valuable light products for which an affluent American public provides a ready market.

In 1959 domestic residual supplies available in district I—the Atlantic Seaboard States—totaled 121 million barrels. In 1967, domestic supplies for these States had declined to 76 million barrels, although at the same time the total consumption of residual oil, spurred by very cheap foreign imports, was increasing from 290 million barrels to 420 million barrels.

As I am sure you will recall, the President and his Cabinet determined in 1959 that imports of petroleum, including residual fuel oil to be used as fuel, into the east coast of the United States, were growing so large as to be a threat to the national security. By proclamation, the President imposed quotas on such imports, with imports of crude and products other than residual fuel oil limited to a definite formula, which, if adhered to would have accomplished the original intent of the proclamation—to safeguard the national security. In actual practice, however, it has been progressively weakened since about the first year of the program, when an effort was made to hold imports down.

After a few months, this determination gave way to expediency not a little affected by political pressures from those who sought unrestricted imports, regardless of the economic impact on domestic fuel producers. From then until about 2 years ago annual quotas were established on a formula which, basically, took into account (1) current residual consumption in district I, (2) anticipated decline in domestic residual fuel oil in district I and available to the east coast from other districts; and (3) an allowance for a further increase based on the projected growth in the gross national product which the Secretary of Interior thought was necessary to insure foreign suppliers a proportionate share of the growth of east coast fuel market.

Unfortunately, even this formula which did have some apparent reasonableness to it, was all too often violated as the Secretary of Interior granted special bonus quotas because importers imprudently used up their allocations before the end of the quota year. Nevertheless, while this program, loosely as it was administered, was in effect a stable relationship was achieved between domestic fuels and imported residual oil along most of the east coast. In 1965, however, even the lax quota system was dropped and the Secretary substituted what he termed an "open end" system of permits whereby the only real limit on imports has become "what the market will bear." As the following facts will show, the impact of this move has been severe.

In 1959, imports of heavy fuel oil totaled 172 million barrels.

By 1965, under the so-called mandatory control program, imports had increased to 266 million barrels, an annual average increase of 15.8 million barrels.

Under the "open-end" program, residual imports increased to 322 million barrels in 1966 and to 345 million barrels in 1967—an annual average increase of 39 million barrels in the past 2 years.

A little more than four barrels of residual fuel oil is equivalent, in heating value, to 1 ton of coal. Measured in this way, the magnitude of the competition to coal from imported residual oil is significant.

In 1959, imports were the equivalent to about 43 million tons of coal.

By 1967, imports had climbed to the equivalent of about 84 million tons of coal—an increase of almost 100 percent.