Narrative

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Standby Gasoline Rationing Plan:

February 1979

U.S. Department of Energy
Economic Regulatory Administration
Office of Regulations and Emergency Planning

Standby Rationing Plan No. 1

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U.S. Department of Energy
Economic Regulatory Administration
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Washington, D.C.

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BRIEF PLAN OVERVIEW

Basic Entitlements

- Eligibility for ration allotments will be based principally on motor vehicle registration records, maintained in a national vehicle registration file.
- Supplemental allotments will be granted for certain priority activities to ensure the maintenance of essential public services.
- Supplemental allotments will also be granted to businesses and government organizations with significant off-highway gasoline requirements.
- Local rationing boards or other offices will be established by States, to provide special allotments to hardship applicants, within DOE guidelines.

Vehicle-Based Allotments

- Vehicle-based ration allotments will be provided to individuals, businesses, and other organizations that have motor vehicles registered in their names, provided that these vehicles are gasoline powered, are registered for highway operation, are in operating condition, and have not been transferred to any other party subsequent to their registration.
- The national vehicle registration file will be maintained by the Department of Energy (DOE) from records submitted periodically by States and other sources as appropriate, incorporating additions, deletions, and changes of vehicle registration or operation status.
- Vehicle transfers will be recorded on the national registration file to permit only the most recent registrant to receive a ration allotment for any vehicle.
- Purchasers of new vehicles during the rationing program will receive ration allotments for these vehicles.

- Vehicle allotments may vary according to vehicle type. It is expected that motorcycles will receive lower allotments than standard passenger cars and some trucks will receive higher allotments.

Priority Activities

- Supplemental allotments will be provided to businesses, units of government, and other organizations that merit priority status by providing essential public services, including certain Department of Defense activities, fire protection, police services, emergency medical services, the U.S. Postal Service, mass public transportation, sanitation services and snow removal.

Off-Highway Gasoline Needs

- Businesses and governmental organizations that use significant amounts of gasoline in off-highway vehicles and equipment will be eligible for supplemental allotments. Farms will be provided with allotments adequate to fully meet food and fiber production goals approved by the President.

Reserves

- State Ration Reserves will be established in each State for use by local rationing boards or other State offices in issuing hardship allotments. States will have considerable discretion in the use of their ration reserves, subject to limited DOE standards and guidelines.
- DOE will establish and maintain a National Ration Reserve for use in meeting special national emergency needs, and for such other purposes as DOE finds necessary.

Foreign Businesses and Tourists

- DOE will provide allotments to the Governments of Canada and Mexico to meet the needs of Canadian and Mexican firms doing business in the United States.
- DOE will make arrangements to ensure the availability of ration rights for sale to foreign tourists at locations convenient to major border points of entry.

Issuance of Ration Allotments

- Ration allotments will be issued in the form of ration checks, which will be exchangeable for ration coupons at designated coupon issuance points.
- DOE will print and mail vehicle-based ration checks in advance of each ration period, with the allotment amount appropriate for each vehicle type printed on the check.
- DOE will issue supplemental allotment checks for priority activities, farms, and designated firms.
- Checks will also be issued to States for their ration reserves.
- Special procedures will be instituted for individuals and organizations that fail to receive their checks in the mail.

Coupons

- DOE will solicit the participation of a variety of financial institutions and other organizations as coupon issuance points. These entities will be

supplied with coupons by DOE and will serve as ration check "cashing" points for recipients of Government ration checks.

- Different series of coupons will be distributed. DOE will establish for each series the date at which it becomes valid. Coupons will be valid until used, or until the termination of the rationing program, unless DOE finds that an earlier expiration date for any series is necessary to prevent hoarding or other practices disruptive of the program.

Ration Banking

- Individuals and organizations that handle large numbers of coupons may open ration banking accounts at participating ration banks, subject to DOE regulations concerning these accounts.
- Account holders may deposit valid coupons or ration checks to their accounts and may write ration checks against their accounts.
- Gasoline suppliers may open redemption accounts at ration banks for the deposit of redeemed ration coupons and ration checks. These suppliers may write redemption checks on their redemption accounts to pay their suppliers for resupply of gasoline.

Ration Rights Exchange Market

- DOE will permit the sale or transfer of ration rights on a voluntary basis. DOE will impose no price controls or other controls on this "white market" except as may be necessary to prevent excessive coupon hoarding, anticompetitive practices, or other activities disruptive of the rationing program.
- Recognizing the beneficial role of the white market in meeting needs that cannot be met by Federal and State allotment mechanisms, and in promoting the

most efficient use of gasoline in a supply shortage, DOE will encourage the dissemination of information in local media on the prices and availability of white market ration rights.

- DOE may withhold a small percentage of the total number of ration rights and offer them for sale to the public, in order to assure the stable operation and widespread availability of the white market.

Gasoline Sales

- For gasoline sold at retail, retailers must:
 - accept valid coupons offered by retail purchasers for gasoline; and
 - provide their suppliers with redeemed ration rights for every gallon resupplied.
- In addition, retailers may at their discretion:
 - accept ration checks;
 - issue scrip for any unused value of a coupon or check received from a customer.
- Wholesale suppliers must:
 - receive ration rights (or redemption checks) for all gasoline delivered; and
 - remit to their suppliers redeemed ration rights (or redemption checks) for all gasoline received.
- A redemption account advance will be provided to enable suppliers to write redemption checks for their initial gasoline resupply at the beginning of the rationing program.
- Refiners and importers must receive and deposit redemption checks from their customers, and must remit their own redemption checks to DOE to match all gasoline sales or deliveries for the period in question.

Interface with the Allocation Program

- Certain allocation regulations will be in effect during rationing to:
 - maintain supplier-purchaser relationships;
 - ensure that each wholesale customer receives, at a minimum, a quantity of gasoline equal to the lesser of his allocation entitlement or his ration rights from his base period suppliers;
 - provide an equitable mechanism for the transfer of gasoline from areas of relatively low demand to areas of relatively higher demand during a supply shortage.

1. RATIONING OBJECTIVES, BACKGROUND, AND HISTORY

1.1 Plan Objectives

The objectives of this rationing plan are:

- To provide a mechanism capable of maintaining an orderly and equitable market for gasoline in a severe supply shortfall, and capable of rapid implementation.
- To comply with requirements of the Energy Policy and Conservation Act of 1975 (EPCA), which mandates the development of a contingency rationing plan.

EPCA prescribes that a rationing contingency plan can become effective only when "required by a severe supply interruption or in order to fulfill obligations of the United States under the international energy program." Accordingly, this plan is designed for use only in an extreme gasoline shortage.

1.2 Equity Considerations

Rationing is a severe measure to deal with a serious emergency. No gasoline rationing program can perfectly meet the diverse needs of millions of gasoline users and still be capable of rapid implementation in an emergency. Some difficult tradeoffs must be made among the needs of different segments of the economy, and between equity considerations as a whole and administrative workability.

The problem is twofold. First, there is no universally accepted notion of equity. Given the total amount of gasoline available, providing concessions to one group necessarily implies less for other groups. Second, there is a limit to how much fine tuning can be achieved without greatly increasing the administrative complexity of the plan, its cost, and the Federal bureaucracy needed to direct it.

After considering many alternatives, DOE has developed a plan that attempts to strike a reasonable balance between equity and administrative feasibility. The proposed plan is based on the premise that all segments of the economy should share equitably in the shortage, with no group receiving undue advantage and no group suffering severe hardship.

DOE recognizes that its proposed rationing plan does not achieve perfect equity - no system can. But it does provide the means for achieving substantial equity, and it does it in a way that involves a minimum of administrative complexity, government bureaucracy and delay in implementation. Although additional procedures could be developed to provide a closer match between allotments and needs, it is DOE's conclusion that such procedures would cost more in terms

of added complexity, greater expense, and increased Government intervention than they would be worth in terms of enhanced equity.

1.3 A Brief History of Gasoline Rationing Planning

1.3.1 Gasoline Rationing During World War II

Gasoline rationing in the United States during World War II began in 1942 as an attempt to reduce the demand for rubber for vehicle tires, since the sources of most natural rubber imports to the United States had been captured by Japan. It was not until later in the war that gasoline itself was in short supply.

Five classes of gasoline ration cards were created, based on individual mileage needs. The issuance of ration classifications and allotments was the responsibility of local boards set up by the Office of Price Administration (OPA). The exact total number of gasoline coupons issued was not centrally controlled nor accurately measured. The primary emphasis of the program was on conserving fuel and rubber, not on the equitable distribution and efficient use of a given total fuel supply.

The gasoline savings achieved by the program were attributed in large part to the public's patriotic coopera-

tion with the wartime needs of the nation. Enforcement mechanisms were not generally considered effective, however. Individuals who violated the rules by misrepresenting their needs, and gasoline dealers who failed to deposit promptly the coupons they received from the public, stood little chance of detection and apprehension.

1.3.2 The 1973-1974 Embargo Period

In the fall of 1973, Federal planning for gasoline rationing was undertaken as one of several possible responses to declining domestic petroleum production and to the growing dependence of the United States on foreign sources of supply. The oil embargo that began in October 1973 accelerated these efforts, and the decision was made to implement gasoline rationing. Coupons were printed by early 1974, and an Office of Gasoline Rationing was set up within the newly formed Federal Energy Office (FEO).

When the embargo ended in late March 1974, FEO halted all rationing planning and program implementation activities. The considerable program design and development work done up to that date was saved, and the 4.8 billion coupons that had been printed were put into secure storage.

1.3.3 Continued Planning Work in 1975

After the Federal Energy Administration was established to succeed FEO, it was decided in early 1975 to assemble a task force to complete the rationing planning begun during the embargo.

A draft plan was prepared in late 1975, providing a fixed ration allotment for individuals holding driver's licenses, and providing variable allotments to businesses and non-profit organizations equal to a percentage of their documented base period gasoline consumption.

1.3.4 Revisions Required By the Energy Policy and Conservation Act of 1975

In December 1975, Congress passed and the President signed the Energy Policy and Conservation Act (EPCA), which provides, among other things, for the development of a gasoline and diesel fuel rationing contingency plan.

EPCA requires the rationing plan to include, to the extent practicable:

- the ordering of priorities among classes of end users of gasoline and diesel fuel used in motor vehicles;
- the assignment of rights, and evidence of these rights, entitling end users to precedence in obtaining gasoline and diesel fuel according to their respective priorities; and

- the establishment of local boards to receive end user petitions and to reclassify and modify end users' priorities or rights to obtain gasoline or diesel fuel.

The law states that the rationing plan may not:

- impose any tax,
- provide for a credit or deduction in computing any tax, or
- impose any user fee, except to the extent necessary to defray the cost of administering the plan or to provide for initial distribution of end user rights.

EPCA provides that the gasoline rationing program may not become effective unless submitted to Congress and approved by both houses within sixty days of submission. Procedures are provided for expedited congressional consideration of such a submission.

In early 1976, the necessary changes were made to the rationing plan to meet the requirements of EPCA. The Federal Energy Administration published a set of proposed rationing regulations in the Federal Register on May 28, 1976, and hearings were held in several cities. Written comments received in response to the Federal Register notice were analyzed, and final changes based on public comments were made to the rationing plan.

In January 1977, the rationing plan was prepared for submission to Congress, in accordance with the require-

ments of EPCA. After the current Administration assumed office on January 20, 1977, however, it was decided to withdraw the plan from the congressional submission process to permit a re-evaluation of the plan's provisions.

1.3.5 Subsequent Plan Improvements - 1977-79

The nation's increasing dependence on foreign petroleum, and the uncertain political situation regarding many of the countries that supply U.S. petroleum imports, prompted senior energy officials to re-examine the adequacy of the rationing plan in 1977. As part of this re-evaluation, it was decided to introduce some important changes into the rationing plan, making it more quickly implementable and more effective. The most significant changes incorporated in this latest plan, compared to earlier efforts, include:

- the use of registered vehicles rather than driver's licenses as the basis for most ration allotments;
- the use of Government ration checks in place of self-executed forms at the beginning of the rationing program, to reduce the program's vulnerability to fraud;
- the development of streamlined coupon distribution and issuance procedures;
- The elimination of the need for all firms to submit base period application forms for their allotments (only priority and designated firms will need to file applications for supplemental allotments); and

- the reduction in plan implementation time, making the plan more useful as a quick response to a serious supply interruption.

1.4 A Separate Approach for Diesel Fuel

Although EPCA includes diesel fuel in its requirement for the development of a rationing plan, DOE has concluded that major differences between the supply characteristics of diesel fuel and gasoline require that the two fuels be rationed by separate and independent mechanisms. Accordingly, this plan is applicable to gasoline only; DOE is addressing diesel fuel separately.

1.5 Conditions Leading to Rationing

Considering the restrictions in EPCA concerning rationing implementation, the expense and complexity of rationing, and the experience gained during the 1973-74 oil embargo, DOE has tentatively concluded that only a severe gasoline shortfall would justify the implementation of rationing. For less severe gasoline shortfall levels, or if a shortfall were not expected to be long-lasting, rationing would not be used.

It should be noted that the shortfall level for gasoline would not necessarily be the same as the shortfall for

crude petroleum. It is DOE's judgment that the U.S. economy is better able to tolerate a given percentage shortfall of gasoline than a comparable percentage shortfall of other petroleum products such as middle distillate, because a significant proportion of gasoline is used for discretionary (non-essential) purposes. During an oil shortage, DOE might encourage or direct U.S. refineries to alter their product output mix to increase supplies of heating oil, diesel fuel, and other products at the expense of gasoline. As a result, the relative gasoline shortfall is likely to be somewhat greater than the corresponding shortage of crude petroleum.

1.6 Alternative Contingency Measures for Gasoline

At the onset of a major oil supply interruption, DOE could begin immediately to implement gasoline rationing. However, in the event of a less severe shortage, other measures less complex and less expensive than rationing could initially be implemented. If these other measures were successful in distributing supplies equitably without severe economic dislocations, rationing could be delayed or avoided.

The measures shown below are examples of actions which DOE could take either instead of rationing, or as interim

measures before the imposition of rationing. Some of these measures might also operate concurrently with the rationing program.

- Allocation and Price Controls

DOE could re-implement or continue (if then in force) both allocation and price controls on crude oil and refined products, according to standby regulations developed for a new shortage. For gasoline, allocation would extend down to wholesale purchasers and bulk purchasers but not to retail purchasers. These controls would minimize the initial impacts of oil shortages on any single group or region by ensuring shared supplies among all refining and distribution systems at controlled prices.

- Public Awareness and Voluntary Conservation

DOE could:

- publicize the nature and extent of the petroleum shortage;
- urge the public to conserve energy;
- provide suggestions on specific ways of conserving fuel of all kinds to reduce consumer demand for oil products, especially gasoline; and
- encourage employers to provide employees with or inform employees about alternative commuter transportation to and from work.

- Strict Enforcement of Speed Limits

Since gasoline savings are achieved by lowered highway speeds, DOE could actively encourage States to increase their enforcement of 55 mph speed limits, especially on Federally supported highways. Increased fines for speed limit violations could be encouraged as a means of paying for the additional enforcement costs.

- Mandatory Conservation Programs

DOE could implement one or more standby mandatory fuel conservation measures aimed at reducing non-essential travel during a gasoline shortage.

- Strategic Storage Drawdown

Strategic reserves of crude oil could be drawn down in accordance with the procedural requirements of EPCA. These reserves could play a role in offsetting oil shortages caused by an oil import interruption.

- Reducing Long Lines at Retail Gasoline Stations

To ease the hardships caused by long lines at service stations, DOE could require, or could encourage the States to require, minimum gasoline purchase levels for automobiles, to prevent drivers from getting in line for gasoline until their tanks were at least half empty. Another policy that might reduce gasoline station lines is the prohibition of sales to vehicles with odd-numbered license plates on even-numbered dates and vice versa. Neither of these measures would affect the total supply of or demand for gasoline, but they could reduce waiting lines by eliminating "tank-topping."

2. GASOLINE RATIONING PLAN OPERATIONS

This part describes the gasoline rationing plan as DOE envisages it in operation. As mentioned in the introduction, diesel fuel rationing is not described in this plan, but is being addressed separately by DOE.

2.1 Background

Gasoline rationing is a system that controls the sale of gasoline by requiring that each gasoline supplier collect ration rights, issued by the Federal Government, for all gasoline sold. The Federal Government will periodically distribute these ration rights in the form of ration checks, which can be exchanged for coupons at issuance points.

2.2 Key Definitions

The following definitions apply to this rationing plan narrative. A more complete list of definitions may be found in the rationing regulations.

Allotment. The value in gallons of the ration rights issued by DOE to a ration recipient.

Base Period. A period in the base year corresponding to the current calendar month or quarter, or current ration period, as appropriate.

Base Year. A twelve-month period designated by DOE and used in computing supplemental allotments.

Firm. Any association, company, corporation, estate, joint-venture, partnership, or sole proprietorship, or any other entity however organized including charitable, educational, or other eleemosynary institutions, and the Federal Government including corporations, departments, Federal agencies, and other instrumentalities, and State and local governments. Farmers and self-employed individuals are considered firms for the purposes of this rationing plan.

Gasoline. Motor gasoline, excluding aviation gasoline.

Handicapped Person. Any individual who, by reason of disease, injury, age, congenital malfunction, or other incapacity or disability, is unable without special facilities, planning or design to utilize mass transportation vehicles, facilities and services and who has a substantial, permanent impediment to mobility.

National Ration Reserve. A reserve of ration rights retained by DOE to meet special national disaster relief needs during the rationing program or for such other purposes as DOE finds necessary.

Ration Period. The time span between the date one coupon series becomes valid and the date the immediately following coupon series becomes valid.

Ration Recipient. A registrant, or any other firm or individual designated by DOE as eligible to receive ration rights allotments.

Ration Rights. Ration checks and ration coupons evidencing the right of a ration recipient to buy specified volumes of gasoline.

Registrant. The party named in the most recent motor vehicle registration record maintained in DOE's national vehicle registration file.

State. Any one of the fifty States, the District of Columbia, Puerto Rico, or any territory or possession of the United States determined by DOE to be subject to the terms of this rationing plan.

State Ration Reserve. The ration rights provided by DOE to a State to meet the needs of hardship applicants and others within that State according to eligibility criteria established by the State within DOE guidelines.

State Rationing Office. The office established or designated by each State to administer the State Ration Reserve, local rationing boards, and other rationing activities in the State.

2.3 Entitlements and Reserves

2.3.1 Eligibility for Ration Allotments

2.3.1.1 Registrants

The basic eligibility for ration allotments is determined by motor vehicle registration records maintained in DOE's national vehicle registration file. Any individual or firm named on a registration record (the "registrant") is eligible for an allotment of ration rights if the corresponding registered vehicle is gasoline powered and is of a type for which DOE has assigned an allotment index. Vehicles for which multiple registration records have been submitted to DOE will be entitled to only a single allotment, based on the most recent registration date.

Once rationing begins, DOE will use special procedures to exclude from its national vehicle registration file registration records for inoperable vehicles, and registration records fraudulently applied for in

order to obtain ration allotments, such as for junked vehicles. Vehicles transferred during rationing will have their subsequent ration allotments mailed to the new owners.

Formerly registered vehicles that have inactive or lapsed registrations when rationing is announced will generally not be eligible for ration allotments. However, under certain circumstances, DOE may at its discretion permit vehicles with lapsed registrations to become eligible for ration allotments if it can be demonstrated that these vehicles were not previously scrapped or abandoned, or if it can be otherwise shown that these vehicles are not being registered for the principal purpose of receiving ration rights.

Retail purchasers of newly manufactured vehicles will receive pro rata ration allotments for the remainder of the current ration period at the time these new vehicles are purchased, and these vehicles will be added to the national vehicle registration file for the issuance of normal allotments for subsequent periods.

Vehicles for which registration applications have been submitted and are "in process" on a given cut off date specified by DOE will be considered to be registered at the beginning of the rationing program.

2.3.1.2 Priority Firms

A second category of ration recipients is the group of firms whose essential public service activities are officially recognized as requiring priority status. These firms may file special applications showing their base period fuel consumption for use in computing their supplemental allotments. DOE will issue ration rights to these priority firms such that their allotments will equal a high percentage of their base period gasoline consumption. The percentage levels to be granted to priority firms will be determined by DOE when rationing is announced. These levels may differ for different classes of priority firms. With the exception of mass public transportation, which may be provided with allotments at or above 100 percent of base period consumption, DOE anticipates that the appropriate level for most other priority services will be at or near 90 percent of base period consumption. This level is consistent with DOE's belief that even priority firms can achieve some conservation in a serious fuel shortage.

Certain Department of Defense activities, fire protection, police services, emergency medical services, the U.S. Postal Service, mass public transportation

(including school buses), sanitation services, and snow removal are the principal services for which DOE envisions priority status. DOE may add other services or entities to this list if it finds that such additions are necessary to prevent severe social or economic impacts or to avoid cutbacks of essential public services.

2.3.1.3 Off-Highway Gasoline Needs

Firms that use significant amounts of gasoline for business or governmental purposes in off-highway vehicles and equipment not contained in the national vehicle registration file may be eligible for supplemental allotments.

a. Farming

Ration allotments for off-highway vehicles and equipment used in the agricultural production of food and fibers will be provided in a timely manner, and in amounts adequate to fully meet food and fiber production goals approved by the President. The Secretary of Agriculture will be responsible for assuring that production goals for agricultural commodities are established.

b. "Designated Firms"

Supplemental allotments for other firms with off-highway gasoline needs ("designated firms") will be computed as a percentage of base period gasoline volumes used in qualifying off-highway equipment. DOE may apply different percentages in computing the supplemental allotments for different classes of designated firms. In general, the percentages used in these computations are not expected to be as high as for priority activities.

Excavation, construction, drilling, mine operations, and the use of gasoline-powered boats in business or governmental work are examples of the types of activities that will qualify for supplemental allotments to designated firms.

2.3.1.4 Other Supplemental Allotments

DOE may at its discretion designate other activities or entities as eligible for supplemental allotments.

2.3.1.5 Federal Government Vehicles

Because most Federal Government vehicles are not included in State motor vehicle registration files,

these vehicles would not become part of DOE's national vehicle registration file assembled from State records. For this reason, and because available data suggest that most Federal vehicles are typically used less intensively than average, DOE would make special arrangements with Federal agencies to provide allotments for their use. These allotments would be equivalent to a percentage of the agencies' base period use, comparable to the percentage granted to other organizations through vehicle-based allotments.

2.3.1.6 Foreign Businesses

DOE will provide allotments from the National Ration Reserve to the Governments of Canada and Mexico for distribution to Canadian and Mexican firms that do business in the United States. The size of these allotments will be sufficient to provide such firms with approximately the same percentage of their base period consumption within the United States as is provided by vehicle allotments to comparable U.S. firms.

In addition, DOE will assist foreign motorists - including tourists as well as business travelers - in locating white market points convenient to principal border crossings for the purchase of any additional ration rights these motorists may need.

2.3.1.7 Special Eligible Individuals

In a few special cases, at the discretion of DOE, individuals may be considered as eligible for ration allotments even though their vehicles are not registered with any State department of motor vehicles. An example of such a group would be Indians living on Federal reservations where the operation of vehicles is permitted without State vehicle registrations.

DOE will identify these special groups on a case-by-case basis before or during the rationing implementation period.

2.3.1.8 Availability of the White Market for Additional Ration Rights

DOE has designed its rationing program on a per-vehicle basis because in a severe gasoline supply emergency such a system can be implemented relatively quickly compared to alternative rationing systems. Eligibility for supplemental allotments has generally been limited to priority firms, farms, and designated firms. All individuals and firms, however, with gasoline needs above the amounts granted them by DOE will have recourse to the ration rights exchange market ("white market"), where ration rights will be available for sale by individuals or firms with rights in excess of their needs.

DOE may set aside a percentage of total ration rights to be offered for sale to the public as a way of ensuring the stability and effectiveness of the white market. Revenues received from such sales would be used to defray program operating costs.

2.3.1.9 Leased and Rented Vehicles

DOE may require vehicle rental or leasing firms to transfer to their customers all or an equitable portion of the ration rights issued for leased and rented vehicles.

2.3.2 Allotment Variations by Vehicle Type

DOE will vary allotments by vehicle type, reflecting differences in average annual gasoline use by certain broad vehicle classes. To provide examples of how these allotment variations might be handled, DOE has analyzed fuel consumption and average annual miles traveled by vehicles in various categories according to statistics provided by the U.S. Department of Transportation and by a number of other governmental agencies and private groups. The result of this analysis is a set of illustrative allotment indices of the type that DOE could use to compute the size of the allotment for each type of vehicle. The indices are keyed to the passenger automobile allotment, which is assigned an index value of 1.0.

The following example illustrates how the sample allotment indices were computed. To begin with, passenger cars were found to have an average annual gasoline consumption of 748 gallons. This amount was assigned a reference index of 1.0. All other vehicle classes are compared to this passenger automobile reference index. For example, trucks between 26,000 pounds and 33,000 pounds (gross vehicle weight) were found to have an average annual gasoline consumption of 3,132 gallons. When this figure is divided by the passenger car gallons-per-year figure of 748, the allotment index for these trucks is found to be 4.2. Allotment indices for other vehicles were similarly determined, all keyed to the reference index of 1.0 for passenger cars.

It should be noted that estimates of average annual gasoline consumption vary considerably among different sources. As new data become available, DOE will periodically revise vehicle allotment indices to reflect the latest and most accurate statistics. The figures shown below are therefore only illustrative of the approximate magnitudes of the allotment indices for the vehicle categories shown, based on data currently available.

EXHIBIT 2-1. REPRESENTATIVE EXAMPLES OF ALLOTMENT INDICES
FOR HIGHWAY VEHICLES

<u>Vehicle Category</u>	<u>Allotment Index^{1/}</u>
Motorscooters and mopeds ^{2/}	0.1
Motorcycles	0.2
Passenger automobiles, buses, trucks under 10,000 lbs., ^{3/} and all re- creational vehicles ^{4/}	1.0
Trucks between 10,000 and 20,000 lbs.	2.2
Trucks between 20,000 and 26,000 lbs.	2.4
Trucks between 26,000 and 33,000 lbs.	4.2
Trucks over 33,000 lbs.	7.0

^{1/} Figures shown are examples only; actual figures would be computed by DOE using the latest vehicle statistics available when rationing is announced.

^{2/} Motorscooters and mopeds will be assigned an index of 0.1, provided they are separately registered in the States' files used to compile the national file.

^{3/} All weights given are gross vehicle weight (GVW).

^{4/} DOE intends to limit the definition of recreational vehicles to mean recreational vehicles with at least four wheels and registered for highway use.

No vehicle allotments will be provided for:

- "dealer-plate" registrations, since these registrations are not issued to specific vehicles;
- trailers and other nonpowered vehicles;
- vehicles that do not require gasoline for their operation (such as diesel, propane and electric-powered vehicles); and
- vehicles not registered for highway use, such as power boats, snowmobiles, and vehicles operated principally on trails or race tracks.

It should be noted that in many States the weight used for classifying vehicles is not gross vehicle weight. DOE will convert the weight figures provided by these States to gross vehicle weight for use in the national vehicle registration file.

2.3.3 Special Reserves

DOE will establish two types of reserves, the State Ration Reserves and the National Ration Reserve, to accommodate special hardships and emergencies that require gasoline ration rights in excess of other allotments.

2.3.3.1 State Ration Reserves

Each State will be given an allotment each ration period, called the State Ration Reserve, for

use by the State at its discretion. The size of the State Ration Reserves will be equal to a percentage of the projected total available supply of gasoline, apportioned among the States according to base period gasoline sales in each State and other factors to be determined by DOE. The actual percentage to be used in computing the State Ration Reserves will be announced by DOE when the rationing program is implemented; it is expected to be approximately 3 percent of the total volume of gasoline available.

The State Ration Reserve will be controlled by a State Rationing Office in each State. Each State Rationing Office will be encouraged by DOE to establish a system of local rationing boards or similar offices throughout the State to receive and review hardship applications and to issue hardship allotments to qualified applicants in each community.

Applicants for hardship allotments must file applications according to the eligibility criteria established by each State (within DOE guidelines), describing the nature of their hardship and the amount of the hardship allotment requested.

Hardship allotments will be issued to eligible applicants in the form of ration checks, drawn

on ration rights accounts established at ration banks for this purpose. State ration accounts will be replenished by periodic checks from DOE to the States.

States will have certain discretion in the use of their Ration Reserves, subject to DOE guidelines and requirements, including the EPCA requirement that consideration be given to the mobility needs of the handicapped. DOE will provide assistance to the States for the administration of their Ration Reserves.

2.3.3.2 The National Ration Reserve

The National Ration Reserve (NRR) will be established as a special contingency reserve, to be used by DOE for the following purposes:

- national disaster relief;
- allotments to Canada and Mexico for foreign firms doing business in the United States;
- allotments to special eligible individuals;
- sales (if any) of ration rights to the public to improve the operation of the white market; and
- any other purpose that DOE may deem necessary.

The NRR will be initially computed as a percentage (to be determined by DOE) of the projected total available supply of gasoline for each ration period. This percentage may be increased or reduced from one ration period to the next as necessary.

The NRR will be maintained in a ration rights account, against which checks may be written by DOE to fulfill the purposes of the reserve.

2.3.4 Computation of Reserves and Allotments

2.3.4.1 Definition of Terms

In the formulas provided below, the following terms have the following meanings:

<u>Term</u>	<u>Definition</u>
CP	The computation period, equal to 90 days, which is used to determine the length of the ration period.
REF	Projected refinery output of gasoline during the computation period.
IMP	Projected imports of gasoline during the computation period.
EXP	Projected exports of gasoline during the computation period.
LOS	Projected losses of gasoline from spillage, evaporation, and casualty losses during the computation period.
INV	Amount of desired gasoline inventory drawdown or buildup during the computation period.
ADJ	An adjusting term representing errors and unclaimed allotments in previous ration periods.
TAS	The total available supply of gasoline to be rationed during a computation period.
NRR	The gallon value of ration rights to be reserved for use in the National Ration Reserve for the computation period.
SRR	The gallon value of ration rights distributed to the States for the State Ration Reserves for the computation period.

NAS The net available supply of gasoline during a computation period, equal to the TAS minus amounts necessary for the National Ration Reserve and the State Ration Reserves.

SA The sum of all supplemental allotments to priority firms, farms, and designated firms for the computation period.

BAS The basic allotment supply available for distribution to registrants.

VC Vehicle classification(s) to be established by DOE for all vehicles designated by DOE as eligible to receive allotments.

AI The allotment index, which expresses the value of the allotment for any vehicle in a given vehicle classification in relation to the allotment for private automobiles (the allotment index for private automobiles will be 1.0).

CVP The classification vehicle point, which is the sum of all vehicles in a given vehicle classification, multiplied by the allotment index for that vehicle classification.

TVP The total vehicle points, which is the sum of the classification vehicle points (CVPs) for all vehicle classifications.

BA The basic allotment for private automobiles in the computation period.

DBA The distributed basic allotment, equal to the allotment distributed to a private automobile.

RP The length of a ration period in days.

ADA The actual distributed allotment, equal to the distributed basic allotment (DBA) multiplied by the allotment index (AI).

2.3.4.2 Calculations

This section establishes the formulas for calculating all allotments and the length of each ration period. A 90-day computation period (CP) is used in these calculations initially, since the precise length of the ration period is not known until the final calculation is made.

a. Total Available Supply (TAS).

The total available supply (TAS) of gasoline that can be sold during the computation period is determined from data available on the refining and importing of gasoline, adjusted for exports, losses, inventory changes, and other adjustments determined by DOE.

$$TAS = REF + IMP - EXP - LOS + INV + ADJ$$

b. Net Available Supply (NAS). The

net available supply is computed by subtracting from the TAS the gallon values of the National Ration Reserve and the State Ration Reserves.

$$NAS = TAS - NRR - SRR$$

c. Basic Allotment Supply (BAS).

The basic allotment supply (BAS) is computed by deducting the sum of supplemental allotments (SA) from the NAS.

Since supplemental allotments to priority and designated firms are computed from base period consumption data provided on a calendar month basis, the term SA will require a pro rata adjustment to a computation period basis before being used in this calculation.

$$BAS = NAS - SA$$

d. Basic Allotment (BA). The basic

allotment (BA) is computed as follows:

(1) The sum of all vehicles in a given vehicle classification is multiplied by the allotment index (AI) for that classification to yield the number of classification vehicle points (CVP).

$$CVP = VC \times AI$$

(2) The sum of the CVPs for all vehicle classifications equals the total vehicle points (TVP).

$$TVP = CVP_1 + CVP_2 + \dots$$

(3) The basic allotment (BA) equals the basic allotment supply (BAS) divided by the total vehicle points (TVP).

$$BA = \frac{BAS}{TVP}$$

e. Length of the Ration Period. If gasoline supply levels during a shortage could be accurately projected, then DOE could determine in advance both the total amount of allotments to be distributed and the period for which these allotments would be valid. However, because coupons must be distributed before supply levels are known, and because these supply levels may vary substantially from the projected values, DOE needs a mechanism for matching actual available gasoline supplies with the number of ration coupons already distributed. Varying the length of the ration period is one such mechanism.

For example, if coupons have been distributed for a 90-day period on the basis of a projected gasoline supply, and if the supply subsequently turns out to be below the projected level, the ration period can be extended beyond 90 days to balance the coupons with the lower level of supply.

The length of the ration period is computed from the basic allotment (BA), determined above, divided into the distributed basic allotment (DBA), which represents the average gallon value of coupons already distributed for automobiles, multiplied by the computation period (CP).

$$RP = \frac{DBA}{BA} \times CP$$

f. Actual Distributed Allotments.

The actual distributed allotment (ADA) for each vehicle is determined by multiplying the distributed basic allotment (DBA) by the allotment index (AI) for the appropriate vehicle class.

$$ADA = DBA \times AI$$

2.4 Issuance Procedures

This section describes how the allotments computed above are distributed to individuals and firms.

2.4.1 National Vehicle Registration File

As an advance preparedness measure, prior to any decision to implement gasoline rationing, DOE will

develop a national vehicle registration file (NVRF). This file will contain all the vehicle registration records provided by the States from their own motor vehicle registration files, edited and in the proper format to meet the requirements of the rationing plan.

The NVRF will be updated periodically from information provided by States and other appropriate sources. When duplicate registrations are found for a single vehicle, as will commonly occur when a used vehicle is sold, DOE will use only the most recent registration in the NVRF.

Records in the file will be grouped according to vehicle type. Each record will contain a vehicle category identifier from which DOE can establish the correct allotment index. Registered vehicles not eligible for ration rights, such as nonpowered vehicles, will be excluded from the file.

2.4.2 Distribution of Ration Allotments

2.4.2.1 Registrants of Eligible Vehicles

When rationing is announced, the national vehicle registration file will be distributed among

designated computer centers for the production of Government ration checks.

DOE will print and mail ration checks in advance of each ration period, with the appropriate allotment amount printed on each check.

Government ration checks will normally be valid for 60 days from the date of issue. Exceptions may be granted to extend this validity period on a case-by-case basis.

In the case of transfer of vehicle ownership after the rationing program has begun, DOE will remove or make inactive the previous owner's registration record in the NVRF to avoid the issuance of multiple allotments for a single vehicle.

2.4.2.2 Supplemental Allotments

If a firm is a priority or designated firm it may submit an application, in a form and with supporting documentation to be designated by DOE, to a DOE Rationing Field Office. Each application should provide information on the applicant's base period gasoline consumption, the number and type of vehicles registered to the applicant, and other information required by DOE.

Upon review and approval of each application, DOE will authorize the issuance of a supplemental Government ration check to the applicant.

Procedures for determining supplemental allotments for farming activities will be developed to ensure that allotments are provided in a timely manner, and in amounts adequate to fully meet food and fiber production goals approved by the President. To the extent possible, allotments to individual farmers will be made on the basis of data maintained by the Departments of Energy and Agriculture regarding the gasoline necessary to produce each farmer's share of these food and fiber production goals.

2.5 Coupon Issuance

2.5.1 Coupon Issuance Points (CIPs)

DOE will solicit the participation of a variety of financial institutions and other organizations as coupon issuance points. An effort will be made to distribute coupons through many different types of business establishments so that all ration recipients can obtain coupons at establishments where they are used to doing business. Coupon issuance points will be supplied with

coupons by DOE, and will serve as check "cashing" points for recipients of Government ration checks.

2.5.2 Coupon Issuance Procedures

Coupons will be distributed by DOE to coupon issuance points (CIPs) through a network of inventory control points, established by DOE to manage coupon supply operations and to prevent stockouts at any issuance point.

A ration rights recipient may present a Government ration check to any coupon issuance point and request that it be exchanged for coupons in the amount shown on the check.

When accepting a Government ration check in exchange for coupons, the coupon issuance point will be responsible for exercising precautions similar to those used when monetary checks are cashed for currency. These precautions include inspecting checks for validity and for proper endorsement, and requesting appropriate identification from all individuals presenting checks for coupons.

Government ration checks will ultimately be forwarded to DOE or its agent for reconciliation against check issuance records.

2.6 Ration Banking

2.6.1 Introduction

The gasoline rationing program will be supported by a ration banking system consisting of ration banks; regional processing centers; and transfer, verification, and destruction agents. These entities and their functions are described below.

2.6.2 Ration Banks

Ration banks will be designated by DOE to receive ration rights and redemption account applications and deposits. Ration banks will normally be commercial banks with teller services suitable for carrying out these functions securely and properly.

The administrative responsibilities of ration banks with respect to ration rights and redemption accounts will be limited to manual processing of new account applications and account deposits. The actual account bookkeeping and computer processing will be handled by regional processing centers, described below. Ration banks will forward account applications and deposited ration and redemption checks to their corresponding regional processing centers; deposits of coupons will be given to a transfer, verification, and destruction agent for further processing.

DOE will establish a schedule of allowable fees that may be collected by ration banks from account holders for the banks' services in connection with the rationing program.

2.6.3 Regional Processing Centers

Regional processing centers (RPCs) will be large bank computer centers capable of maintaining a large number of ration rights and redemption accounts for the areas in which they are located. DOE envisions that approximately 15 such centers will be needed to handle accounts for the entire country.

RPCs will maintain computerized account records and will post daily deposits and withdrawals to accounts according to the checks and deposit information forwarded to them. RPCs will handle the clearing of all ration checks other than Government ration checks among themselves, and will forward Government ration checks to DOE or its agent for reconciliation.

RPCs will reject and return checks for which there are insufficient ration rights in the corresponding account.

RPCs will be responsible for providing bank stationers with the names of new applicants for ration rights accounts and redemption accounts, for the mailing of blank checks and deposit forms.

RPCs will print and mail account statements monthly to all account holders, and will provide a variety of management reports for DOE.

2.6.4 Transfer, Verification, and Destruction Agents

Transfer, verification, and destruction (TVD) agents will process coupons received at ration banks for deposit into ration rights accounts and redemption accounts. TVD agents will sort, count, bundle, and store deposited coupons, and will eventually destroy them when authorized by DOE. As part of their work, TVD agents will verify the accuracy of amounts shown on coupon deposit slips, and will inspect coupons for counterfeits and for invalid series designators.

If any discrepancies or invalid coupons are identified in the processing of deposited coupons, TVD agents will prepare debit or credit memoranda, and will forward them to regional processing centers for posting to the appropriate accounts.

2.6.5 Establishing and Servicing Ration Rights Accounts

Any individual or firm may open a ration rights account at a ration bank by complying with the terms and conditions established by DOE for the operation and maintenance of such accounts.

Ration banks will be responsible for accepting account applications, receiving the initial ration rights deposits associated with the applications, and forwarding the applications to designated regional processing centers for the establishment of the appropriate ration rights account records.

Account holders may deposit valid coupons or ration checks to their accounts and may write ration checks against their accounts.

The cost of handling ration rights accounts may be recovered by ration banks from the account holders, subject to maximum fee limits established by DOE. Other ration banking costs will be reimbursed to ration banks and RPCs by DOE.

DOE may establish a minimum initial deposit requirement for the opening of ration rights accounts.

2.6.6 Establishing and Servicing Redemption Accounts

Most gasoline suppliers will be required to open redemption accounts at ration banks for the deposit of initial redemption account advances, redeemed ration rights, and redemption checks. An exception will be made to this requirement for small gasoline retailers with sales volumes below a threshold level to be established by DOE.

Redemption accounts may be used by suppliers to deposit ration rights they have received for gasoline sales and to write redemption checks to their suppliers of gasoline. Ultimately, all ration rights redeemed for gasoline should flow through refiners and importers to DOE.

Ration banks, RPCs, and TVD agents will service redemption accounts in the same manner as ration rights accounts.

The cost of handling redemption accounts may be recovered through fees collected directly from account holders, subject to maximum fee limits established by DOE. Other costs associated with redemption accounts will be reimbursed to ration banks and RPCs by DOE.

2.6.7 Redemption Account Advances

DOE will provide a redemption account advance to each supplier at the beginning of the rationing program, to facilitate the initial resupply of gasoline.

The precise amounts of these advances and the procedures for their issuance will be established by DOE.

2.7 DOE Role in the Ration Rights Exchange Market

The ration rights exchange market (white market) is the name applied to all sales of ration rights, whether or not through brokers or other third parties. DOE will permit the sale or transfer of ration rights from those who are willing to sell such rights to those willing to purchase them. DOE will monitor the prices at which ration rights are sold, and will encourage the publication of these prices in local newspapers to help facilitate and stabilize the white market. Although DOE does not intend to regulate the white market, it reserves the right to do so if necessary to prevent activities harmful to the stable operation of the market or harmful to competition.

2.7.1 DOE Sales of Ration Rights

DOE may enter the white market as a seller of ration rights, if necessary, to ensure the availability of

ration rights to prospective purchasers. The proceeds of these sales would be used to defray costs of the rationing program. If these proceeds exceed program costs, the surplus would be retained by the U.S. Treasury Department.

2.7.2 Sales of Ration Rights at Coupon Issuance Points

Subject to existing Federal and State laws, coupon issuance points will be permitted, at their option, to buy and sell ration rights as white-market traders, in addition to the rights they distribute or sell on behalf of DOE. Coupon issuance points may not, however, collect any fee or service charge from the holders of Government-issued ration checks for exchanging such checks for coupons. Coupon issuance points will be required to maintain separate inventories of coupons they purchase for resale, apart from inventories of coupons supplied to them by DOE for issuance to holders of Government ration checks or for sale as agents of DOE.

2.7.3 Sales of Ration Rights to Foreign Motorists

DOE will assist foreign visitors in locating white-market points convenient to major U.S. border points of entry. DOE itself may offer rights for sale to such visitors

or may arrange for other entities to make white-market ration rights available as a service to foreign visitors.

2.8 Purchases of Gasoline

2.8.1 Transfer of Ration Rights for Gasoline

This section describes the ways in which gasoline may be sold at each level of the gasoline distribution system, and the means by which all gasoline sales are balanced by the collection of appropriate ration documents (coupons, checks, or redemption checks).

2.8.1.1 Sales of Gasoline by Retail Sales Outlets

Retail sales outlets may sell gasoline to a purchaser in any of the following ways with regard to the exchange of ration rights:

- They must accept valid ration coupons offered by a customer, in amounts equal in gallonage value to the gallons of gasoline sold.
- They may, at their option, accept ration checks for the amount of gasoline sold.
- They may, at their discretion, accept ration coupons or ration checks in excess of the gallons pumped and give the purchaser cash, scrip, or credit equal to the excess amount.

- They may accept cash in lieu of ration rights as a convenience to motorists, provided the retailers secure ration rights within a time period to be designated by DOE 1/ for all gasoline they sell. This service will be especially useful to purchasers of gasoline in small quantities.

DOE intends to permit retail sales outlets, like other firms or individuals, to buy and sell ration coupons in the white market. DOE reserves the right to impose restrictions on white-market transactions by gasoline suppliers, however, if these transactions appear to have adverse effects on the operation of the white market or on the supply of gasoline.

In no case may the sale of gasoline to any customer offering valid coupons be made contingent on that customer's purchase of ration rights from the retailer.

1/ This time period is envisioned to be 48 hours.

2.8.1.2 Sales of Gasoline by Wholesale Suppliers

Wholesale suppliers who sell gasoline to retail sales outlets or to other wholesale customers must receive, by the close of the following business day, redeemed ration rights or redemption checks for the full amount of gasoline delivered.

Wholesale suppliers must remit redeemed ration rights or redemption checks to their suppliers by the close of the business day following the date that the gasoline is received.

2.8.1.3 Sales of Gasoline by Principal Suppliers

Principal suppliers (refiners and gasoline importers) will be required to receive redeemed ration rights or redemption checks for all gasoline they refine or import and sell to others. Principal suppliers will be required to transmit redemption checks to DOE every month in an amount equal to the prior month's total sales or deliveries of such gasoline. DOE will audit principal suppliers' records and ration bank account statements to verify that the ration rights remitted to DOE match all such gasoline sales or deliveries for the period in question.

2.8.2 Shrinkage, Spillage, and Evaporation Losses

DOE may permit gasoline suppliers to adjust their payments of redeemed ration rights to account for temperature-induced volumetric changes, and for normal and reasonable spillage and evaporation losses. The permissible level of these adjustments and the method for their accounting will be established by DOE.

2.8.3 Fuel Blends

Fuels that contain blends of motor gasoline and other substances (such as alcohol) will be included in the rationing program, but only to the extent of the volume of gasoline used in the blend. For example, for "gasohol" containing 90 percent gasoline by volume, only 90 gallons of ration rights would need to be collected for every 100 gallons of gasohol sold.

2.9 Interface of the Rationing Plan and the Allocation Program

2.9.1 Introduction

Both the rationing and allocation programs will affect the distribution of gasoline. This section describes the proposed interface between these programs.

2.9.2 Comparison of the Allocation and Rationing Programs

It is assumed that in a petroleum supply shortfall situation an allocation program will be in effect during the implementation period for rationing. An allocation program would provide for distribution of the available supply of fuel down to the wholesale or bulk purchaser level. Under DOE's standby gasoline allocation program, the gasoline allocated to a wholesale purchaser or a bulk purchaser is a function of:

- historical deliveries - the amount of gasoline purchased during the established base period;
- customer priority - the classification assigned by DOE to the customers of the supplier on the basis of specified allocation levels; and
- the allocation fraction - the ratio of the supplier's total available supply to his total supply obligation.

The allocation program is designed to ensure that the supplier-purchaser relationship is maintained for all wholesale purchasers, as well as to provide for the equitable distribution of refined petroleum products among all regions and areas of the United States, among all sectors of the petroleum industry, and among all users.

If the gasoline shortage is sufficiently severe, the allocation program may be inadequate. Confusion at the gasoline pump, inequitable distribution of fuel, lost productive time, and public discontent could grow to unacceptable levels. If this situation occurs, gasoline rationing may be implemented.

2.9.3 Interface of the Allocation Program and Rationing Plan

Because the two programs use different bases for entitlement and for gasoline replenishment, some of the provisions of the allocation program and the rationing program are incompatible. Therefore, when the decision is made to implement rationing, a portion of the allocation regulations will be revised or suspended, while other parts of the allocation program that do not conflict with rationing will be retained to prevent discrimination in the marketplace.

When gasoline rationing is put into effect, DOE will maintain supplier-purchaser relationships in accordance with the allocation program to ensure that all wholesale purchasers of gasoline have one or more assured sources of supply.

The volume of gasoline to be supplied during the rationing program will be as follows:

- If the purchaser has fewer ration rights (including redemption checks) than his allocation entitlement, then he receives the smaller amount, equal to his ration rights. In allocation terms, this purchaser has "underlifted" his allocation entitlement. The supplier may offer the "unlifted" balance of gasoline first to his other customers with ration rights, pro rata, and second to any other willing buyer(s) with ration rights.
- If the purchaser has ration rights equal to his allocation entitlement, he receives this exact amount.
- If the purchaser has more ration rights than allocation entitlement, he receives his full allocation entitlement from his base period suppliers, and is given the opportunity to purchase a pro rata share of any product unlifted by other customers of the same suppliers. If this still does not equal his volume of ration rights, the customer may seek any other suppliers with unlifted product. (DOE or private entities may develop information systems to help purchasers locate suppliers with unlifted product.)

In summary, each wholesale customer will initially receive gasoline equal to the lesser of his allocation entitlement or his ration rights from his base period suppliers. If he has more ration rights than allocation entitlement he may seek unlifted product from his base period supplier(s) or turn to the open market to find any supplier able to meet his needs.

By keeping the number of ration rights issued approximately equal to the estimated total supply of gasoline, and by maintaining the ability to vary ration period length as supply estimates are changed, DOE will attempt to ensure that any gasoline user with valid ration rights will have access to gasoline.

This combination of rationing and allocation will minimize market disruptions and will prevent discrimination against any class of wholesale purchasers in the gasoline market.

2.10 Diagram of Major Rationing Program Document Flows

Exhibit 2-2 provides a simplified schematic diagram of the major flows of coupons, ration checks, and redemption checks in the rationing program.

EXHIBIT 2-2. SCHEMATIC DIAGRAM OF MAJOR GASOLINE AND DOCUMENT FLOWS DURING RATIONING

3. GOVERNMENT OPERATIONS

3.1 Introduction

This part presents an overview of the Federal and State governmental organizations required to administer gasoline rationing, and briefly describes the roles of these organizations before rationing is needed; during the rationing implementation period; and during rationing operations.

The Federal and State rationing organizations will evolve through three discrete time phases prior to actual rationing operations. These are:

- The "preimplementation" phase - for the acquisition or development of necessary data, materials, and systems. This phase would begin as soon as Congress approves the proposed rationing plan.
- The "readiness maintenance" phase - a waiting period of indefinite length, between the completion of the previous preparatory phase and the implementation of rationing in the event of a gasoline supply emergency.
- The "implementation" phase - the mobilization period following the order to begin rationing. During this setup period coupons will be distributed, ration bank accounts will be established, State Ration Reserve operations will begin, and information on rationing will be disseminated to the public. It is DOE's objective to make the rationing plan capable of implementation within 45 days.

Finally, full-scale operations begin in the "operations" phase. During this period no gasoline sales may be made

without the transfer of ration rights. This phase may last up to nine months, or longer if Congress renews its approval of the rationing plan.

3.2 Development of the Federal Organization

3.2.1 Preimplementation Phase

Immediately after congressional approval of the rationing regulations, DOE will begin the detailed design, development, and testing of key rationing systems; the preparation of public information materials, and the performance of other long-lead-time tasks required to achieve the goal of a 45-day readiness.

3.2.2 The Readiness Maintenance Phase

Following the completion of preimplementation tasks, DOE will maintain the systems and procedures developed for rationing, modifying the plan as required by changing gasoline sales practices, and updating the national vehicle registration file with additions, changes, and deletions reported by States and other sources.

3.2.3 Rationing Implementation and Operations Phases

In the event that the President determines that rationing is needed to deal with a petroleum supply interruption, and provided that neither house of Congress disapproves the President's request for rationing, DOE would immediately begin to implement the rationing plan.

An Office of Gasoline Rationing (OGR) will be established, with the following subdivisions:

- Office of the Director - responsible for overall program supervision and coordination of the other functions listed below.
- Policy and Evaluation - responsible for policy development, special studies, entitlements administration, management of the National Ration Reserve, and revisions to rationing procedures.
- Rationing Operations - responsible for managing the distribution of coupons and allotment checks, including supplemental allotment checks, and the ration banking system. This office will also be responsible for implementing gasoline allocation and resupply regulations, for overseeing the operation of the white market, and for overseeing the administration of the State Ration Reserves.
- Audit and Enforcement - responsible for managing Federal audit and enforcement activities.
- Public Information - responsible for Federal information programs and the coordination of State information programs.
- Information Systems - responsible for implementing and administering the several information systems required for rationing, including the national vehicle registration file.

These functions will be carried out both in the national office of OGR and in a network of Federal field offices. Field offices will be principally responsible for the preparation of supplemental allotment checks for firms, and for most audits.

3.3 Development of State Organizations

3.3.1 Preimplementation Phase

As the Federal Government develops its detailed rationing plan during the preimplementation period, States will begin planning their rationing roles as well.

An early task facing States will be the transmittal to DOE of a copy of the State motor vehicle registration files, to be incorporated in DOE's national vehicle registration file. DOE will work with each State to develop format requirements and any special data conversion routines necessary to provide DOE with uniform vehicle registration records for the creation and periodic updating of the national vehicle registration file.

An additional task for States during the preimplementation phase will be the development of detailed operating procedures for the administration of the State ration reserves, including the location of the local rationing boards that the State will operate during rationing. State working groups established to prepare these procedures should also develop plans for public information and certain audit and enforcement activities that will be the States' responsibility during rationing.

DOE will work closely with States in this period to coordinate and provide suggested guidelines for State planning.

3.3.2 Readiness Maintenance Phase

Following the development of detailed State procedures, State planning groups would evolve into interim plan maintenance offices, keeping in contact with DOE regarding any plan changes or refinements proposed by DOE or by the States themselves. States would provide DOE with periodic updates to their motor vehicle registration records to keep DOE's national vehicle registration file current.

3.3.3 Implementation and Operations Phases

When DOE begins its program implementation activities in a gasoline supply shortage, States will simultaneously set up State Rationing Offices responsible for putting detailed State procedures into effect. Local boards will be established, public information will be distributed, and other State functions will be established according to detailed DOE guidelines and previously developed State procedures.

4. PROGRAM COSTS, STAFFING, AND FUNDING

4.1 Cost Estimates

Exhibit 4-1 presents an estimate of the cost to the Federal Government of the gasoline rationing program, according to specific program functions for the three principal time phases discussed in the preceding section.

The development of the cost estimates in Exhibit 4-1 was based upon analyses of functions to be performed and upon contacts with private and public organizations that perform similar activities. In a number of cases, the lack of activities directly comparable to rationing functions has made it difficult for the organizations contacted to provide precise cost estimates. In such cases, fairly wide ranges of costs were often given, and reasonable estimates were selected within the range provided.

It is anticipated that the standby rationing plan will be maintained in a state of readiness between the preimplementation and implementation phases. These readiness-maintenance costs are estimated to be approximately \$6 million to \$7 million per year.

EXHIBIT 4-1. FEDERAL^{1/} COST ESTIMATES (IN MILLIONS OF DOLLARS)

	<u>Preimple- mentation</u>	<u>Implemen- tation</u>	<u>Per Ration- ing Period^{2/}</u>
a. Coupon Production	17.1	16.4	32.9
b. Government Check Production	3.6	1.7	3.3
c. Government Ration Check Issuance and Reconciliation	1.2	20.9	26.9
d. Coupon Bulk Distribution and Issuance (cost of cash- ing private ration checks is included in ration banking immediately below)	1.0	66.5	81.0
e. Ration Banking (partial) ^{3/}	7.5	8.4	65.0
f. Federal Adjustments and Appeals	1.1	69.0	18.9
g. Federal Audit and Enforce- ment	0.3	7.4	14.7
h. Public Information	0.1	6.8	8.0
i. National Vehicle Registra- tion File	8.9	0.8	1.7
j. Program Management and Administration	3.9	3.8	5.7
k. Administration of State Ration Reserves	7.4	135.2	139.6
l. Other State Activities	<u>1.3</u>	<u>9.5</u>	<u>17.7</u>
TOTAL	<u>53.4</u>	<u>346.4</u>	<u>415.4</u>

^{1/} These are costs that would be either borne directly or re-imbursed by the Federal Government.

^{2/} Each ration period will last approximately three months.

^{3/} Some ration banking costs would be recovered through fees and are therefore not included here.

4.2 Staffing

Approximately 4,600 full-time-equivalent Federal personnel will be needed to operate the rationing program. Federal staffing will be accomplished mainly through the reassignment of existing personnel, with few new hires.

States, coupon issuance points, and other program participants will require the efforts of many thousands of people in both part-time and full-time capacities. The cost of these participants is included in Exhibit 4-1.

4.3 Funding and Fee Collection

The preimplementation and readiness maintenance costs of the rationing program will be funded through normal Federal Government budgetary processes.

Implementation and operating costs will also need budgetary authorization and appropriation through normal procedures when rationing implementation begins, but there will be revenues from two sources to offset operating costs.

First, if the Federal Government sells ration rights to facilitate the development of a white market, the proceeds from such sales will provide revenue to defray rationing program costs. Any surplus of revenue over costs will be retained by the U.S. Treasury.

Second, if ration rights are not sold by the Government, or if the proceeds from such sales are insufficient to cover program expenses, a fee will be collected on all gasoline sold. This fee, which will be added to the Federal excise tax on gasoline, will be set at a level estimated to cover program costs without generating a deficit or a surplus.