If such a system is not available, tariffs should be investigated which would allow products to flow in at price levels which are established by competition in the market place. Such systems will encourage refineries to meet future shortages with added capacity as demand increases for particular products. If such plans are not feasible, an equitable quota system should be established which gives all similar type marketers equal advantage.

In order to quickly compensate for deficits in product supply arising for a variety of reasons at the domestic refinery level, pre-established criteria should be set. Such criteria would establish existence of a critical point at which products imports would be encouraged. Inter-fuel competition, the non-convertability of heating plants and the very existence of the independent marketer's business entity require that shortages be properly classified and acted upon sufficiently in advance to avoid dislocation.

5. *Who should be permitted to import crude?*

The current system of quotas runs counter to the free enterprise concept. Basically, a refiner must have had "inputs" before quotas can be established. While exceptions are granted and a "newcomer" pool established, the system is mainly geared for existing refiners. The centralization of refining capacity into the hands of fewer and fewer companies (see table #6) clearly indicates that some thought should be given to encouraging new refineries to enter the scene so as to preserve inter-fuel competition at the primary level. For example, a chemical company night establish an oil refinery in Seattle, Washington. This group might use Canadian or Alaskan crude for manufacture of fuel oil and gasoline for the Pacific Northwest. Such activity would diversify refining capacity, bring new competitiveness, and allow the "local" refinery to meet product demand for that particular area. Latest moves by Interior in this direction are encouraging. These moves should be amplified by placing more crude in this "newcomer" category.

SUMMARY

We feel that the Nation's security requires analysis of several factors dealing with petroleum imports which were not prominent at the time import controls were imposed on this industry. Also, we have had over 10 years' experience under the quota system which proved some short run benefits are present. Yet, the basic increasing of domestic reserves and "a healthy domestic" drilling program has not been achieved.

We feel that the future demand for energy requires that U.S. policy encourage development of offshore and shale oil technology. However, we should not gamble on these sources alone to meet the energy gap which is certain to arrive. Therefore, we feel a systematic increase of crude imports, to be initiated as supply is needed to meet demand is in order. This precludes rigid control. Also, we feel U.S. security would be assisted by encouragement of diversified refinery locations which could serve individually dispersed markets.

Finally, if U.S. refineries fail to produce various products to fully meet demand, that such products should be brought in, but under a system devoid of discrimination.

Our proposals are geared to increase imports only as needed to meet demand. If oil shale or offshore activities do prove to be adequate, foreign imports would be minimized. Our program of encouraging refinery building near markets appears worthy of consideration for security reasons alone. Also, if domestic refiners do produce adequate products, no finished goods of major proportion would be brought in. However, flexibility is needed to meet these problems and plans should be incorporated to allow quick implementation if and when the need arises.

Attached are the basic policies of the National Oil Jobbers Council which underlie this report. These policies have been passed by the Council's Board of Directors.