



NEWS from

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STATEMENT OF SENATOR BOB DOLE BEFORE THE MANDATORY FUEL ALLOCATION OVERSIGHT HEARINGS COMMITTEE ON INTERIOR AND INSULAR AFFAIRS FEBRUARY 27, 1974

MR. CHAIRMAN: With many millions of Americans, I share a great respect for and appreciation of the job Administrator Simon and his dedicated staff at the Federal Energy Office are doing in the face of an almost impossible challenge.

The credit due them should be given, and I do not wish therefore to join with those who second guessed and criticized the Federal Energy Office, especially those who criticize it for the actions it takes in pursuit of rather explicit Congressional mandates.

KANSAS CONCERNS

I am taking this opportunity merely to bring before this Committee some of the questions and concerns which the petroleum allocation program has caused to arise in my State of Kansas.

The basic concern -- what will the fuel situation be like when agricultural activity swings into full gear next month -- prompts two specific questions.

The first has to do with the allocation of refined products. Under the regulations, agricultural users and all of those engaged in food production are to be allocated fully 100 percent of current need. No one seriously questions the designation of this priority, least of all myself.

But the priority on food production is a national priority, and therefore the fuel to serve it should be drawn from a national base. Until recently, it had been my understanding that it would be drawn from the national base and that the fuel for these 100 percent-of-current-need-requirements would be set aside at the refiner level. After this fuel was, in effect, set-aside, then the remainder would be apportioned fairly to the states for retail distribution to users who were not in that 100 percent requirement category. In other words, the states allocation fractions would represent the amount of fuel they would have available for retail sales after adequate amounts were taken out to meet the country's food production requirements.

CURRENT REGULATIONS

However, under current regulations, it appears that the fuel to meet these priority requirements will be taken from a state's over-all allocation. This will clearly result in severe hardships in a state like Kansas where agricultural demands are going to be very heavy this spring and summer.

EXAMPLE

An example will illustrate the difficulty this could cause. If a retailer in a rural area of Kansas has an agricultural demand of 75 percent and a 25 percent non-priority retail demand, then out of a hypothetical total requirement of 1,000 gallons, 750 gallons would go for agricultural use. If, however, the retailer's supplier is dealing with an allocation fraction of only 80 percent, then he would actually receive only 800 gallons from his refiner. Under the law, however, he would still have to assign 750 of these to agricultural users and have only 50 left for retail sales.

- 2 -

NEED GREATER FLEXIBILITY

The program must assure a greater availability for retail use than this. The regulations must be implemented so that the 750 is taken out first and the allocation fraction applied subsequently to the balance of the retailers' demand. In the case of our hypothetical retailer, this would mean that he could assign the 750 gallons to priority use and then would get 80 percent of the balance of his need. That is 80 percent of 250, or 200 gallons for retail use.

Anything short of this would pose a grossly disproportionate burden on retail purchasers in rural states and put them at a large disadvantage when compared to users in more urbanized areas.

CRUDE ALLOCATION

The second specific area of concern has to do with the crude oil allocation program.

There seems to be general agreement that the program as presently implemented is far too rigid and has resulted in severe dislocations in the supply and distribution of crude oil in this country.

I would hope to hear from the Federal Energy Office some comments regarding its view as to how the law must be changed in order to allow for increased flexibility in the distribution and redistribution of crude. Under present practice, many refiners who supply Kansas are being forced to sell their crude to crude deficient refiners who may do business out of the State. Much of this crude oil is, in fact, produced in Kansas and is part of a production total which has historically gone to help serve Kansas' needs.

On a national scale, there seems no longer to be any room left for doubt. The program has created massive dislocations in the supply system. There are disincentives created among refiners, discouraging the purchase of foreign crude at higher import prices than would have to be paid a company that is forced by the allocation program to sell a portion of its own domestically developed crude supplies.

Clearly, we need a program which can protect the small and independent refiners, whose production is so important to rural America. We need a program that can assure these smaller refiners the crude they need to operate at efficient levels but can eliminate the counter-productive and anti-competitive requirement that majors sell to majors, which the current program has created.

It is my own belief that the Congress will support the FEO in an effort to improve the crude oil allocation program provided that the FEO can concretely suggest a program that will meet the foregoing objectives.