(*b*) The grant of special import quotas to promote air pollution control. The President on July 17, 1967, authorized changes in the oil import program designed to aid in air pollution control. The Secretary of the Interior thereby was authorized to grant *additional allocations* "notwithstanding the levels established in Section 2 of this Proclamation [the limitation on oil imports (except for residual fuel oil) to 12.2% of domestic production in accordance with a careful Cabinet Committee study and Presidential determination that imports above that level would threaten the national security]." A breach of the 12.2% limit by the Secretary is there clearly authorized.

In the same Proclamation and again for the express purpose of aiding air pollution control, the definition of residual fuel oil (which is outside the 12.2% limit) was redefined to include No. 4 fuel oil. The net effect was to remove No. 4 fuel oil from the 12.2% limit and to authorize an increase in overall imports beyond the 12.2% limit as previously applied by and undetermined amount of No. 4 fuel oil imports. As desirable as the control of air pollution may be and as desirable as strenuous efforts in aid thereof by the Government may be, there is still, however, no connection between air pollution and the national security. Significantly none was even asserted.

(*c*) Expansion of asphalt imports in excess of the 12.2% overall limit. The President on April 10, 1967, authorized changes in the oil import program which would permit imports of asphalt "without respect to the levels of imports prescribed in Section 2 [the limitation on imports to 12.2% of domestic production]." Again, a breach of the 12.2% limit by the Secretary is clearly authorized.[4]

(*d*) The Administration's threat in February 1967, released through "briefings" by federal officials, to use import controls as a threat or sanction to enforce compliance with the Administration's desire to roll back gasoline prices. No hint of any national security connection appears here and none was even suggested. The Administration merely found its control over valuable import rights a most powerful tool. It felt no restraint in using this powerful tool for objectives completely unrelated to the national security.

(*e*) There is under consideration by the Administration at the present time (by reason of its affirmative sponsorship by key members of Congress from New England) a proposal which would in effect accord to No. 2 fuel oil (the prime heating oil) a relaxation like that for No. 4 oil, permitting imports beyond the existing 12.2% overall limitation. It remains to be seen whether if done, it will be done by "redefinition" as in the case of No. 4 oil or by authorization "notwithstanding" the 12.2% limit as in asphalt, and the air pollution bonus quotas. But it is obvious that one breach easily begets another. The express purpose of this proposal is to reduce home heating oil costs for consumers in New England. No hint whatsoever of a national security purpose appears.

With such steps already taken and proposed, the present legislative proposals to restrict such adventurous toying with the program make sense.

3. *Significant Aspects of the Oil Import Program Not Dealt With In Proposed Legislation—To Whom Shall Quotas Go?*

While the limitation of oil imports quantitatively (heretofore to 12.2% of domestic production plus residual as required) is a substantial part of the oil import program and the present bill is concerned solely with tightening such quantitative restrictions, it is important to note that the real success of the program and attainment of its national security objectives depends significantly upon the manner in which quotas are actually distributed.

Because of the large price differential between domestic and foreign oil, these quota rights are valuable. To whom shall these valuable rights be granted and on what basis? This matter, which is not touched by the present legislation, is of particular concern to independent refiners. As noted above, the very survival of most independent refiners depends upon their oil import quotas.

For reasons which are developed in detail in the prior IRAA statements attached hereto, the carefully developed system of distributing import quotas to refiners and on the basis of a sliding scale in inverse relation to refinery size[5] serves best the objectives of the oil import program. For reasons there docu-

---

[4] The Proclamation does limit the Secretary's authority to circumstances which "he determines to be consonant with the objectives of this Proclamation" thereby preserving the national security objectives as a matter of legal draftsmanship and thus keeping technically within the Congressional mandate. The fact remains, however, that breach of the 12.2% limit, as previously determined necessary for the national security, was authorized and authorized prior to and in the absence of any real study of the national security impact of asphalt decontrol, i.e., one inviting industry comment such as the Director of the Office of Emergency Planning *subsequently* initiated, 32 *Fed. Reg.* 6155, April 19, 1967.

[5] In short, the system as developed over many years prior to the recent grant of quotas to petrochemical companies and for the several other purposes noted above.