

On May 13th and 14th the Interior Committee of the House of Representatives held public hearings to review the Oil Import Program "as it relates to the domestic oil industry." The hearing was timely and focused attention on the strengths as well as the weaknesses of the program.

It is obvious today that the administration of the program has wandered far afield. Exceptions to its basic rules have been piled on exceptions. Such exceptions, granted by administrative fiat without regard to the explicit authority and intent of the program, are numerous. I will mention some of the main ones only briefly:

#### 1. *Asphalt*

On April 10, 1967 Presidential Proclamation No. 3279 was amended to permit the Secretary of the Interior to allow the importation of foreign asphalt into the United States, "on top of" the historic 12.2% ceiling.

#### 2. *Low sulphur residual fuel oil*

On July 17, 1967 the Presidential Proclamation was amended again to permit the Secretary of the Interior to grant import quotas to manufacturers of low sulphur residual fuel oil. The Secretary has exercised this authority in District V. On May 24, 1968 he proposed granting such quotas in Districts I-IV which would be "on top" of the 12.2% ceiling and which, he estimated, would increase to 300,000 barrels daily within several years.

#### 3. *Foreign trade zones in the United States*

The Foreign Trade Zones Board has approved applications by two major chemical companies for the designation of foreign trade zones at Midland, Michigan and Taft, Louisiana. Applications for import licenses have been filed with the Department of the Interior, however no trade zone quotas have yet been issued by Interior. Under the foreign trade zone laws the operator of the zone may import foreign feedstock into the zone, manufacture chemicals and in turn ship chemicals into the United States. For chemicals shipped into the United States he has a choice of either, (1) paying the regular import duty on the particular chemical or, (2) paying whatever duty the feedstock would have required had the feedstock been imported. Since most feedstocks are light petroleum hydrocarbons the duty is 10.5c per barrel, therefore chemicals from a foreign trade zone pay an import duty negligible in comparison to the duty imposed upon foreign chemicals coming into the United States. The Foreign Trade Zone is clearly a device for evading practically all chemical import duty.

For the independent producer, a foreign trade zone can be looked upon as a device for permitting foreign oil to come into the United States in the form of chemicals. Foreign trade zone allocations will undoubtedly be on top of the 12.2% ceiling.

#### 4. *Puerto Rico and the Virgin Islands*

On April 20, 1967 a public hearing was held by the Department of the Interior to receive comments relative to applications filed with Interior involving special oil import allocations for existing or planned refineries and petrochemical plants in Puerto Rico and the Virgin Islands.

In late 1967 Secretary Udall granted special allocations to Hess Oil & Chemical Company, Commonwealth and Union Carbide Corporation. Approval of the Hess and Commonwealth applications will result in 25,000 barrels per day of petroleum products moving from the islands into the East Coast of the United States effective at the start of this year. The approval of these two applications was announced as being quantities of finished products that would be within the 12.2% ceiling.

Under its approved application, Union Carbide Corporation will not be permitted to import any petroleum products into the United States, however it will be permitted to consume approximately 50,000 barrels per day of naphtha, produce chemical intermediates and ship the chemical intermediates into the United States. For the oil and gas producer the approval of the Carbide application means that 50,000 barrels per day of foreign oil will come into the United States in the form of chemical intermediates which will be on top of the 12.2% ceiling.

On April 19, 1968 the Department of the Interior announced that crude oil allocations for a Puerto Rico core facility had been granted to Sun Oil Company. By this authority Sun Oil Company will be permitted to import 60,000 barrels per day of crude oil into Puerto Rico, manufacture certain petrochemicals, finished and unfinished petroleum products and ship 29,500 barrels per day of jet fuel components, No. 2 fuel oil, and lubricating oils into the United States.