

May 16, 1968

STATEMENT OF CONGRESSMAN BOB DOLE BEFORE THE SUBCOMMITTEE ON MINES AND MINING OF THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, ON A REVIEW OF MANDATORY OIL IMPORT PROGRAM AS RELATED TO THE DOMESTIC PETROLEUM INDUSTRY

Mr. Chairman, I share the widespread concern of the domestic oil industry over the loopholes in the Mandatory Oil Import Program. The overage is currently running at a level of 180,000 barrels per day. I oppose the continued toleration of these loopholes by the Executive Branch. I have joined 46 of my colleagues in introducing legislation which proposes to make the 12.2% import limitation law, and close the loopholes which have contributed in large measure to the decline of the domestic oil industry.

- ADVERSE CONDITIONS IN DOMESTIC OIL INDUSTRY -

It is not difficult to document the decline at home. These facts bring into perspective the extent and magnitude of the crisis:

... Exploratory wells drilled in 1967 are down 35.1% from the 1957-1959 average.

... Employment is down 18.6% from the 1957-1959 levels.

... Crude oil prices -- in the face of gross inflation -- are down 1.4% from the 1957-1959 levels.

... Oil profits have consistently run below manufacturing industry's profit margin for over a decade.

In spite of these statistics of decline, the oil customer's benefit has increased for every dollar spent. In 1967 the gasoline buyer could get 8.5 gallons for an average hour's wage, while in 1957 he could get only 6.6 gallons. Gasoline, therefore, is getting cheaper for the customer to buy in real terms.

- LOOPHOLE EXAMPLES -

The loopholes causing the import overage, and therefore much of the problem, are diverse and numerous. Examples are:

- (1) Approval of the Hess Oil and Chemical Company's application for a 15,000 barrel import of finished products from the Virgin Islands. I understand Hess has applied to decrease this import to 25,000 barrels per day.
- (2) The Department of Defense has resumed an import of 30,000 barrels of jet fuel which had been discontinued for over a year.

(OVER)

(3) Importers unable to use their import quota due to last year's upheaval in the Middle East, are now being allowed to complete that quota this year, and will be allowed to continue during 1969.

(4) Technical changes in the definition of "Residual Fuel Oil" have caused those imports to be increased by some 25,000 barrels per day. And, finally,

(5) Continued overage from Canada is averaging around 70,000 barrels per day.

- COMMUNICATION WITH THE SECRETARY OF THE INTERIOR -

Mr. Chairman, I have protested these conditions in letters to the Secretary of the Interior and the President. Clearly, the continuing deterioration of the import situation requires legislative action. I would hope the Ways and Means Committee, scheduled to begin hearings on the broad subject of tariffs and trade on June 4, 1968, will be disposed to report a bill making the 12.2% of domestic consumption import level statute law. Forty-seven Congressmen and 28 Senators, I understand, have introduced legislation which would accomplish this goal. I hope these hearings by your Committee, Mr. Chairman, will invite the attention of our colleagues on the Ways and Means Committee to the desperate situation in the domestic oil industry -- an industry universally recognized as essential for our national defense and future prosperity.

Between 1964 and 1980 our domestic oil industry must find over 90 billion barrels of new reserves. Their work is set for them. Their challenge is clear. We in the Congress must provide an economic atmosphere worthy of their respect -- enabling their future prosperity and success.

- JOOPHOLES EXAMPLES -

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