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CABINET

OIL SUPPLIES

Memorandum by the Secretary of State for
Trade and Industry

1. This paper considers the motor fuel stock position and the implications for the possible introduction of petrol rationing.

STOCKS

2. The Oil Industry Emergency Committee has reported that total stocks of motor spirit at 18 November amounted to 65 days supply, a drop of 5 days since end October. If this rate of fall continued, the 45 day stock level, when distribution difficulties would start to become acute, would be reached by end January. The companies estimate that motor spirit supplies (much of which is imported) will fall short of demand from now on by about 25 per cent if not more. This too would suggest that a critical stage would be reached by end January. Derv presents no immediate problem.

3. The figure of 65 days includes gasoline content of crude held in stock. Because of refinery breakdowns stocks of finished gasoline are now down to minimum working levels. This problem should be eased as capacity comes back on stream, in a week or so. One reason for maintaining adequate stocks is to guard against breakdowns such as this.

DELIVERY CUTS

4. The assessment in paragraph 1 takes no account of savings that may be made as a result of the cuts in deliveries. But we do not think that these cuts, even at the level of 10 per cent, could be continued for more than about 3 weeks without introducing rationing or at least being in a position to introduce it soon thereafter. If that were not possible, we might be forced in three weeks to step up deliveries to garages again to remedy shortages and to cure abuses that had developed. The higher level of supplies would then need to be maintained until rationing could start - which, if the issue of books and coupons were not started until mid-December, could not be before mid-January. The Chairman of the Oil Industry Emergency Committee, in the light of the present situation,

has urged that more severe restrictions be imposed on petrol deliveries very soon. I do not consider that the introduction of a higher level of cut, either now or later, would be practicable without rationing.

TIMING

5. If the issue of ration books at Post Offices started on Monday, 26 November rationing could begin at any time after 17 December. Instructions for issuing would need to be given immediately so that the public could be informed of the arrangements but the actual decision to ration need not be taken until a few days before rationing was to start.

6. If a decision on the issue of ration books were deferred until the middle of next week, there would be virtually no prospect of introducing rationing before Christmas. Moreover, the issuing period, a total of four weeks in all, would overlap the Christmas/New Year holiday period and would not be completed until the first week in January. Before that time we might have found it impossible to maintain the 10 per cent cut, let alone increase it.

CONCLUSION AND RECOMMENDATION

7. The future supply position for motor spirit gives cause for increasing concern. I do not consider that the present cuts in deliveries can be sustained for more than a few weeks, much less increased, without causing abuse and discontent. I, therefore, invite my colleagues to agree that we put ourselves in a position to introduce rationing quickly should this prove necessary by starting the issue of ration books as soon as possible. In this way we can keep our options open.

P W

Department of Trade and Industry

21 November 1973

