chemical feedstocks into Puerto Rico is equivalent to allowing them to be imported to the United States mainland.

Concessions made in relation to these projects also allow light products to be shipped to the mainland in growing quantities. They now total 80,000 barrels daily including the special allocation given to the Virgin Islands Project. Even when they remain inside the formula ceilings, they reduce domestic refinery runs and reduce the refiner's ability to support the producing industry. In addition to the volume, new and dangerous features in the form of price and marketing restrictions have crept into these special allocations.

Foreign trade zones, for which allocations are left to administrative decision, can be used for circumventing the program and creating inequities both in the oil and petrochemical industries. There are no clearly defined rules which assure equal opportunity to everyone under their jurisdiction. These rules—if, indeed, the provision is retained at all—should be made to achieve the purpose for which foreign trade zones were intended—that of promoting foreign trade. They should not be used as a back-door way of giving preferential treatment for petroleum and petrochemical products made from imported feedstocks.

The Appeals Board actions in the case of No. 2 fuel oil are other cases in point. While the volume of imports is not great, it is cause for concern both because it is one more step away from the overriding original objective of the program and because it is unnecessary. The original controls on the import of this fuel neither created a physical shortage of heating oil nor caused unusual financial hardship. The industry can meet all the demands without relaxation of controls, as was clearly demonstrated in the last heating season.

These are some of the major exceptions granted with a profligate hand in recent years. But I want to stress that it is not only the volume of such exceptions that gives rise to concern. The flimsy base on which they have been granted, with no reference to the paramount objective of national security, is cause for even greater concern.

Nor can we derive comfort from the reflection that these exceptions are all for causes that may be worthy in themselves. The dispensers of these favors may have been well intentioned. But I would say to you, gentlemen, that the overall effect of this patchwork of exceptions is a program that rides off in all directions at once, instead of focusing on the single objective for which it is intended.

One of the most disturbing practices of Interior is its proclivity to act without notice and hearings, which are basic to our American way of Government. While it shocks me as a lawyer and a former judge, it is even more shocking to businessmen desperately trying to follow ever changing course and direction of this hodgepodge Program.

Only time prevents discussion of further aspects of the "loop-hole-itis" plaguing the administration of the Program.

III. WHERE PROGRAM IS TODAY

Where is this Program today? It's in one heck of a mess! State conservation agencies and the industry don't know from one moment to the next when a new exception or special favor will be handed out—with or without benefit of notice and hearing. State agencies and the industry need stability to maintain a viable, expanding program for developing and conserving the nation's oil and gas resources.

Severe competitive inequities have been created, and our economy operates on fair competition for all. Such inequities will destroy the Program just as would excessively increasing the overall level of imports.

All this has been brought about for the simple reason that the administrators lost sight of the purpose of the Program.

And now the Program is tottering!

IV. WHERE PROGRAM IS HEADED

So where do we go from here? Something has to give. The Program cannot continue on this trend.

The first thing that should be done is to call a moratorium. No new quotas or exceptions should be handed out. Those recently granted should be cancelled, or systematically rolled back and phased out to approximate the conditions of the program as they existed in 1965. This would have an immediately favorable effect by restoring industry confidence in the integrity and direction of the program.