signatory country may be brought into the other's country and boarded on such aircraft free from customs duties, excise taxes, inspection fees and other national duties and charges. More recent bilateral agreements further provide that such fuel shall not be subject to otherwise applicable economic prohibitions and restrictions relating to import, export and transit. To effectively end the availability of the bonded fuel used by foreign-flag airlines would certainly be deemed to be a breach by the United States of the spirit, and in some cases the letter, of these international agreements.

The consequent loss of stature in the community of nations would not be the only loss suffered by the United States by such a circumvention of these bilateral air transport agreements. Retaliatory action would surely be forthcoming. Just as our own Tariff Act provides for withdrawal of bonded fuel rights from the aircraft and vessels of foreign nations which do not accord reciprocal privileges, these nations can and would do the same to U. S.-flag carriers. The result would be a substantial net increased cost in the fuel loaded at foreign points—millions of dollars in added costs that would be paid without economic benefit to anyone in this country. The end result would be a total economic waste and a wholly unnecessary addition to the balance of payments deficit. Moreover, the very nature of such a breach of good faith on the part of the United States would likely engender other forms of economic retaliation—all to the detriment of the prime United States interest in the free and unhindered flow of international air commerce.

It is our understanding that other provisions of the proposed legislation would exclude from its coverage the bunker fuel used by ships engaged in foreign trade. To retain such rights for vessels, but not for aircraft, clearly would represent a rank form of discrimination between sea and air transportation—one that is unexplained and, we submit, unexplainable. Since bunker fuel and other residual fuel oils which have not been covered by the mandatory oil import program are to continue to be exempted by this legislation, the same treatment properly must be afforded with respect to the precisely comparable case of bonded fuel used by the airlines.

With the elimination or substantial curtailment of the availability of bonded fuel supplies, these airline fuel requirements would be thrown on the domestic market which already suffers from shortages of jet fuel due to increased military requirements and the rapidly increasing demands of civil aviation. Bonded fuel now supplies about 20% of total airline fuel requirements in this country—much too large an amount for the already tight domestic market to handle. A substantial disruption in jet fuel supplies would be virtually inevitable; curtailment of air carrier schedules might even be required. Moreover, military fuel supply requirements would necessarily be affected adversely by this increased civil demand. And the economic effect on the airlines would be serious—an increase of 10 percent or more in the cost of fuel used on international flights. This latter element would be in derogation of the efforts of our government to attract foreign visitors to the United States through low-cost air services. Again, the balance of payments deficit would suffer.

In summary, this aspect of the legislation would unjustifiably eliminate a traditional right in aid of foreign trade, one recognized throughout the free world and made the subject of bilateral agreement with over 60 foreign nations; it would place the United States in an untenable position with respect to these agreements and would invite wasteful economic retaliation; it would arbitrarily discriminate between air and sea transportation; it would seriously disrupt domestic aviation fuel supplies, with adverse effects on both military and civil aviation requirements; and, in general, would be in derogation of the vital public interest objectives served by the international air commerce of this nation. Moreover, this facet of the bills has no genuine relationship to the announced legislative purpose of the overall proposal, and would have only the most minimal effect thereon in any event. These considerations dictate that the legislation be amended so as to delete from its coverage all bonded fuel withdrawn free of duty pursuant to the provisions of Section 309 of the Tariff Act of 1930.

Attachment.

SUGGESTED AMENDMENT TO H.R. 10690

Revise subsection (h) (2), as follows:

"'Imports' shall include (*A*) 'imports for consumption' as recorded by the United States Bureau of the Census, ***other than free withdrawals by persons***