STATEMENT OF JIM C. LANGDON, CHAIRMAN, RAILROAD COMMISSION OF TEXAS, AUSTIN, TEX.

Mr. Chairman and Members of the Committee: the time has come to back off and take a good, hard look at our Oil Import Program—its purpose and necessity, its history, its bright moments, its dark moments, where it is now—and, most important—where it is going.

I. PURPOSE AND NECESSITY

The single essential purpose of the Import Program always has been crystal clear. The Mandatory Oil Import Program was established by the President under authority of the "National Security" clause of the Trade Agreements Extension Act following a report of the Special Committee to Investigate Crude Oil Imports, in which the Committee found, among other things: "That imports of crude oil and the principal crude oil derivatives and products 'threaten to impair the national security.'"

The realism and good sense of the concept was dramatically demonstrated by last year's Middle East crisis. In a compelling way, the crisis underscored the necessity for a strong, viable domestic oil industry with adequate reserve producing capacity to meet the nation's needs in normal and emergency periods.

But the industry's seeming ease in dealing with sudden and exceptional demands last year should give us no cause for complacency. A single dramatic success should not blind us to the fact that next time we may not be so well prepared. And, if we fail to cope with a future crisis, it will be because we have not kept the overriding objective—a vigorous domestic petroleum industry—firmly in our minds.

II. ITS BRIGHT AND DARK MOMENTS

The Program, while far from perfect, was well conceived and, taken as a whole, served the nation well until 1965. The national security was protected, and the distribution of quotas was systematic and reasonably sensible and equitable.

Starting in 1965, and proceeding thereafter at an accelerating pace, the Program has undergone almost continuous change for the worse. The crazy-quilt patchwork of regulations has yielded to the pressures of special interest groups, and concessions have been granted that are in no way related to the original purpose. For the past three years, the Program has been plagued with "loop-hole-itis"—a disease which could be fatal to the Program, and thus to our national security.

The special grants of quotas to individual firms for operations on the island territories have produced a virtual land rush of applications for similar concessions. One concession sitmulates new pressures for many others because of competitive necessity. On April 19 of this year, another special deal for Puerto Rico was approved by Secretary Udall, and others are still pending.

While various excuses may have been given for these special grants, it is irresponsible to jeopardize national security to accomplish minor economic benefits to the Caribbean Islands. This trend must be stopped or a large segment of new U.S. petroleum and chemical facilities will be located in the Caribbean Islands—not for sound logistic or economic reasons, but based on loophole economics created to favor special intersts. This mislocation will cause the U.S. consumer to eventually pay more for his products. Moreover, it can hardly be in the interest of national security to have these facilities located across a large body of water on an island territory that does not need and cannot consume the volume of products produced.

As a result of political pressure, resellers of No. 2 Fuel Oil on the East Coast were given import tickets this past winter when supplies were tight. While spot prices were probably higher. It should be pointed out that No. 2 Fuel Oil was available in the industry to all customers on the East Coast throughout an extremely cold winter. Such grants, while wholly unjusitfied, should have been limited to that particular heating season ending in April, 1968. However, they are valid for the remainder of 1968, and for the most part, will be used next fall. Can this be anything but an outright subsidy?

In recent months, as reported prominently in the press, criticism of the program has taken on massive proportions. Criticism of the program has reached the Congress and cause it to become increasingly interested in the program and particularly the manner in which it is being administered.