Langdon expressed confidence that the oil industry would be able to supply the needed low-sulphur fuel without such bonuses. He noted that some in the industry already are providing such fuel and questioned why they should be rewarded for doing something already found economically desirable to do.

The chairman also questioned the total volume of bonus oil the plan would create. He observed:

"While the immediate impact is calculated to be around 100,000 barrels daily, I visualize that it could grow to 400,000 or 500,000 barrels per day above the 12.2 formula within a few years."

Langdon also translated this into balance of payment dollars, putting the initial impact at $73 million per year to be followed by a possible annual rate of a third billion dollars in later years.

The chairman urged that the plans rejection "for its adoption would be only one more step toward final destruction of the mandatory oil import program."

This proposal constitutes a classic example of Program manipulation by Executive Department officials for purposes wholly unrelated to the natioinal security objective of that Program. In order to accommodate air pollution objectives which can be achieved through other means, the Secretary would sacrifice the national security value of the 12.2 ratio limitation, and at the same time largely abandon the avowed intention of relying on imported oil from the relatively secure sources. Moreover, by this measure he would be forsaking earlier plans to move toward elimination of imported unfinished oils in order to preserve domestic markets.

It is interesting, in this connection, to contrast Mr. Udall's words with his deeds. Just prior to his proposing this measure, he stated before the Senate Finance Committee that the oil import program was intended to serve only the national security interests. In this testimony, he stated in part: "I would like to state here, my firm view that in the present world petroleum situation, oil imports should be controlled in the interest of our national security. That is the paramount—the only—reason why such imports are controlled. In no sense does this position alter my views with respect to opposing trade barriers generally. But in the case of *oil*, our security would be jeopardized unless we have a strong, healthy, domestic oil industry, capable of meeting any demand. This we could not do if low cost oil from petroleum exporting countries were to flood this country, with consequent damage to our own energy producing industries."

3. *Carryover of Unused 1967 Import Licenses.*—The Middle-East war of last June disrupted the normal flow of oil to world markets and resulted in substantial decrease in the amount of licensed imports into Districts I–IV during the year 1967.

The resulting deficiency amounted to approximately 51.7 million barrels, or an average of 141,761 barrels daily for the full year.

In February of this year the Secretary of Interior announced that half of the unused licenses could be utilized in 1968 and the remaining half in 1969. He further stated that half of the unused licenses would be authorized above the 12.2 ratio. This amounts to 36,000 barrels per day for this year and next.

Domestic producers had no objection to allowing importers stuck with unused licenses to utilize them on a priority basis after the crisis—as long as licenses remained under the 12.2 ratio. The decision to break the 12.2 ratio with these quotas amounted to an insistence that the 12.2 ratio is a floor rather than a ceiling. It was in effect holding open the door to unreliable Mideast oil until the Arabs decide it can be dumped on us and until importers involved find that tanker rates have dropped sufficiently to make it profitable to supplant domestic production with the so-called cheap Mideast oil.

State conservation officials have urged Interior to reduce imports below the 12.2 ratio as necessary to keep states from having to do all the cutting back necessary to prevent another Mideast-aftermath oil glut. However, there was no serious consideration given by the Administration to the plea that imports share the cutback burden. The net result is that domestic producers are being penalized for meeting their obligation to the nation and the free world by making domestic oil available, at consirable expense, to fill the shortages resulting from the Mideast supply breakdown.

Unfortunately, the worst is yet to come. Importers, still waiting for reduction in tanker rates in the wake of the crisis and continued shutdown of the Suez Canal, have not only declined to bring in the 1967 unused quotas on schedule in 1968, but have also failed to fill their regular quotas. Consequently, the