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THE WHITE HOUSE
WASHINGTON

August 6, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

WILLIAM SEIDMAN
FRANK ZARB

FROM:

JAMES E. CONNOR

The attached was received in the President's outbox with the request that it be forwarded to you.

cc: Don Rumsfeld

Attachment:

Article entitled - Micro Impacts of Immediate Control

MICRO IMPACTS OF IMMEDIATE CONTROL

Frank J. ...
Bill ...

1. PROPANE

- . Big industrial users of propane or gas that are facing gas curtailments will soak up all available propane. These users, which include electric and gas utilities, Ford and GM, SNG plants, and large industrial boiler plants have huge economic power in the propane market. They would have soaked up the market by now in the absence of FEA price controls and physical prohibitions on the amount they can buy.
- . The loser in this economic game will be farmers and residents of rural areas who use propane to heat their homes and barns, heat their crops and fuel their equipment.
- . The loss will first show up in price increases that could be as high as three-fold (it happened during the embargo until FEA got control of the situation). There will be many farmers pay 400+ to heat their homes during winter. The loss will ultimately show up in the sheer unavailability of propane to these customers.

2. GASOLINE RETAILERS

- . Independent gasoline retailers (small businessmen) will be eliminated from the market in large numbers, whether branded or non-branded.
- . The driving forces here are powerful and could not be resisted even by the most "noble" oil company. The forces are (1) increase in crude prices, and (2) shifts in where the majors will have to earn their profits in the future now that they have lost their crude in OPEC nations.
- . These people have political clout; they were getting the allocation act drafted into law long before the embargo.

3. HEATING OIL RETAILERS

- . Small, independent heating oil retailers will also be eliminated, not only because of the forces that will lead to the elimination of the gasoline retailers, but also due to natural gas shortages. Heating oil refiners will provide their excess supplies this winter to people facing natural gas curtailments -- not to the mom and pop operation who sells heating oil to the home heating market.

4. INEFFICIENT REFINERS

- . Many small, very inefficient refiners will go down the tubes. They are only being kept alive today by FEA. While they will not be missed, in a strict energy sense, they have political clout, and can argue that decontrol is further concentrating the oil industry.

5. NATURAL GAS SHORTAGES

- . Some people facing natural gas curtailments may have difficulty getting heating oil as a substitute fuel in the absence of an allocation program.

6. AIRLINES

- . At least two airlines may fail during the next twelve months (Pan Am and TWA). Although decontrol will not be the cause, it will be blamed as the cause.

7. TIMING OF IMPACTS

- . The propane problem will occur at the worst time -- during winter and the crop drying season.
- . The heating oil price increase and related adjustments will occur during the worst time of the year and at the height of the gas shortage problem.