investigative team to monitor activities within the oil industry and major users to be sure that supplies of gasoline are not being withheld to force prices up or in violation of federal law. Should evidence be found of any illegal action, we will not hesitate to take action to correct it.
- ° I have instructed DoE to monitor the Western refineries' use of crude oil and gasoline stocks to ensure that they are not being unnecessarily cautious in the rate at which these stocks are released for current consumption. DoE will work with the refineries to maximize gasoline production, consistent with a necessary national priority to rebuild heating oil stocks for next winter.
- ° The Environmental Protection Agency and DoE have identified two areas in which temporary relaxation of California environmental standards which are more strict than national requirements could provide 25-35 additional barrels of gasoline. These deal with lead limitations and gasoline vapor pressure. While this decision rests solely with the State, if Governor Brown decides to change these requirements, EPA stands ready to assist in any way possible. You may also want to consider expediting permits for thermal recovery operations to enhance crude oil production.

- ° I have directed the Secretary of Transportation to work with Governor Brown and other Governors to use monies now available to enforce the 55 mile per hour speed limit. In California alone, strict enforcement could save an estimated 22,000 barrels per day. I will support legislative efforts to strengthen sanctions and accelerate the enforcement schedule of this speed limit.
  - ° I have directed the Department of Energy to initiate action to collect promptly information on the distribution of oil after it leaves the primary refining system to determine exactly where secondary stocks of petroleum products are held and in what volumes. This will provide us with better data on the precise location of product supplies. We are prepared to use appropriate legal authorities to ensure that this data is submitted promptly and accurately.
  - ° Finally, I will be appointing shortly a personal representative to work with you in California on the gasoline problem. He will provide a day-to-day focal point for a coordinated and cooperative effort to ease the shortage. I will be announcing that appointment shortly. (Note: we do not recommend that you announce that your representative will be Charlie Warren at the meeting since that will give Brown the announcement and thereby some of the credit. This will be a punchy addition to the release of the DoE report.)
4. These actions, in addition to the changes which DoE has recently made in the allocation system to match supplies to actual needs more accurately and fairly, should help us bring this problem under control. I am eager to hear any additional suggestions or proposals you may have, and I want to assure you that we will work cooperatively wherever we can to implement them. (Note: we recommend that you respond as warmly as possible to any suggestions which may be brought forward, but stop short of actually endorsing them. We will make every effort to implement suggestions which are reasonable and stand a chance of improving the system. It will, however, be important to review suggestions carefully to ensure that they do not create problems elsewhere in the country.)

LIST OF PARTICIPANTS

Governor Edmund Brown  
California Speaker Leo McCarthy  
Mayor Tom Bradley

Senator Alan Cranston (D)  
Senator S.I. Hayakawa (R)

Representative Glenn Anderson (D)  
Representative Robert Badham (R)  
\*Representative Anthony Beilenson (D)  
\*Representative George Brown (D)  
Representative Clair Burgener (R)  
Representative John Burton (D)  
\*Representative Phillip Burton (D)  
Representative Don Clausen (R)  
Representative Tony Coehlo (D)  
\*Representative James Corman (D)  
\*Representative George Danielson (D)  
Representative William Dannemeyer (R)  
Representative Ron Dellums (D)  
Representative Julian Dixon (D)  
Representative Robert Dornan (R)  
Representative Don Edwards (D)  
Representative Vic Fazio (D)  
Representative Barry Goldwater, Jr. (R)  
Representative Wayne Grisham (R)  
\*\*Representative Gus Hawkins (D)  
\*Representative Harold (Bizz) Johnson (D)  
Representative Robert Lagomarsino (R)  
Representative Jerry Lewis (R)  
Representative James Lloyd (D)  
Representative Dan Lungren (R)  
\*Representative Pete McCloskey (R)  
\*Representative Robert Matsui (D)  
Representative George Miller (D)  
Representative Norman Mineta (D)  
Representative Carlos Moorhead (R)  
Representative Leon Panetta (D)  
\*\*Representative Charles Pashayan (R)  
\*\*Representative Terry Patterson (D)  
Representative John Rousselot (R)  
\*Representative Edward Roybal (D)  
Representative Bill Royer (R)  
Representative Norman Shumway (R)  
\*Representative Pete Stark (D)  
Representative William Thomas (R)  
\*Representative Lionel Van Deerlin (D)  
Representative Henry Waxman (D)  
\*\*Representative Bob Wilson (R)  
Representative Charles H. Wilson (D)

Members of Congress voting for the gas rationing plan are marked with an asterisk(\*).

Those not voting on the plan are marked with a double asterisk(\*\*).

All others voted against the gas rationing plan.

Administration Participants

Secretary Schlesinger  
Al Alm  
Stu Eizenstat  
Frank Moore  
Jack Watson  
Dan Tate  
Bill Cable

UPDATE OF SELECTED MEMBERS

TONY BEILENSEN -- As a member of the Rules Committee, Beilenson will be voting soon on the Department of Education Bill. We think we have his vote, but, if you have the chance, it wouldn't hurt to urge his support.

PHIL BURTON -- Phil has been particularly helpful to us on the Alaska Lands Bill. If appropriate, you should thank him.

JIM CORMAN -- Corman elected to go on television in California to defend the President's energy plan, especially rationing.

NORM MINETA AND BOB MATSUI -- Both may still be a little offended about not being invited to the Japanese State dinner until the last minute.

HENRY WAXMAN -- Hospital Cost Containment

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C  
1

May 15, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LSG*

Subject: Industrial Production in April

Tomorrow (Wednesday, May 16) at 9:30 a. m. the Federal Reserve will release its estimate of industrial production in April.

Total industrial output fell 1.0 percent last month. A very large decline (13 percent) occurred in auto assemblies. Outside of autos, reductions in output were smaller, but widespread. For example, output of business equipment declined 0.7 percent; construction products, 0.7 percent, and output of durable materials, 1.4 percent.

The Teamster's strike apparently had a strong depressing effect on industrial production in April. Auto assemblies were scheduled to fall 4 percent, so that two-thirds of the decline may have been due to the strike. In other sectors, there is no way to tell what part of the decline in production may have been strike related.

These estimates of industrial production do not imply, in our judgment, that a basic weakness has developed in the industrial sector. With the exception of few industries such as autos and steel, the Federal Reserve's first estimate of industrial production is based heavily on changes in employment and the length of the workweek in manufacturing. As our memorandum to you on the April employment data indicated, employment and hours worked in manufacturing were heavily affected during the April employment-survey week -- the middle week of the month -- by the Teamster's strike and the Passover and Easter holidays. The Federal Reserve staff is forced literally to guess whether production losses in that week were or were not made up earlier or later in the month, and they have little evidence to guide them.

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During the 6 months which ended in March, output of durable goods rose at a 6-1/2 percent annual rate -- and much faster than that in the heavy durable goods industries. Orders have risen more than output, so that unfilled orders have increased substantially. Well-established trends in manufacturing production are not reversed overnight, as these April figures, interpreted at face value, would suggest. May figures may reveal a trend toward slower growth in industrial output, but we will not know for sure until those data are available.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

May 15, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LSG*

Subject: Housing Starts in April

Tomorrow (Wednesday, May 16) at 2:30 p. m., the Census Bureau will release the figures on housing starts and residential building permits for April.

Housing starts declined a small amount, by 2 percent in April, to an annual rate of 1.749 million units. The decline was in apartment buildings; single-family units were unchanged. Residential building permits fell somewhat more, by 6 percent. Again, the decline was centered in multi-family dwellings.

The level of housing starts in March and April is 15 percent below the average in the fourth quarter of last year. Since the March-April figures must have included some starts that were postponed because of adverse weather in January and February, the underlying rate of starts apparently has fallen more than 15 percent.

Financial constraints -- usury ceilings, high mortgage interest rates, and reduced availability of mortgage credit -- clearly are taking their toll in the housing industry. This was to be expected, and it is needed to help cool off the economy. It seems likely that housing starts will continue to drift down over the next few months.

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THE WHITE HOUSE

WASHINGTON

May 14, 1979

MEETING WITH SMALL BUSINESS REPRESENTATIVES

Wednesday, May 16, 1979

1:30 p.m.

The Rose Garden

FROM: HAMILTON JORDAN/STEVE SELIG

*H. J. Selig*

I. PURPOSE

To meet with and honor the State and Territorial Small Business winners and to present the Award to the Small Business Person of the Year.

To highlight some Administration achievements and goals on behalf of small business.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The 50 State Winners (includes Puerto Rico and the District of Columbia; Connecticut and Kentucky did not participate) were selected by the individual District Advisory Councils and presentations were sent to the Central Office to be judged for the national winner. You also presented this Award to the Small Business Person of the Year in a Rose Garden ceremony in 1977 and 1978.

This Award is presented in conjunction with Small Business Week commencing May 13th by virtue of Presidential Proclamation signed February 23, 1979.

B. Participants: The 50 State Winners, their spouses and a few selected small business leaders from the major small business organizations. Note: It is also expected that Congressmen Silvio O. Conte (R-Mass.) and John J. LaFalce (D-N.Y.), Members of the House Small Business Committee, will attend.

C. Press Plan: Press Pool and White House Photographer

D. Format: Hon. Vernon Weaver will greet you and you will respond with remarks and, upon conclusion, present the Award to the Small Business Person of the Year.

THE WHITE HOUSE

WASHINGTON

May 14, 1979

MEMORANDUM TO THE PRESIDENT

FROM: CAROL COLEMAN

SUBJECT: Talking Points: Small Business Administration  
Award 5/16/79

1. This is the third time I have presented the Small Business Persons of the Year Award, and it is still a most rewarding and satisfying duty. It is especially appropriate that we meet during Small Business Week, a time our nation sets aside to honor the enormous contributions of the small business community to the vitality and prosperity of America.

2. As a person who has owned and operated a small business, I know the risks and rewards involved. I congratulate every one of you on your success. Small Business contributes greatly to our Nation's economic growth through industrial innovation, price competition and employment. Two-thirds of all new jobs are generated by small business firms.

3. I believe that the public interest is best served by a business environment which is healthy, independent and diverse. Small business strengthens our free enterprise system and helps to keep it healthy.

4. Since I have been in the White House I have consistently sought ways to reduce the tremendous burden of government regulation and paperwork. We have made notable progress. For example, HEW has eliminated 300 pages of rules. OSHA voided nearly 1,000 nit-picking regulations, while improving workers' conditions. I have also directed every agency to write rules and regulations in plain English. There is no reason why it should take a team of lawyers to understand Federal regulations.

5. In March I submitted to Congress a Regulatory Reform Bill that will help us clean up the enormous backlog of rules and regulations that have long outlived their usefulness. This legislation will ensure that regulators get the job done at the least possible cost to the American people. It will put the brake on the regulatory assembly line and end needless delays. It should not have taken 12 years and a hearing record of over 100,000 pages for the FDA to decide what percentage of peanuts there ought to be in peanut butter.

Regulatory reform is simply a call for common sense. We're going to open up the rule-making process so that all Americans, including small business persons, have a voice in the development of major new rules and regulations.

6. As many of you know I have called for a White House Conference on Small Business to be held in January of 1980. This conference is on a larger scale than any other White House conference ever held. It is the only one at which a majority of the delegates will have been democratically elected at the grassroots level prior to the conference.

7. Well over half of the 57 preparatory conferences have already been held. More than 20,000 people have been involved and more than 800 delegates have been elected. These regional conferences are being conducted as open forums. We are learning of your concerns and addressing them, even before the 1980 White House Conference is held.

8. I am pleased to report that response to this conference is all that I had hoped it would be. The small business community is interested and eager to work with the government to affect beneficial changes. My Administration is open to you, to your business problems and suggestions. I want this conference to be the beginning -- not the end -- of productive consultation and mutual sharing.

9. In Fiscal Year 1978, the Small Business Administration approved more than \$3 billion in loans -- an increase of more than 63 percent since Fiscal Year 1976. The SBA has substantially increased its assistance for minorities and women. It is encouraging that eight states have selected members of minority groups as their Small Business Persons of the Year, and four states have selected women. Under Vernon Weaver's leadership we have made great progress. We are going to continue listening to you and opening up new vistas.

10. It is indeed an honor to be chosen the outstanding small business person in our Nation. This afternoon we are recognizing that person -- Gary McDaniel of Sabetha, Kansas. He started his business ten years ago, with \$23,000 in capital and a \$25,000 SBA loan. In just ten years, his sales have multiplied over one hundred times. Gary McDaniel is a nationally-recognized leader in air filter systems for environmental protection. To all of us, it has meant a cleaner, safer environment.

5/16/79

WS

Chance of shower  
today. Partly  
cloudy tomorrow.  
Details on page 75

Price: 20 cents

★ D

New York I  
115 EOB  
Rick Hertzl

Vol. 60, No. 202

Cash m

rick --

original of attached was  
given to dan tate for  
delivery.

i have given a copy to  
jerry rafshoon, who sent  
it in to boss.

would appreciate your  
sending to whoever is  
congressional liaison for  
their file copy.

thanks--susan clough

To Sen. Kennedy  
I really think this  
is going too far!  
Jimmy C.

# HUN LOYE

# IN BANK HEIST

Story on page 3



Ted unveils  
health plan;  
rips Carter

Page 2

Performs  
8-hour surgery  
on himself

## Eight kids mourn a cop.

A police officer escorts the eight children of slain Officer Robert Soldo from St. Francis of Assisi Church in Astoria, Queens, after funeral service. Soldo was gunned down by a suspected hired killer in a case of mistaken identity. A suspect is in custody and a broadcastman is

Page 1

the  
CEN

the christian CENTURY

MAY 16, 1979

JAMES M. WALL  
EDITOR

407 SOUTH DEARBORN STREET  
CHICAGO, ILL. 60605  
312 - 427-5380  
HOME 312 - 279-7166



## SPRING BOOK

## ISSUE

Isaac Singer at  
Jabbok's Ford

Paul Elmen

Robert Coover  
and His Fiction

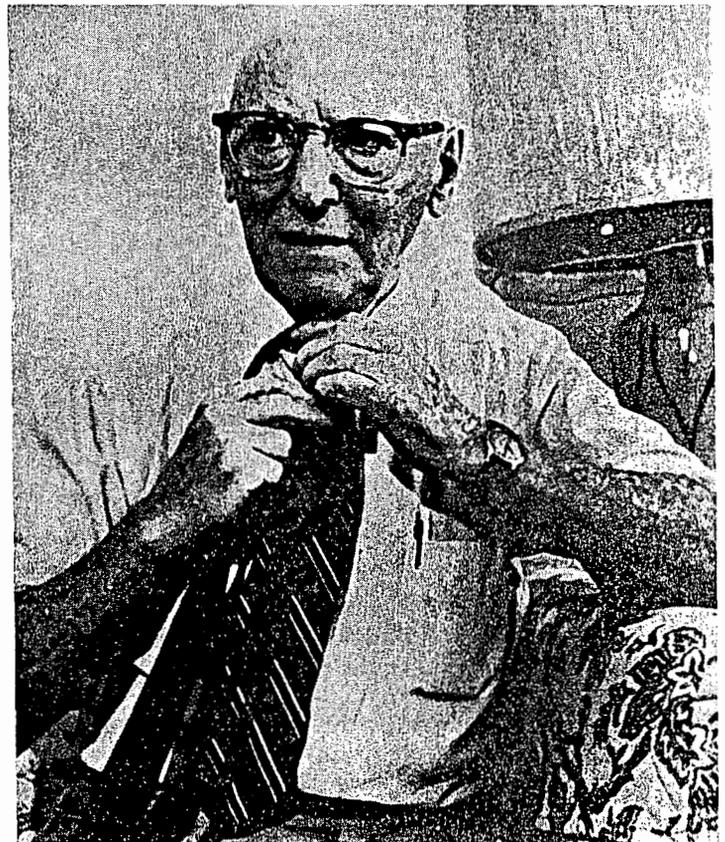
R. Grant Nutter and  
Robert K. Johnston

Evelyn Underhill's Pacifism

Robert Gail Woods

Reflections on Niebuhr's 'Notebook'

Lawton W. Posey



Isaac Bashevis Singer.

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