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THE WHITE HOUSE

WASHINGTON

January 3, 1977

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

FRANK G. ZARB

FROM:

JAMES E. CONNOR *JEC*

SUBJECT:

Gasoline Decontrol

Confirming verbal advices from Jim Cavanaugh, the President reviewed your memorandum of December 30 on the above subject and approved the following option:

- Option 1 - Transmit the gasoline decontrol proposal to the Congress on January 4, 1977 without prior consultation with members of the new Administration.

Please follow up with appropriate action.

cc: Dick Cheney

IMM  
PRECEDENCE

Unclass  
CLASSIFICATION

FOR COMM CENTER USE ONLY

FROM: JIM CONNOR

TO: JIM COVANNUGH  
DICK CHENEY

INFO:

DEX  
DAC 202  
LDX  
TTY

GPS  
PAGES 5  
CITE

DTG: 302020

RELEASED BY: [Signature]

TOR: 302035z

SPECIAL INSTRUCTIONS:

916 DEC 30 20 20



## FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

December 30, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB  
ADMINISTRATOR

SUBJECT: GASOLINE DECONTROL

### Background

In accordance with the provisions of the Energy Policy and Conservation Act (EPCA), the Federal Energy Administration has proposed and the Congress has allowed price and allocation controls to be removed from residual fuel oil, middle distillates, military jet fuel, and naphtha, gas oils, and other products. Thus, about half of refiners' output in the United States has been decontrolled, with gasoline, natural gas liquids, commercial jet fuel, and aviation gasoline being the most important products still controlled. Each of these remaining products under control is being considered and analyzed separately with respect to economic and market structure impact.

FEA has now completed the required findings on the effects of decontrolling motor gasoline from both price and allocation controls. These findings have already been the subject of public comment and public hearings throughout the country. The results indicate that motor gasoline can be decontrolled without any price increases in addition to those that would normally occur under controls. In addition, with decontrol of motor gasoline, about 95 percent of U.S. refiners' output would be decontrolled. Therefore, it is FEA's finding that there exists sufficient justification on economic grounds for your submitting a formal gasoline decontrol proposal to the Congress immediately upon its return, should you choose to do so. Because Congress has only fifteen days to disapprove such a proposal, it must be submitted by January 4, 1977, to become effective during your Administration.

While the decontrol of motor gasoline can be justified on economic grounds, the political implications should be considered. Five Senators-elect wrote to you on December 9, 1976, recommending that you do not submit such a proposal. In addition, Representatives Dingell, Moss and Staggers have communicated their desire to me that no such proposal be submitted during early January as such an important decision should be reviewed first by the new Administration. Furthermore, Representative Dingell, in his capacity as Chairman of the House Interstate and Foreign Commerce Subcommittee on Energy and Power, made it clear during testimony this past year that he would oppose any gasoline decontrol proposal until some form of dealer protection legislation is enacted.

The latest Congressional proposal on this subject was H. R. 13000, the "Petroleum Marketing Practices Act," which was introduced by Representative Dingell and considered by his Subcommittee, but mark-up did not occur before adjournment.

Representative Dingell will probably re-introduce dealer protection legislation early in the next Congress, but it will not be enacted by the time the 15-day review period is up should you submit a gasoline decontrol proposal on January 4. This will be used as an argument against approval of decontrol.

Finally, in any testimony regarding gasoline decontrol during the 15-day review period, we will be questioned as to FEA's ability to assure that dislocation in the marketplace will not occur as a result of decontrol. We intend to propose such protective measures as the operation of a price monitoring trigger and administrative mechanisms for protecting independent marketers during the transition to a decontrolled market for up to one year. In addition, we intend to support quick enactment of appropriate dealer protection legislation to meet Congressional concerns.

We propose to make decontrol effective March 1, which would allow the incoming Administration adequate time to evaluate and perhaps retain controls in effect if they so choose.

#### Options

Four options are open to you with regard to the submission of any gasoline decontrol proposal.

Option 1

Transmit the gasoline decontrol proposal to the Congress on January 4, 1977, without prior consultation with members of the new Administration.

Pros:

- Fulfills your commitment to phase out government controls whenever they are found to have become unnecessary.
- Clearly illustrates the sincerity and commitment of your Administration in decontrolling gasoline, while specifically addressing Congressional concerns regarding unwarranted price increases and dealer protection.
- Avoids the delays which would ensue while the incoming Administration restudies the issue.

Cons:

- May be disapproved by Congress as a first reaction, since they will be in the formative stages of getting organized and may not be able to give the proposal the attention it requires.
- Congress may reject the proposal on the basis that it was not made in consultation with the incoming Administration, rather than on the merits of the issue.
- Our perceived inability to deliver on the proposed protective measures will be used as another argument that the proposal should be left for consideration by the new Administration.

Option 2

Transmit gasoline decontrol proposal January 17, which would extend Congressional consideration into the new Administration.

Pros:

- Fulfills your commitment to phase out unnecessary gasoline decontrols.

- Forces immediate attention by the new Administration on this important issue.
- Counters arguments that the new Administration is not involved in this important proposal.

Cons:

- Any credit for obtaining gasoline decontrol would be shared with the incoming Administration.
- As incoming Administration would have only ten days to act, it may decide not to meet the issue on its merits and simply withdraw the proposal or recommend disapproval.

Option 3

Transmit the gasoline decontrol proposal to the Congress on January 4, 1977, after consultation with the new Administration and obtaining their concurrence.

Pros:

- If joint sponsorship can be obtained and this fact communicated to the Congress, the likelihood of passage of the proposal is greatly increased.
- Such a move would help to de-politicize the issue, allowing for more consideration on the merits of the proposal.

Cons:

- Any credit for attaining gasoline decontrol would be shared with the incoming Administration.
- Even with joint sponsorship, Congressional review would have to occur while the new Congress is getting organized.
- It may not be possible to obtain the concurrence of the new Administration.

Option 4

Do not submit the proposal in January, but provide all findings to the new Administration for appropriate action.

Pros:

- Avoids forcing the new Congress to consider the proposal during its own organization period, and during the Executive transition period.
- May minimize potential adverse reaction by the Democratic Congress if and when the proposal is ultimately submitted by a Democratic Administration.

Cons:

- Does not fulfill your commitment to phase out product controls on a timely basis.
- Allows an important ingredient of your energy program to be handled by the new Administration.
- May delay potential submission of a gasoline decontrol initiative, even though the facts support its submission now.

Agency Coordination

	Option #1	Option #2	Option #3	Option #4
Assistant to the President for Legislative Affairs & Jack Marsh	x			
Domestic Council	x			
Office of Management and Budget	x			
Council of Economic Advisors	x			
Department of Commerce			x	
Department of State	x			
* Environmental Protection Agency		x		
Federal Energy Administration				
NSC	x			
* Midlevel staff decision				

PRESIDENTIAL DECISION

- Option 1 MR7
- Option 2 \_\_\_\_\_
- Option 3 \_\_\_\_\_
- Option 4 \_\_\_\_\_



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PRECEDENCE

Unclass  
CLASSIFICATION

DEX \_\_\_\_\_

DAC 202

GPS \_\_\_\_\_

LDX \_\_\_\_\_

PAGES 5

TTY \_\_\_\_\_

CITE \_\_\_\_\_

FROM: JIM CONNOR

TO: JIM CONNOROUGH  
DICK CHENEY

INFO:

DTG: 302020

RELEASED BY: [Signature]

TOR: 302035Z

SPECIAL INSTRUCTIONS:

WHITE HOUSE  
RELATION ROOM

76 DEC 30 PM 3:40

1976 DEC 30 20 20

THE WHITE HOUSE  
WASHINGTON

Date 12/30/76

TO: SITUATION ROOM  
FROM: JAMES E. CONNOR

Please dex to Jim Cavanaugh and  
Dick Cheney

Return original to this office. Thanks.

*5 pgs  
Gasoline*



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

December 30, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB  
ADMINISTRATOR

A handwritten signature in dark ink, appearing to be "F. Zarb", written over the printed name of the Administrator.

SUBJECT: GASOLINE DECONTROL

Background

In accordance with the provisions of the Energy Policy and Conservation Act (EPCA), the Federal Energy Administration has proposed and the Congress has allowed price and allocation controls to be removed from residual fuel oil, middle distillates, military jet fuel, and naphtha, gas oils, and other products. Thus, about half of refiners' output in the United States has been decontrolled, with gasoline, natural gas liquids, commercial jet fuel, and aviation gasoline being the most important products still controlled. Each of these remaining products under control is being considered and analyzed separately with respect to economic and market structure impact.

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Option 4

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- May minimize potential adverse reaction by the Democratic Congress if and when the proposal is ultimately submitted by a Democratic Administration.

Cons:

- Does not fulfill your commitment to phase out product controls on a timely basis.
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Agency Coordination

	Option #1	Option #2	Option #3	Option #4
Assistant to the President	X			
for Legislative Affairs & Jack Marsh	X			
Domestic Council	X			
Office of Management and Budget	X			
Council of Economic Advisors	X			
Department of Commerce			X	
Department of State	X			
* Environmental Protection Agency		X		
Federal Energy Administration				
NSC	X			
* Midlevel staff decision				

PRESIDENTIAL DECISION

- Option 1 \_\_\_\_\_
- Option 2 \_\_\_\_\_
- Option 3 \_\_\_\_\_
- Option 4 \_\_\_\_\_

original  
dated 3.15



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THE WHITE HOUSE  
WASHINGTON

Mr. Marsh -

Frank Zarb is asking that this be  
daxed to the President. He includes  
a vote from Asst. to the President  
for Legislative Affairs but I assume this  
is Max Friedersdorf. Did you see?

Trudy Fry

Date: 12/30/76

**From the desk of The Administrator**

To: Jim Connor

Could you please have this  
dexed to the President as  
soon as possible.

Frank

Enclosure

**Federal Energy Office**

**Room 3400**

**Ext. 6081**



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

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OFFICE OF THE ADMINISTRATOR

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Office of Management and Budget	x			
Council of Economic Advisors	x			
Department of Commerce			x	
Department of State	x			
* Environmental Protection Agency		x		
Federal Energy Administration				
NSC	x			
* Midlevel staff decision				

PRESIDENTIAL DECISION

Option 1 \_\_\_\_\_  
 Option 2 \_\_\_\_\_  
 Option 3 \_\_\_\_\_  
 Option 4 \_\_\_\_\_