High quality lubricating oil is their bread and butter. However, three-quarters of each barrel refined consists of gasoline and distillate fuels which must compete with similar fuels refined and marketed on the east coast. Pennsylvania refiners are today marketing these products mostly at a loss. Profits from lubricants keep them in business. However, there is a limit to how much loss from gasoline and distillate fuels can be absorbed by lubricants. The import quota allocated to them is an important factor in keeping them alive. Without it they could very well cease to exist. Without the Pennsylvania grade refiner, the producer would lose his market and the Nation a valuable natural resource, impairing the national security. The primary purpose of the import program is to protect these natural resources and the Nation's defense capabilities, in fact the only legal basis for the entire program.

COMPETITION WITH EAST COAST REFINERS

A considered objective of the program is to maintain normal competitive relationships. In order to illustrate the competitive relationships in district I, you have only to look at a pipeline map showing the product lines from the east coast reaching into the marketing area of the Appalachian refiners. These lines deliver gasoline and distillate fuels into the region at a pipeline cost of less than 1 cent a gallon. Other competitive advantages such as higher throughput capacities with lower unit cost and the availability of low-cost foreign crude give the east coast refiner an economic advantage impossible for these small refiners to overcome.

In fact, most of the imported crude coming into district I to IV is landed on the east coast. The present policy of affording equal treatment to inland refiners along with coastal refiners through the ability to exchange import quotas is answering some of these economic problems and we urge most forcefully that in the interest of conservation and the protection of small inland refiners, it be continued.

The mandatory oil import program enables the Pennsylvania grade industry to compete with cheap foreign crude. It has special significance at this time in view of the administration's determination to improve the living standard in the area known as Appalachia. The Pennsylvania grade industry is located in the middle of it and has for over 100 years, contributed to its economic life.

OBJECTION TO GRANTING IMPORT QUOTAS OUTSIDE ORIGINAL INTENT

However, we are alarmed at what appears to be a definite trend in the direction of destroying the original basis, authority, and intent of the program. When the Interior Department began taking part of the allowable quota away from domestic refiners and using it for purposes never visualized or intended in the original construction of the program, our objections began to mount. I am referring, of course, to the granting of quotas for such purposes as fostering the economy of Puerto Rico, putting the domestic petrochemical industry in a position to compete with overseas plants, creating jobs in and beautification of the Virgin Islands, reduction of air pollution, conservation of recreational resources of territorial possessions, reducing the cost of