

How is this inconsistency explained by the oil-importing interests? A vice president of the west coast oil company which owns the Hawaiian refinery, in testifying on this subject before the Fourth Legislature of the State of Hawaii on March 25, 1968, explained as follows, and I quote:

Foreign crude * * * oil can be imported only by the use of quota generated * * * elsewhere in District V or by the use of quota acquired * * * from other refiners in the District. A premium must be paid to acquire this quota. When this premium is taken into account, the total cost of such foreign crude brought into Hawaii is equivalent to the cost of domestic oil. In short, 96% of the crude oil we refine in Hawaii costs us the equivalent of California crude, even though it is of foreign origin.

The witness left unanswered the crucial question: Why, if the cost to his company of foreign crude oil is "the equivalent of California," is the 96 percent foreign crude oil refined in Hawaii not being replaced by domestic crude to further the aims of the mandatory oil import program?

The answer is readily apparent from a comparison of so-called poster prices for crude oil which are available at the Department of the Interior. For example, 34 gravity crude oil at Signal Hill, Calif., recently showed a posted price of \$3.17 per barrel, as compared with the posted price of \$1.80 at an Arabian Gulf source.

The price differential between foreign and domestic crude oil is widened by such factors as the lower rates charged by foreign tankers carrying foreign oil and the extensive practice of discounting followed by foreign oil producers and foreign shipowners which inures to the benefit of purchasers of foreign crude oil.

Under the actual operation of oil import controls, therefore, virtually all crude and unfinished oil consumed in Hawaii is imported from foreign sources in any event, and the oil import controls have not encouraged the suppliers of Hawaii's fuel requirements to use U.S.-produced oil, as it had been hoped under the 1959 Presidential proclamation.

Moreover, the controls have merely tended to raise the cost of energy on the local market to excessively high levels so that Hawaii's energy costs to the consumer are among the highest in the Nation.

Hawaii offers no opposition to the oil import program as such. It only seeks to be relieved of an unintended inequity imposed upon it by natural circumstances beyond its control. It seeks equity within the stated purpose of the oil import program to insure a healthy domestic oil industry for reasons of national security.

If Hawaii is to play a vital part in the program, because of its unique geographic position it ought to be considered for a special role. In the future, as this Nation continues and deepens its involvement in the Pacific, and as the need for petroleum, fertilizers, plastics, and the host of other oil derivatives needed by developing countries grows, it will be increasingly beneficial to this Nation, both logistically and for our balance of payments, to develop an international oil center in the Island State.

But this manifestly is not possible so long as Hawaii continues to be restricted by district V quotas. As my bill provides, the exemption of Hawaii from these crippling and inequitable restrictions is a necessary first step.