

more and more clear that American producers forced to pay inflated prices at home for crude oil were in danger of losing ground to their European competitors who could procure their chief raw material at the world market price.

This became especially apparent in the case of Benzenoid Chemicals, with results that are well known. Having taken the cosmetic petroleum industry under its wing, the government tried to protect local producers of Benzenoids by what amounted to a tariff-on-a-tariff, namely the American selling price system (ASP). At this point things were getting complicated. ASP became, in turn, a major obstacle to conclusion of the Kennedy round and still remains a major obstacle to U.S.-European co-operation in relieving pressure of this Nation's balance of payments.

There was, of course, still more to come. Originally, the quotas were to apply to the whole U.S. market. But that didn't make much sense, either, as it turned out.

Why should they apply to Hawaii, lying far from American oil sources and (presumably at the end of one of those "vulnerable supply lines")? Hawaii had problems of its own. So did Puerto Rico, which has been trying to attract heavier industries (including petrochemicals) via its "operation bootstrap." And then there was Alaska, far closer to Canadian sources of oil than American. Why should these areas find their growth stunted in the interest of domestic producers and refiners within the continental United States?

So some more exceptions were made and there were still more to come. Provision was also made for additional quotas for crude oil imported for use in petrochemicals. (The purpose of this was to help maintain the competitive status of U.S. petrochemicals producers vis-a-vis their foreign competitors.)

In the light of all these complexities, modifications, exemptions and the like it is hardly surprising that inequities and administrative troubles have developed.

It has been charged that some large oil companies have been taking a "double dip" on their quotas, namely, by importing their full quota of fuel oil for refining purposes, then claiming another for petrochemical end uses. This has raised questions of who is a bona fide refiner and distributor and who is not. And of who is in petrochemicals and who is not. To those who had demanded the quotas in the first place—allegedly in the interests of national defense—all these exceptions are now condensed in one word: "Loopholes".

They want a tighter administration of these quotas and, to some extent, they seem to be getting it. And they want various loopholes plugged. Their argument is that the official 12.2 ratio of imports to domestic production really applies to less than half of the total of U.S. imports. And considering the exceptions given to mitigate the effects of the artificial price level maintained by the quotas, they might be right. But that is not the point.

The point is that all these disruptions and some of the dissatisfaction among homeowners with the high price of heating oil would have been absent from the picture today if the quotas had never been imposed at all. We still find no valid case for this special treatment for an industry that does not actually need it and is, in any case, already specially favored in terms of the tax depletion allowance and the like. The best thing Washington could do is admit frankly it made a bad mistake nine years ago and scrap the quotas altogether.

These giants staunchly defend the "Free Enterprise System", and we whole heartily agree that it should be preserved. Yet they seek special treatment from our Government (who incidentally are the people) that is not available to small business and is not in the public interest.

Therefore, we urge you in the interest of everyone concerned to get rid of this monstrosity called the "Import Quota System".

Respectfully yours,

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