tricts I–IV by Commonwealth Oil & Refining Company of 10,000 B/D and by Sun Oil Company of 29,500 B/D. All of these special provisions were said to be based on actions by these favored companies in providing investment in Puerto Rico which would increase employment there. The special privileges granted these companies not only affects other refiners whose allocations are reduced, but also will weaken the overall control program.

In 1968, an allocation was made to Hess Oil & Chemical Corporation to ship 15,000 B/D of finished products from the Virgin Islands to the East Coast in return for payments to the Virgin Islands which would help their economy. This 15,000 B/D was not deducted from refineries in general, but was subtracted from the finished product allocations. Consequently, it adversely affected a relatively small number of firms, but it affected them significantly.

The effect on small refiners of these special privileges has been minimized by increasing the size of the lower bracket in the sliding scale, and the effect on petrochemical plants has been reduced by increasing the share going to petrochemicals. This means that large and medium-size refiners were affected the most.

Provision was made in the Presidential Proclamation in 1967 to allow for allocations to asphalt dealers, despite evidence that there is no shortage of domestically-produced asphalt. This provision has not yet been implemented, and in our opinion should not be.

Indications are that the Oil Import Administration plans to continue changing the regulations. Recently, at the request of the Administrator of the Oil Import Administration, we submitted comments on three proposals for changing the regulations. The Administrator is currently considering additional petitions for special allocations by refiners in the Caribbean and elsewhere. The Administrator is also under considerable pressure to increase imports of distillate fuel on the East Coast for heating purposes. So far, the Administrator has wisely refused on the grounds that such imports were not necessary, but should he allow these additional imports, it would, in our opinion, further impair the effectiveness of the program.

We do not believe that the contribution made to the other problems for which the Oil Import Control Program has been used were significant enough to offset the serious inequities they caused to existing refiners. These actions threaten the whole program because the gross inequities created and the uncertainty regarding the future of the program will discourage the investment required to provide the necessary refinery, transportation and other capacity necessary to continue to provide the low-cost energy essential to economic growth. We are convinced that others will be presenting new proposals to obtain benefits similar to those already granted. We believe that immediate action is necessary to prevent the granting of additional special privileges and that a plan should be devised to phase out the special privileges that now exist.

DANGER OF CONTINUED CONTROLS ON DIRECT FOREIGN INVESTMENT

Gulf Oil Corporation is seriously concerned with the mandatory controls on direct foreign investment. We realize the seriousness of our balance of payments program, but believe that restrictions on capital outflow for direct foreign investment will have a serious adverse affect on our balance of payments in future years. Direct foreign investment consistently makes a favorable contribution to our balance of payments in that the return on existing investment significantly exceeds the capital outflow for additional investment. The additional investment is necessary both to expand and maintain the return on investment. In 1967, income on direct investment was $4,445 million. In addition, the direct foreign investment returned $1,126 million in fees and royalties. Thus, the total return of $5,571 million exceeded the capital outflow of $3,026 million by $2,545 million. This was not only one of the few items making a favorable contribution, but was up $998 million from the previous year. In addition to the direct favorable contribution to the balance of payments, direct investment is responsible for a significant portion of our exports. Much of the capital outflow is really an outflow of U.S.-made goods. Therefore, the contribution of direct investment is even greater than indicated by the cited figures. Business will try to maintain its foreign investment by borrowing money abroad, but this will raise their costs and adversely affect their competitive position with foreign firms, and will reduce the return on investment, which has been so significant in our balance of payments. We believe it dangerous to restrict even as an emergency