

mented, that system best serves to maintain a sound producing industry, a sound refining industry, a wholesome competitive environment and the health of the small companies in the oil industry upon which national security especially depends. For a single concise statement on this critical point we refer to the explanation of the government's decision to distribute quotas in this way, given by Under Secretary of the Interior Elmer Bennett on April 21, 1960, a full copy of which is attached hereto. He said in part:

Caught in the two-fold squeeze of declining general business and the competitive pressures from large importers with access to lower-cost imported crude, the domestic refiner was faced with serious problems. I would be less than frank if I did not point out there was grave concern within the Federal Government about the future of the independent refining segment of the industry.

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The independent refiner was threatened with extinction by those integrated companies whose refinery locations gave them access to lower-cost raw materials but whose marketing areas everywhere permitted fullest use of this competitive advantage.

The facts and factors there set forth still exist and are still relevant.⁶ Extinction of the independent refiner has been averted and this is due directly to the method in which import quotas have been distributed. By that very token, any steps which threaten the independent refiner's quota position, threaten his survival.

IRAA'S RECOMMENDATION

We urge that the Senate Finance Committee's Report on S. 2332 include not only an endorsement of the quantitative limits heretofore in effect (which S. 2332 would confirm and tighten), but an endorsement also of the method by which quotas have actually been distributed prior to the recent administrative aberrations herein noted, i.e., quotas to refiners and on the basis of a sliding scale in inverse relation to refining size. We urge that the Senate Finance Committee also express clearly its disapproval of the recent steps which have provided for quotas outside of the refiner-sliding scale system and for purposes unrelated to the national security. (If and to the extent that some of the recent steps cannot now be reversed, we urge Congressional recognition of the special role of the independent refiner and Congressional endorsement of the rule that any reductions in refiner quotas (needed to pay for special quota deals and stay within the 12.2% limit) shall be borne by the major oil companies.) Such Congressional expression confirming the skillful administrative development of the import control machinery until recently will discourage further tinkering with the import program. This tinkering, if continued, will soon defeat that program's basic objectives and ultimately destroy both the independent refiner and the independent producer.

In taking this position the Senate Finance Committee will also confirm the position and views of every Congressional Committee which has considered this subject.⁷

INDEPENDENT REFINERS ASSOCIATION OF AMERICA,
Washington, D.C., April 19, 1968.

MR. ELMER L. HOEHN,
Administrator, Oil Import Administration, Department of the Interior,
Washington, D.C.

Re comments of IRAA on Imports Acution Proposal.

DEAR MR. HOEHN: I submit herewith six copies of the comments of the Independent Refiners Association of America with respect to the Department's import auction proposal, set forth in the release of March 20, 1968. I wish specially to call your attention to the fact that the position of IRAA was *unanimously* adopted at a meeting attended by independent refiners of all sizes in Houston, Texas, on April 1, 1968.

If and when hearings are scheduled on this—or any other aspect of import controls—we wish, of course, to be heard.

Sincerely,

EDWIN JASON DRYER,
Counsel for Independent Refiners Association of America.

⁶ See IRAA Statement, May 22-24, 1967, p. 12.

⁷ See especially the report of hearings on "Oil Import Allocations", August 10 and 11, 1964, by the Senate Select Committee on Small Business and the Annual Reports of that Committee from 1964 to date.