access to foreign hydrocarbon feedstocks. If granted, this special privilege would gravely undermine, if not destroy, the Oil Import Program.

FOURTH.—QUOTA BIDDING

Earlier this year the Secretary of the Interior announced that consideration was being given to a proposed system for auctioning oil import licenses and invited comments. Ashland vigorously opposes such a system. A copy of our letter of April 17, 1968, to the Oil Import Administrator on this subject is attached as Exhibit A.

FIFTH.—A CONTINENTAL APPROACH

It is increasingly clear that domestic supplies of crude oil are becoming inadequate to meet long-range domestic demand. Even last year production of crude in the United States exceeded the additions to proven reserves. The interruption of supplies from the Middle East and from Nigeria as a result of disturbances in those areas highlights our ultimate dependence upon all North American sources of crude oil. There is no doubt that every appropriate step should be taken to encourage domestic exploratory effort, particularly through restoration of the central purpose of the Crude Oil Import Program. We believe, also, that the time has come for full integration of United States and Canadian sources into a single supply system and that Canadian crude should be given the same consideration as domestic in all respects.

SIXTH.—STABILITY OF THE OIL IMPORT PROGRAM

In recent years, the Oil Import Program has been subjected to frequent alterations and manipulations to achieve a variety of purposes unrelated to, and often in conflict with, its fundamental objectives.

Special allocations granted by the Appeals Board in the absence of clear criteria and to serve purposes outside the proper scope of the program, frequent changes in definitions of terms of regulations with a mounting complexity and confusion in intepretation, resulting in near administrative breakdown, discriminatory arrangements for offshore facilities and chemical operations, bonuses for low-sulphur products, and the prospect of import quotas as rewards for exports—all these create a basic instability and a lack of confidence in the integrity of the program. The impairment of the fundamental purpose resulting from these deviations, distortions and confusions, already operates to deprive the oil industry of intended benefits. Thus pressure is exerted to depress the price of crude oil and to increase refined products prices, at a time when the nation urgently needs additional crude oil supplies and when inflation threatens the national economy. Moreover, the oil industry is seriously handicapped in the long-range planning of its operations by such rapid and unpredictable fluctuations in the permitted level of imports and in the system of allocations. We would not, of course, dispute the obvious fact that flexibility is required in administration to deal with novel situations and to adjust to changing conditions. But the need for flexibility cannot justify the chaos which now threatens to overwhelm this program and to defeat its central purpose. We urgenty recommend that the Committee give consideration to the establishment by statute of definite and meaningful guidelines and standards governing executive discretion to assure adherence to the original national security objective of the oil import program—a healthy and vigorous petroleum industry in the United States—and essential stability in administration of the program.

We are most grateful for the opportunity to express our views on this vitally important matter.

(Exhibit A)

ASHLAND OIL & REFINING CO.,
*Ashland, Ky., April 17, 1968.*

Mr. ELMER L. HOEHN,
*Oil Import Administrator, Oil Import Administration, U.S. Department of the Interior, Washington, D.C.*

DEAR MR. HOEHN: Pursuant to a March 20, 1968 news release by the Department of the Interior, entitled "Department of the Interior Announces Oil Import Proposals," we wish to submit our views applicable to that portion of the release concerning a proposed system for auctioning oil import licenses.