"This voluntary program worked reasonably well, considering its many inherent limitations. The vast majority of importers, as they had done earlier, adhered voluntarily to their recommended allocations.

"Again, however, the actions of a few, often for reasons beyond their control, undermined the effectiveness of the voluntary program, and the enforcement weapons of education, persuasion, and public opinion proved inadequate to do the job.

"Other factors were also at work, sounding the deathknell of the voluntary program.

"Some importers limited their imports of crude oil as requested, but at the same time increased their imports of unfinished oils and finished petroleum products. Imports of finished products, in fact, jumped slightly over 100 percent between 1957 and 1958. In unfinished oils, the increase skyrocketed some 2900 percent in the same period.

"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.

"I think we will all agree that the independent refiner—as well as the independent producer—plays an essential part in a healthy domestic petroleum industry.

"The stage was set for a change. The ingredients were there.

"First, there was noncompliance by a few companies in observing recommended crude oil import levels.

"Other firms were indirectly threatening the program by increasing their imports of other products to avoid the impact of the crude controls.

"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.

"Domestic exploration and development had not responded to the stimulus of the voluntary program and was still headed downward. The Administration warned that mandatory controls were the likely alternative in event of failure of the voluntary approach. Top officials of the Department of the Interior pleaded publicly and privately for support and cooperation.

"The rest is history, and I am sure you are familiar with its pages. I must say at this time that those who dislike the mandatory program must look to their industrial neighbors—and in some instances to themselves—in placing responsibility for mandatory oil import controls. Only with the greatest reluctance and after most careful consideration did Secretary Seaton and I concur in the conclusion that the time had come for the government to interfere in the normal processes of competition and the marketplace.

"Once the need for such controls became apparent, the problem then was clearly one of how best to allocate allowable imports of crude oil. Unless it is refined, crude oil has little economic or utilitarian value. Unless it is changed into products for the marketplace, crude oil is merely another mineral substance of the earth.

"The key, of course, is the refining process. Here man's technology and labor add the economic and useful value. Crude oil—foreign or domestic—must be refined. In further seeking the impartial standard against which all could be measured, it became obvious that refinery inputs were again the common denominator, and as a logical consequence, crude oil allocations have been based on such inputs. The very bedrock of the program had to be a fair sharing of the competitive advantages of imported oil. Our only practicable alternative would have been a steeply reduced quota level which might well have had severe international and domestic repercussions.

"The adoption of the impartial standard of refinery—a standard based on common ability, rather than special circumstance of one form or another—would indeed be a hollow mockery without adequate and fair provision for the exchange of foreign oil for domestic oil.

"Exchanges of petroleum are not a peculiar monster of the import program. Rather, they are historic devices of mutual benefit within your industry. And in the marketplace there has never been a distinction between exchanges of purchased oil and oil produced by parties to the exchange.