The original documents are located in Box 19, folder "Oil Import Fees (2)" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

Date 1/21

TO: Charlie

FROM: Douglas P. Bennett

For Your Information X

Please Handle ______

Per Our Conversation ______

Other: NETA: DO WE FILE THIS!

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

January 21, 1975

The Honorable Gerald R. Ford
President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

This is in reference to your proposed action of imposing a \$1-\$3-per-barrel import fee or tariff on imports of crude oil (and a tariff of similar incidence on petroleum products) under Section 232, the national security provision of the Trade Expansion Act of 1962.

There has been no indication of which I am aware that the Secretary of the Treasury has conducted an investigation and recommended to you on the basis of such an investigation the action you propose to take under Section 232 of the Trade Expansion Act. In the absence of any indication along these lines, I must assume that you are acting under the national security investigation and Presidential finding of 1959 under which the import quota system on petroleum and petroleum products was established some 15 years ago.

I am aware that the President in February of 1973 changed the import quota system on petroleum and petroleum products to an import license fee system without benefit of a new national security investigation and Presidential finding. Such action at that time was not broadly questioned by the Congress, although many Members, including Members of the Committee on Ways and Means, had reservations concerning the basis of that action. Under H.R. 14462, as reported by the Committee on Ways and Means, any import restriction on petroleum under Section 232 would have become subject to specific legislative criteria. Also reflecting those concerns are the new procedural and reporting requirements which were added by amendments to Section 232 contained in the Trade Act of 1974, Public Law 93-618.

There are serious legal questions created by continued Presidential use of Section 232 to drastically change (merely by issuing executive orders) restrictions on imports of petrole products without benefit of the statutory investigation and findings required by that provision.

It can be recognized that the President from time to time would find it necessary to make some changes in the program of adjusting imports under Section 232 in light of changing circum stances. However, the original thrust and purpose of the 1959 national security finding with respect to petroleum has all but disappeared. Obviously what remains is the continued, even increased dependence on imports of petroleum and petroleum produc The question is how best this situation can be dealt with in light of completely different circumstances in 1975?

The divergence of economic interests involved in the exist complicated import license fee system on oil imports will be exacerbated by the additional, and changing level of import fee which you propose to impose under Presidential authority. The changing costs and price conditions which the import fee will create are not conducive to sound legislation.

As you have implied in your message to the Congress, the energy and indeed the economic problems we face call for compre hensive and consistent legislative approach. In this regard, there is a preferable course to take and one which will provide the greatest degree of cooperation between the Executive branch and the Congress. To this end I respectfully request that you take no further action under the national security provision to impose additional fees or tariffs on imports of petroleum and petroleum products, but await appropriate legislative action. As I am sure you are aware the Committee on Ways and Means is responding to your request for action by making your proposal the first order of business.

Sincerely yours,

Al Ullman

Al Ullman
Chairman

AU:hll

Cg.

THE WHITE HOUSE

WASHINGTON

January 21, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUG BENNETT DPB

SUBJECT: Tariff on Imported Crude Oil

In addition to the Kennedy-Jackson resolution which would delay for 90 days any action the President takes, Tip O'Neill will probably introduce this week a similar resolution and John McFall will introduce a sense of the Congress resolution. Apparently, there are approximately 200-250 co-sponsors for these bills.

Although Mansfield may simply call up the Senate resolution without hearings, there will be a difficult procedure in the House. Since the advocates will not get unanimous consent, the measures will be referred to Ways and Means and handled by the Trade Subcommittee. [As Phil Landrum has gone to the Budget Committee, he will not chair, Bill Green will.] On the Republican side are Barber Conable and Jerry Pettis, both advocates of the President's program. Further, I expect Charlie Vanik will attempt to take an active role - he is opposed to the tariff , naturally. The bottom line is that we have substantial problems in committee vis-a-vis the Ullman letter to the President as well as subcommittee make-up.

I think it important that the full story behind this Presidential decision be presented to the full Ways and Means Committee. Frank Zarb would be the ideal spokesman and we should consider asking Ullman to allow Zarb to testify (Schneebeli, Conable, Waggonner, Burleson and others will support such a request). This should be done soon so as to blunt strong opposition from building up on the committee.

cc: B. Kendall, P. O'Donnell, B. Wolthuis, C. ~~Leppert~~

THE WHITE HOUSE

WASHINGTON

January 22, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUG BENNETT DB

SUBJECT: Tariff on Imported Crude Oil

The President's indication that he will proceed with the proclamation has prompted the Ways and Means Committee to hold hearings tomorrow on the Green Bill to diffuse the President's action (attached). The Trade Subcommittee will be bypassed in favor of full committee consideration (the subcommittee system is already breaking down). The bill will most likely be approved by the committee and attached to the debt limit authorization which must be passed by February 18.

As I see it, the President has four alternatives:

(1) Back down and do nothing.

(2) Proceed as planned.

(3) Compromise by imposing $1 tariff and holding it at that level pending action by the Congress.

(4) Greater compromise by delaying action for one month from today - to February 22 - to force Congress to act. If no action, he would proceed with the $1, $2, and $3 tariff.

RECOMMENDATIONS

(1) Reject. Initiative would be lost by caving in to the Demos.

(2) Possible alternative but forces direct confrontation which could result in antagonism toward all the other parts of the President's program.

(3) Favor as it would be a form of compromise, forces Congressional action, may diffuse effort to attach to debt limit authorization (but risk still remains) and expresses willingness to cooperate and compromise. Conable and Waggonner favor this.

(4) A good possibility as it forces Congressional action, probably eliminates debt limit problem, brings energy package back into relief package (particularly in light of Ullman's inclination to separate per this morning's memo to you), maintains initiative and keeps President on the offense and focuses the "lack of leadership" label on the Congress. Also demonstrates compromise, etc.

Attachment

cc: Kendall, O'Donnell, Leppert, Wolthuis

94th Congress
1st Session

Mr. Green (for himself and

A BILL

To suspend for a 90-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such 90-day period; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, during the period beginning on the date of the enactment of this Act and ending at the close of the 90th day thereafter, nothing in section 232(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1862(b)) or in any other provision of law shall be deemed to grant to the President any authority to adjust imports of petroleum or any product derived therefrom.

Sec. 2. (a)(1) Any action which is taken after January 15, 1975, and before the date of the enactment of this Act by the President under section 232(b) of the Trade Expansion Act of 1962 or any other provision of law which results in the imposition of a rate of duty on petroleum or any product derived therefrom shall cease to have effect on the date of the enactment of this Act, and the entry or withdrawal of petroleum and any product derived therefrom on or after such date of enactment shall be duty-free.

(2) Upon appropriate request therefor filed with the customs officer concerned on or before the 60th day after the date of the enactment of this Act, the entry or withdrawal of petroleum or any product derived therefrom to which a rate of duty imposed by the President (pursuant to any action by him after January 15, 1975, and before the date of the enactment of this Act under such section 232(b) or any other provision of law) applies shall, notwithstanding the provisions of section 514 of the Tariff Act of 1930 or any other provision of law, be liquidated or reliquidated as if no duty applied to such entry or withdrawal.

(b)(1) Any action which is taken after January 15, 1975, and before the date of the enactment of this Act by the President under section 232(b) of the Trade Expansion Act of 1962 or any other provision of law which results in the imposition of a tax or fee on the importation of petroleum or any product derived therefrom which is higher than the tax or fee imposed on the importation of petroleum or any such product on January 15, 1975, shall cease to have effect on the date of the enactment of this Act; and the tax or fee imposed on the importation of petroleum or any product derived thereform after such date of enactment shall be the tax or fee in effect on January 15, 1975.

(2) Upon request therefor filed with the appropriate Federal agency on or before the 60th day after the date of the enactment of this Act, the amount of any tax or fee imposed by the President (pursuant to any action by him after January 15, 1975, and before the date of the enactment of this Act under such section 232(b) or any other provision of law) and paid by any person on the importation of petroleum or any product derived therefrom which exceeds the tax or fee that was imposed with respect to the importation of petroleum or products derived therefrom on January 15, 1975, shall be rebated to such person.

Sec. 3. If during the 90-day period referred to in the first section of this Act--

(1) the Congress declares war,

(2) United States Armed Forces are introduced into hostilities pursuant to specific statutory authorization,

(3) a national emergency is created by attack upon the United States, its territories or possessions, or its Armed Forces, or

(4) United States Armed Forces are introduced into such hostilities, situations, or places, or are enlarged in any foreign nation, under circumstances which require a report by the President to the Congress pursuant to section 4(a) of the War Powers Resolution (50 U.S.C. 1453(a)),

the first section of this Act shall not thereafter apply.

FOR RELEASE UPON SIGNATURE January 23, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

MODIFYING PROCLAMATION NO. 3279, RELATING TO IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS, AND PROVIDING FOR THE LONG-TERM CONTROL OF IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS THROUGH A SYSTEM OF LICENSE FEES

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS the Director of the Office of Civil and Defense Mobilization found pursuant to Section 2 of the Act of July 1, 1954, as amended (19 U.S.C. 1352a), "that crude oil and the principal crude oil derivatives and products are being imported in such quantities and under such circumstances as to threaten to impair the national security;" and

WHEREAS, Proclamation No. 3279 as well as modifications thereof, including Proclamation No. 4210 which suspended tariffs on imports of petroleum and petroleum products and established a system of license fees for such imports, was issued pursuant to this finding; and

WHEREAS, although conditions in world oil markets have changed significantly in recent years, the above finding continues to be valid at the present time; and

WHEREAS, the Administrator of the Federal Energy Administration who maintains constant surveillance of imports of petroleum and its primary derivatives in respect to the national security, and who has reviewed the current status of imports under Proclamation No. 3279, as amended, has recommended that the method of adjusting imports of crude oil and the principal crude oil derivatives and products be modified; and

WHEREAS, I agree with this recommendation; and

WHEREAS, pursuant to Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862), the Secretary of the Treasury having made an appropriate investigation to determine the effects on the national security of imports of crude oil and the principal crude oil derivatives and products and having considered the matters required by him to be considered by the Trade Expansion Act of 1962, as amended, has reported the findings of his investigation and has advised me that crude oil, the principal crude oil derivatives and products, and related products derived from natural gas and coal tar, are being imported in such quantities and under such circumstances as to threaten to impair the national security and has recommended that I take action to reduce such imports; and

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(OVER)

WHEREAS, having considered the matters required by me to be considered by the Trade Expansion Act of 1962, as amended, I agree with the said advice; and

WHEREAS, I find and declare that adjustments must be made in imports of crude oil, the principal crude oil derivatives and products, and related products, so that such imports will not so threaten to impair the national security; and

WHEREAS, I judge it necessary and consistent with the national security to further discourage importation into the United States of petroleum, petroleum products, and related products, in such quantities or under such circumstances as to threaten to impair the national security; to create conditions favorable to domestic crude oil production needed for projected national security requirements; and to increase the capacity of domestic refineries and petrochemical plants to meet such requirements; and to encourage the development of other sources of energy; and

WHEREAS, in order to achieve the above objectives, I determine that a supplemental fee should be imposed on all imports of petroleum and petroleum products, and that certain other changes in the existing license fee system be made; and

WHEREAS, I have instructed the Administrator of the Federal Energy Administration to evaluate the structure and scope of coverage of those aspects of the existing Mandatory Oil Import Program which are not changed by this Proclamation, and to report to me within three months with his recommendations;

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, acting under and by virtue of the authority vested in me by the Constitution and the laws of the United States, including Section 232 of the Trade Expansion Act of 1962, as amended, do hereby proclaim that, effective as of February 1, 1975, a new system of oil import fees is instituted, and accordingly, Proclamation No. 3279, as amended, is hereby further amended as follows:

Section 1. Subparagraph (1) of paragraph (a) of section 3 is amended to read as follows:

"Sec. 3(a)(1). Effective February 1, 1975, the Administrator shall issue allocations and licenses subject to fees, on imports of crude oil, unfinished oils, and finished products. Such licenses shall require, among other appropriate provisions, that:

(i) with respect to imports of crude oil and natural gas products, over and above the levels of imports established in Section 2 of this Proclamation, such fees shall be $0.21 per barrel;

(ii) with respect to imports of motor gasoline, unfinished oils, and all other finished products (except ethane, propane, butanes, and asphalt), over and above the levels of imports established in Section 2 of this Proclamation, such fees shall be $0.63 per barrel;

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(iii) with respect to imports of crude oil, natural gas products, unfinished oils, and all other finished products (except ethane, propane, butanes, and asphalt) entered into the customs territory of the United States on or after February 1, 1975, there shall be a supplemental fee per barrel, of $1.00, rising to $2.00 on imports entered on or after March 1, 1975, and to $3.00 on imports entered on or after April 1, 1975;

(iv) with respect to the fees imposed pursuant to paragraphs 3(a)(1)(i)-(iii), the amount of such fees shall be reduced, on a monthly basis, by an amount equal to any applicable duties paid less any drawbacks received during the same period, except that where duty drawbacks exceed the duty paid during that period, the net differences shall be applied to subsequent periods;

(v) with respect to all licenses issued prior to the effective date of this Proclamation, such licenses shall be subject to paragraph 3(a)(1)(iii), regardless of whether such licenses were issued as a result of payment of fees or an allocation not subject to fee;

(vi) with respect to licenses issued prior to the effective date of this Proclamation, not subject to the license fee prescribed in paragraph 3(a)(1)(i)-(ii) or licenses issued by prepayment of such fees, payment of the fees prescribed in paragraph 3(a)(1)(iii) shall be made no later than the last day of the month following the month in which such imports were released from customs custody or entered or withdrawn from warehouse for consumption, whichever occurs first. With respect to licenses subject to the fees prescribed in paragraph 3(a)(1)(i)-(ii) but issued against a surety bond, payment of the fees prescribed in paragraph 3(a)(1)(iii) shall be made simultaneously with payment of the fees prescribed in paragraph 3(a)(1)(i)-(ii). Notwithstanding the provisions of paragraph (b) of Section 3, surety bonds need not be increased to cover the additional fee liability on licenses issued prior to the effective date of this Proclamation;

(vii) with respect to licenses issued on or after February 1, 1975, for imports entered into the customs territory of the United States prior to April 1, 1975, an amount of fees under paragraph 3(a)(1)(iii) equal to those due on April 1, 1975, shall be payable, subject to refund of the difference between the amount of the fee applicable at the time the imports are entered and the amount already paid;

(viii) with respect to licenses issued pursuant to paragraph 3(a)(1)(iii) for imports other than (A) crude oil as defined for purposes of the Old Oil Allocation Program which is imported for refining or (B) products refined in a refinery outside of the customs territory as to which crude oil runs to stills would qualify a refiner to receive entitlements under the Old Oil Allocation Program, the Administrator may by regulation reduce the fee payable by the following amounts, or by such other amounts as he may determine to be necessary to achieve the objectives of this Proclamation and the Emergency Petroleum Allocation Act of 1973:

- for imports entered into the United States customs territory during the month of February, 1975, $1.00 per barrel;

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- for imports entered during the month of March, 1975, $1.40 per barrel;

- for imports entered during the month of April, 1975, and thereafter, $1.80 per barrel.

(ix) with respect to licenses issued pursuant to paragraph 3(a)(1)(i)-(iii), the Administrator:

(A) with respect to imports of crude oil, to the extent that such imports are refined into products or incorporated into petrochemicals exported from the United States and its territories and possessions, shall refund any fee collected; provided, that the Administrator may limit the quantity of exports to which refunds under this provision may be applicable;

(B) with respect to unfinished oils, may, by regulation, provide for refunds to the extent that such unfinished oils are refined into products or incorporated into petrochemicals which are exported from the United States and its territories and possessions; and

(C) with respect to petrochemicals, shall specify, by regulation, those petrochemicals which qualify an importer for a refund under this subparagraph.

Sec. 2. In addition to the foregoing amendments, which in themselves are intended to achieve the objectives of this Proclamation, the following additional and conforming amendments are made to Proclamation No. 3279, as amended:

(a) Paragraph (c) of Section 1 is amended to read as follows:

"(c) In Districts I-IV, District V, and in Puerto Rico, no department, establishment, or agency of the United States shall without prior payment of the fees provided for in Section 3(a)(1)(i)-(ii) of this Proclamation, import finished products in excess of the respective allocations made to them by the Administrator. Such allocations shall, except as otherwise provided in this Proclamation, be within the maximum levels of imports established in Section 2 of this Proclamation. No such department, establishment, or agency shall be exempt from the fees provided in Section 3(a)(1)(iii)."

(b) Section 2 is amended in the following respects:

(1) The first sentence of paragraph (a) of section 2 preceding subparagraph (1) is amended to read as follows:

"Sec. 2(a). Except as otherwise provided in this Proclamation, the maximum level of imports, from sources other than Canada and Mexico which may be made without prior payment of the fees provided in Section 3(a)(1)(i)-(ii) of this Proclamation, of crude oil, unfinished oils, and finished products (other than residual fuel oil to be used as fuel) shall be:"

(2) Subparagraphs (1), (2), (5) and (6) of paragraph (a) of section 2 are amended by deleting the word "calendar" wherever it appears.

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(3) Paragraph (c) of section 2 is deleted, and paragraph (d) is redesignated as paragraph (c).

(4) Subparagraph (1) of paragraph (d) of section 2 preceding the portion of subparagraph (1) designated (i) is amended to read as follows:

"(c)(1) Except as otherwise provided in this Proclamation, the maximum levels of imports from Canada of crude oil and unfinished oils to which license fees under section 3(a)(1)(i)-(ii) are not applicable shall be:"

(5) Subparagraph (1) of paragraph (d) of section 2 is amended in the portions designated (i) and (ii) by deleting the word "calendar" wherever it appears.

(6) Paragraph (e) of section 2 is redesignated as paragraph (d), and is amended by deleting the word "calendar."

(7) Paragraph (f) of section 2 is redesignated as paragraph (e).

(c) Section 3 is amended in the following additional respects:

(1) Subparagraph (2) of paragraph (a) of section 3 is amended in its proviso to read as follows:

"Provided, that such rate shall apply also in cases where the holder of the license establishes to the satisfaction of the Administrator that he made a good faith attempt to arrange shipment by vessel under United States registry and that no such vessel was available at reasonable rates for the purpose at the time this shipment was made."

(2) Subparagraph (3) of paragraph (a) of section 3 is amended to read as follows.

"(3) The Administrator is authorized to refund or reduce fees, whether in whole or in part, (i) for payment to the importer of record, on a monthly basis, of sums equal to the sums collected by way of duties, by the United States Customs Service, less any applicable drawback pursuant to paragraph 3(a)(1)(iv); (ii) for payment to the importer of record of the sums required to be refunded by paragraphs 3(a)(1)(vii) and (viii); (iii) where the licensee failed to use, wholly or in part, the license issued to him (iv) where refunds of license fees, whether in whole or in part, are ordered by the Oil Import Appeals Board (v) where refund of a license fee, whether in whole or in part, is called for by reason of a person having exported finished products or petrochemicals; (vi) where crude oil imported by virtue of a license for which a fee was paid has been manufactured into asphalt; (vii) where refund of a license fee is called for by reason of the same having been improperly charged."

(3) Paragraph (b) of section 3 is amended to read as follows:

"(b) Applications for allocations and licenses for imports subject to fee under this section shall be accompanied by the applicant's certified check, or a cashier's check, payable to the order of the Treasurer of the United States in the amount chargeable pursuant to this section, or by a bond with a surety on the list of acceptable sureties on Federal bonds maintained by the Bureau of Government Financial Operations, Department of the Treasury, in a sum not less than the amount chargeable pursuant to this section, conditioned upon payment of such amount to the order of the Treasurer of the United States, by the last day of the month following the month in which such imports were released from customs custody or entered or withdrawn from warehouse, whichever occurs first, or within such other period as the Administrator shall specify. In the event that such bond is terminated or the face value of the bond is reduced below the outstanding liability of licenses issued pursuant to the bond, the Administrator shall immediately revoke all licenses issued pursuant to the bond. Except as to a department, establishment or agency of the United States, applications not accompanied by a certified check, cashier's check, or bond in the amount required shall not be considered. Payment of fees by or for the account of a department, establishment, or agency of the United States shall be accomplished by transfers, as appropriate, from appropriation accounts available to such department, establishment, or agency, to the suspense account provided by subparagraph (1) of paragraph (c) of this section."

(4) Subparagraph (1) of paragraph (c) of section 3 is amended to read as follows:

"(c)(1) All monies received by the Administrator under the terms of paragraph (b) of this section shall be held by the Administrator in a suspense account and may be drawn upon by the Administrator for the payment of refundable license fees. Balances remaining in such suspense account and not required to be reserved for payments hereinabove provided shall be deposited at the end of each fiscal year in the Treasury of the United States and credited to miscellaneous receipts."

(5) Subparagraph (2) of paragraph (c) of section 3 is redesignated as subparagraph (3) and a new subparagraph (2) is added to paragraph (c) to read as follows:

"(2) Any importer, paying fees pursuant to this section, shall, with respect to each such payment, receive the refunds authorized by subparagraph (1) (iv) of paragraph (a) of this section by submitting to the Administrator, simultaneously with or subsequent to the payment of license fees, such evidence of tariff payment as the Administrator shall specify. Said importer shall also certify the amount of drawback received during the same period for which a refund is requested."

(d) Section 4 is amended in the following respects:

(1) Subparagraphs (1), (2), and (4) of paragraph (b) of section 4 are amended by inserting the phrase "under section 3(a)(1)(i)-(ii)" after the words "license fees" wherever such words shall appear.

(2) Subparagraph (5) of paragraph (b) of section 4 is amended in the first sentence by inserting the phrase "under section 3(a)(1)(i)-(ii)" after the words "license fees", and in the third and fourth sentences by inserting the words "to which fees under section 3(a)(1)(i)-(ii) shall not be applicable" after the word" allocations", wherever such word shall appear.

(4) Paragraph (c) of section 4 is amended by adding, at the end of said paragraph, the following sentence:

"In exercising this authority the Administrator will consult with the Secretaries of State, Treasury, and Defense, as appropriate."

(5) Paragraph (d) of section 4 is deleted.

(e) Section 5 is amended in the following respects:

(1) Paragraph (a) of section 5 is amended by deleting the last sentence.

(2) Paragraph (b) of section 5 is amended in clause (1) of the first sentence by deleting the words "on applications for allocations of imports under such regulations," and by inserting the words "under implementing regulations," in the last sentence by deleting the word "fee" and inserting the words "from the fees established in section 3(a)(1)-(ii)", and by adding a new sentence after the last sentence to read as follows: "Any allocations granted by the Board, however, shall be subject to payment of the fees established in section 3(a)(1)(iii)."

(f) Section 10 is redesignated as section 7 and is amended to read as follows:

"Sec. 7. The Administrator shall provide policy direction, coordination, and surveillance of the mandatory oil import program, and shall, from time to time, in consultation with the Secretaries of State and the Treasury and other federal agencies as appropriate, review the status of imports of petroleum and its primary derivatives in respect to the national security. In this connection, he shall inform the President of any circumstances which might indicate the need for further Presidential action under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862), as amended."

(g) Section 11 is redesignated as section 8 and is amended by adding after the words "fee" or "fees", wherever they shall appear, the phrase "under section 3(a)(1)(i)-(ii)", and by deleting the proviso.

(h) Section 12 is redesignated as section 9, and is amended by substituting a comma for the period, and by adding the words "except that all such allocations shall be subject to the payment of fees prescribed by section 3(a)(1)(iii) of this Proclamation."

(i) Section 13 is redesignated as section 10.

(j) Section 14 is deleted.

(k) Section 15 is redesignated as section 11 and is amended by adding, after the last paragraph, the following paragraphs:

"(m) The term 'Administrator' means the Administrator of the Federal Energy Administration, or his delegate.

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"(n) The term 'Old Oil Allocation Program' means the program adopted pursuant to the Emergency Petroleum Allocation Act of 1973 for Allocation of Old Oil, 39 F.R. 42246 (December 4, 1974), 10 C.F.R. 211.67."

(l) Section 16 is redesignated as section 12, and is amended to read as follows:

"Section 12. Effective with respect to articles entered, or withdrawn from warehouse for consumption on or after February 1, 1975, tariffs upon imports of petroleum products listed in schedule 4, part 10 -- "Petroleum, natural gas, and products derived therefrom" -- of the Tariff Schedules of the United States shall be and are reinstated."

IN WITNESS WHEREOF, I have hereunto set my hand this twenty third day of January, in the year of our Lord nineteen hundred seventy-five, and of the Independence of the United States of America the one hundred and ninety-ninth.

GERALD R. FORD

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FOR RELEASE UPON SIGNATURE January 23, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

MODIFYING PROCLAMATION NO. 3279, RELATING TO IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS, AND PROVIDING FOR THE LONG-TERM CONTROL OF IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS THROUGH A SYSTEM OF LICENSE FEES

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS the Director of the Office of Civil and Defense Mobilization found pursuant to Section 2 of the Act of July 1, 1954, as amended (19 U.S.C. 1352a), "that crude oil and the principal crude oil derivatives and products are being imported in such quantities and under such circumstances as to threaten to impair the national security;" and

WHEREAS, Proclamation No. 3279 as well as modifications thereof, including Proclamation No. 4210 which suspended tariffs on imports of petroleum and petroleum products and established a system of license fees for such imports, was issued pursuant to this finding; and

WHEREAS, although conditions in world oil markets have changed significantly in recent years, the above finding continues to be valid at the present time; and

WHEREAS, the Administrator of the Federal Energy Administration who maintains constant surveillance of imports of petroleum and its primary derivatives in respect to the national security, and who has reviewed the current status of imports under Proclamation No. 3279, as amended, has recommended that the method of adjusting imports of crude oil and the principal crude oil derivatives and products be modified; and

WHEREAS, I agree with this recommendation; and

WHEREAS, pursuant to Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862), the Secretary of the Treasury having made an appropriate investigation to determine the effects on the national security of imports of crude oil and the principal crude oil derivatives and products and having considered the matters required by him to be considered by the Trade Expansion Act of 1962, as amended, has reported the findings of his investigation and has advised me that crude oil, the principal crude oil derivatives and products, and related products derived from natural gas and coal tar, are being imported in such quantities and under such circumstances as to threaten to impair the national security and has recommended that I take action to reduce such imports; and

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WHEREAS, having considered the matters required by me to be considered by the Trade Expansion Act of 1962, as amended, I agree with the said advice; and

WHEREAS, I find and declare that adjustments must be made in imports of crude oil, the principal crude oil derivatives and products, and related products, so that such imports will not so threaten to impair the national security; and

WHEREAS, I judge it necessary and consistent with the national security to further discourage importation into the United States of petroleum, petroleum products, and related products, in such quantities or under such circumstances as to threaten to impair the national security; to create conditions favorable to domestic crude oil production needed for projected national security requirements; and to increase the capacity of domestic refineries and petrochemical plants to meet such requirements; and to encourage the development of other sources of energy; and

WHEREAS, in order to achieve the above objectives, I determine that a supplemental fee should be imposed on all imports of petroleum and petroleum products, and that certain other changes in the existing license fee system be made; and

WHEREAS, I have instructed the Administrator of the Federal Energy Administration to evaluate the structure and scope of coverage of those aspects of the existing Mandatory Oil Import Program which are not changed by this Proclamation, and to report to me within three months with his recommendations;

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, acting under and by virtue of the authority vested in me by the Constitution and the laws of the United States, including Section 232 of the Trade Expansion Act of 1962, as amended, do hereby proclaim that, effective as of February 1, 1975, a new system of oil import fees is instituted, and accordingly, Proclamation No. 3279, as amended, is hereby further amended as follows:

Section 1. Subparagraph (1) of paragraph (a) of section 3 is amended to read as follows:

"Sec. 3(a)(1). Effective February 1, 1975, the Administrator shall issue allocations and licenses subject to fees, on imports of crude oil, unfinished oils, and finished products. Such licenses shall require, among other appropriate provisions, that:

(i) with respect to imports of crude oil and natural gas products, over and above the levels of imports established in Section 2 of this Proclamation, such fees shall be $0.21 per barrel;

(ii) with respect to imports of motor gasoline, unfinished oils, and all other finished products (except ethane, propane, butanes, and asphalt), over and above the levels of imports established in Section 2 of this Proclamation, such fees shall be $0.63 per barrel;

more

(iii) with respect to imports of crude oil, natural gas products, unfinished oils, and all other finished products (except ethane, propane, butanes, and asphalt) entered into the customs territory of the United States on or after February 1, 1975, there shall be a supplemental fee per barrel, of $1.00, rising to $2.00 on imports entered on or after March 1, 1975, and to $3.00 on imports entered on or after April 1, 1975;

(iv) with respect to the fees imposed pursuant to paragraphs 3(a)(1)(i)-(iii), the amount of such fees shall be reduced, on a monthly basis, by an amount equal to any applicable duties paid less any drawbacks received during the same period, except that where duty drawbacks exceed the duty paid during that period, the net differences shall be applied to subsequent periods;

(v) with respect to all licenses issued prior to the effective date of this Proclamation, such licenses shall be subject to paragraph 3(a)(1)(iii), regardless of whether such licenses were issued as a result of payment of fees or an allocation not subject to fee;

(vi) with respect to licenses issued prior to the effective date of this Proclamation, not subject to the license fee prescribed in paragraph 3(a)(1)(i)-(ii) or licenses issued by prepayment of such fees, payment of the fees prescribed in paragraph 3(a)(1)(iii) shall be made no later than the last day of the month following the month in which such imports were released from customs custody or entered or withdrawn from warehouse for consumption, whichever occurs first. With respect to licenses subject to the fees prescribed in paragraph 3(a)(1)(i)-(ii) but issued against a surety bond, payment of the fees prescribed in paragraph 3(a)(1)(iii) shall be made simultaneously with payment of the fees prescribed in paragraph 3(a)(1)(i)-(ii). Notwithstanding the provisions of paragraph (b) of Section 3, surety bonds need not be increased to cover the additional fee liability on licenses issued prior to the effective date of this Proclamation;

(vii) with respect to licenses issued on or after February 1, 1975, for imports entered into the customs territory of the United States prior to April 1, 1975, an amount of fees under paragraph 3(a)(1)(iii) equal to those due on April 1, 1975, shall be payable, subject to refund of the difference between the amount of the fee applicable at the time the imports are entered and the amount already paid;

(viii) with respect to licenses issued pursuant to paragraph 3(a)(1)(iii) for imports other than (A) crude oil as defined for purposes of the Old Oil Allocation Program which is imported for refining or (B) products refined in a refinery outside of the customs territory as to which crude oil runs to stills would qualify a refiner to receive entitlements under the Old Oil Allocation Program, the Administrator may by regulation reduce the fee payable by the following amounts, or by such other amounts as he may determine to be necessary to achieve the objectives of this Proclamation and the Emergency Petroleum Allocation Act of 1973:

- for imports entered into the United States customs territory during the month of February, 1975, $1.00 per barrel;

more

- for imports entered during the month of March, 1975, $1.40 per barrel;

- for imports entered during the month of April, 1975, and thereafter, $1.80 per barrel.

(ix) with respect to licenses issued pursuant to paragraph 3(a)(1)(i)-(iii), the Administrator:

(A) with respect to imports of crude oil, to the extent that such imports are refined into products or incorporated into petrochemicals exported from the United States and its territories and possessions, shall refund any fee collected; provided, that the Administrator may limit the quantity of exports to which refunds under this provision may be applicable;

(B) with respect to unfinished oils, may, by regulation, provide for refunds to the extent that such unfinished oils are refined into products or incorporated into petrochemicals which are exported from the United States and its territories and possessions; and

(C) with respect to petrochemicals, shall specify, by regulation, those petrochemicals which qualify an importer for a refund under this subparagraph.

Sec. 2. In addition to the foregoing amendments, which in themselves are intended to achieve the objectives of this Proclamation, the following additional and conforming amendments are made to Proclamation No. 3279, as amended:

(a) Paragraph (c) of Section 1 is amended to read as follows:

"(c) In Districts I-IV, District V, and in Puerto Rico, no department, establishment, or agency of the United States shall without prior payment of the fees provided for in Section 3(a)(1)(i)-(ii) of this Proclamation, import finished products in excess of the respective allocations made to them by the Administrator. Such allocations shall, except as otherwise provided in this Proclamation, be within the maximum levels of imports established in Section 2 of this Proclamation. No such department, establishment, or agency shall be exempt from the fees provided in Section 3(a)(1)(iii)."

(b) Section 2 is amended in the following respects:

(1) The first sentence of paragraph (a) of section 2 preceding subparagraph (1) is amended to read as follows:

"Sec. 2(a). Except as otherwise provided in this Proclamation, the maximum level of imports, from sources other than Canada and Mexico which may be made without prior payment of the fees provided in Section 3(a)(1)(i)-(ii) of this Proclamation, of crude oil, unfinished oils, and finished products (other than residual fuel oil to be used as fuel) shall be:"

(2) Subparagraphs (1), (2), (5) and (6) of paragraph (a) of section 2 are amended by deleting the word "calendar" hereever it appears.

more

(3) Paragraph (c) of section 2 is deleted, and paragraph (d) is redesignated as paragraph (c).

(4) Subparagraph (1) of paragraph (d) of section 2 preceding the portion of subparagraph (1) designated (i) is amended to read as follows:

"(c)(1) Except as otherwise provided in this Proclamation, the maximum levels of imports from Canada of crude oil and unfinished oils to which license fees under section 3(a)(1)(i)-(ii) are not applicable shall be:"

(5) Subparagraph (1) of paragraph (d) of section 2 is amended in the portions designated (i) and (ii) by deleting the word "calendar" wherever it appears.

(6) Paragraph (e) of section 2 is redesignated as paragraph (d), and is amended by deleting the word "calendar."

(7) Paragraph (f) of section 2 is redesignated as paragraph (e).

(c) Section 3 is amended in the following additional respects:

(1) Subparagraph (2) of paragraph (a) of section 3 is amended in its proviso to read as follows:

"Provided, that such rate shall apply also in cases where the holder of the license establishes to the satisfaction of the Administrator that he made a good faith attempt to arrange shipment by vessel under United States registry and that no such vessel was available at reasonable rates for the purpose at the time this shipment was made."

(2) Subparagraph (3) of paragraph (a) of section 3 is amended to read as follows:

"(3) The Administrator is authorized to refund or reduce fees, whether in whole or in part, (i) for payment to the importer of record, on a monthly basis, of sums equal to the sums collected by way of duties, by the United States Customs Service, less any applicable drawback pursuant to paragraph 3(a)(1)(iv); (ii) for payment to the importer of record of the sums required to be refunded by paragraphs 3(a)(1)(vii) and (viii); (iii) where the licensee failed to use, wholly or in part, the license issued to him; (iv) where refunds of license fees, whether in whole or in part, are ordered by the Oil Import Appeals Board; (v) where refund of a license fee, whether in whole or in part, is called for by reason of a person having exported finished products or petrochemicals; (vi) where crude oil imported by virtue of a license for which a fee was paid has been manufactured into asphalt; (vii) where refund of a license fee is called for by reason of the same having been improperly charged."

(3) Paragraph (b) of section 3 is amended to read as follows:

"(b) Applications for allocations and licenses for imports subject to fee under this section shall be accompanied by the applicant's certified check, or a cashier's check, payable to the order of the Treasurer of the United States in the amount chargeable pursuant to this section, or by a bond

more

with a surety on the list of acceptable sureties on Federal bonds maintained by the Bureau of Government Financial Operations, Department of the Treasury, in a sum not less than the amount chargeable pursuant to this section, conditioned upon payment of such amount to the order of the Treasurer of the United States, by the last day of the month following the month in which such imports were released from customs custody or entered or withdrawn from warehouse, whichever occurs first, or within such other period as the Administrator shall specify. In the event that such bond is terminated or the face value of the bond is reduced below the outstanding liability of licenses issued pursuant to the bond, the Administrator shall immediately revoke all licenses issued pursuant to the bond. Except as to a department, establishment or agency of the United States, applications not accompanied by a certified check, cashier's check, or bond in the amount required shall not be considered. Payment of fees by or for the account of a department, establishment, or agency of the United States shall be accomplished by transfers, as appropriate, from appropriation accounts available to such department, establishment, or agency, to the suspense account provided by subparagraph (1) of paragraph (c) of this section."

(4) Subparagraph (1) of paragraph (c) of section 3 is amended to read as follows:

"(c)(1) All monies received by the Administrator under the terms of paragraph (b) of this section shall be held by the Administrator in a suspense account and may be drawn upon by the Administrator for the payment of refundable license fees. Balances remaining in such suspense account and not required to be reserved for payments hereinabove provided shall be deposited at the end of each fiscal year in the Treasury of the United States and credited to miscellaneous receipts."

(5) Subparagraph (2) of paragraph (c) of section 3 is redesignated as subparagraph (3) and a new subparagraph (2) is added to paragraph (c) to read as follows:

"(2) Any importer, paying fees pursuant to this section, shall, with respect to each such payment, receive the refunds authorized by subparagraph (1) (iv) of paragraph (a) of this section by submitting to the Administrator, simultaneously with or subsequent to the payment of license fees, such evidence of tariff payment as the Administrator shall specify. Said importer shall also certify the amount of drawback received during the same period for which a refund is requested."

(d) Section 4 is amended in the following respects:

(1) Subparagraphs (1), (2), and (4) of paragraph (b) of section 4 are amended by inserting the phrase "under section 3(a)(1)(i)-(ii)" after the words "license fees" wherever such words shall appear.

(2) Subparagraph (5) of paragraph (b) of section 4 is amended in the first sentence by inserting the phrase "under section 3(a)(1)(i)-(ii)" after the words "license fees", and in the third and fourth sentences by inserting the words "to which fees under section 3(a)(1)(i)-(ii) shall not be applicable" after the word" allocations", wherever such word shall appear.

(4) Paragraph (c) of section 4 is amended by adding, at the end of said paragraph, the following sentence:

"In exercising this authority the Administrator will consult with the Secretaries of State, Treasury, and Defense, as appropriate."

(5) Paragraph (d) of section 4 is deleted.

(e) Section 5 is amended in the following respects:

(1) Paragraph (a) of section 5 is amended by deleting the last sentence.

(2) Paragraph (b) of section 5 is amended in clause (1) of the first sentence by deleting the words "on applications for allocations of imports under such regulations," and by inserting the words "under implementing regulations," in the last sentence by deleting the word "fee" and inserting the words "from the fees established in section 3(a)(i)-(ii)", and by adding a new sentence after the last sentence to read as follows: "Any allocations granted by the Board, however, shall be subject to payment of the fees established in section 3(a)(l)(iii)."

(f) Section 10 is redesignated as section 7 and is amended to read as follows:

"Sec. 7. The Administrator shall provide policy direction, coordination, and surveillance of the mandatory oil import program, and shall, from time to time, in consultation with the Secretaries of State and the Treasury and other federal agencies as appropriate, review the status of imports of petroleum and its primary derivatives in respect to the national security. In this connection, he shall inform the President of any circumstances which might indicate the need for further Presidential action under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862), as amended."

(g) Section 11 is redesignated as section 8 and is amended by adding after the words "fee" or "fees", wherever they shall appear, the phrase "under section 3(a)(l)(i)-(ii)", and by deleting the proviso.

(h) Section 12 is redesignated as section 9, and is amended by substituting a comma for the period, and by adding the words "except that all such allocations shall be subject to the payment of fees prescribed by section 3(a)(l)(iii) of this Proclamation."

(i) Section 13 is redesignated as section 10.

(j) Section 14 is deleted.

(k) Section 15 is redesignated as section 11 and is amended by adding, after the last paragraph, the following paragraphs:

"(m) The term 'Administrator' means the Administrator of the Federal Energy Administration, or his delegate.

more

"(n) The term 'Old Oil Allocation Program' means the program adopted pursuant to the Emergency Petroleum Allocation Act of 1973 for Allocation of Old Oil, 39 F.R. 42246 (December 4, 1974), 10 C.F.R. 211.67."

(l) Section 16 is redesignated as section 12, and is amended to read as follows:

"Section 12. Effective with respect to articles entered, or withdrawn from warehouse for consumption on or after February 1, 1975, tariffs upon imports of petroleum products listed in schedule 4, part 10 -- "Petroleum, natural gas, and products derived therefrom" -- of the Tariff Schedules of the United States shall be and are reinstated."

IN WITNESS WHEREOF, I have hereunto set my hand this twenty third day of January, in the year of our Lord nineteen hundred seventy-five, and of the Independence of the United States of America the one hundred and ninety-ninth.

GERALD R. FORD

# # # # #

WRITE ONLY ON ONE SIDE OF EACH PAGE

Rule on oil import tariffs

94th CONGRESS
1st SESSION

H. RES. ______

(NOTE.—Fill in all blank lines except those provided for the date and number of resolution.)

IN THE HOUSE OF REPRESENTATIVES

______ submitted the following resolution; which was

RESOLUTION

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1767) to suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed ___ hour(s), to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments relating to the authority of the President under section 232 of the Trade Expansion Act of 1962. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

as introduced on January 23, 1975,

January 23, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

FROM: DOUGLAS P. BENNETT

SUBJECT: Tariff on Imported Crude

If the President elects option 3, I suggest the President take the following steps:

(1) Get Russell Long to agree to the compromise. Ullman is very sensitive to Long's disposition on tax matters. Joe Waggonner talked with Long earlier this week and Long indicated he would play ball if he could negotiate an agreement that additional revenue sharing from the energy taxes would go to the oil producing states which provide the necessary support to the producers, i.e. roads and other infrastructure. This might be tough to swallow but the deal could be cut.

(2) Once Long agrees, talk with Ullman and make the compromise offer. He's definitely calling the shots on it ... Bill Green tipped it to me yesterday afternoon when he said Ullman would have to agree to any compromise.

(3) If Ullman agrees, he will become the salesman and probably get everyone in line.

(4) If would be best if it could be done in the Oval Office on the President's turf with Schneebeli, Rhodes, Ullman and Albert present. Regardless, it will have to be settled by phone or otherwise by 10:00 a.m. when Simon appears to testify on this and the debt limit bill.

Department of the Treasury
Assistant Secretary (Enforcement, Operations, and Tariff Affairs)

to: MR. DOUG BENNETT

room: date: 1/28/75

H.R. 1767

Doug:

I enclose a new draft, which is an amalgam of John Meagher's draft and mine. Please let me have any ~~your~~ comments as soon as possible. Incidentally, it is tough to make an effective national security argument in the face of constant rumors of compromise, but Simon tells me that the President was misquoted.

I am also enclosing a draft speech for the President. This draft is for your eyes only. If you do not think it agrees with his style, I might like to give substantially the same speech before a group of financial officers in Chicago in March.

Dave

Enclosures

David R. Macdonald
room 3442
ext. 2033

DRAFT
1/28/75

MINORITY VIEWS

We oppose this legislation, for a number of reasons which will be detailed in these views, and urge that it be defeated.

Joinder of The Debt Limit Bill With The Bill To Delay Petroleum Import Fees

H.R. 1767, as amended, would do two things: First, it would prohibit the President, for a 90-day period, from imposing an import fee on crude oil, scheduled to begin February 1, 1975. Second, it would increase the temporary debt ceiling by $131 billion through June 30 of this year.

The combining of these two totally unrelated measures in a single legislative package is unprecedented and irresponsible, and highlights the obvious: That the Democratic Majority on the Ways and Means Committee is playing politics with the economic and energy problems of our country. Responsible action to thwart this attempt is essential and we urge our colleagues to reject this ploy.

On January 15th, the President announced to the country his comprehensive program for dealing with our economic and energy problems. This program included a series of actions he indicated he would take under authority granted him by existing law, as well as requests for enactment by the

Congress of several proposals to curb the use of fuel and combat recession.

Since the announcement of the President's economic and energy proposals, there has been much debate over his intention to raise import fees on crude oil and the wisdom of that course of action. The President has maintained, and we agree, that the import tax is an integral part of his program to insure needed energy conservation and at the same time help provide the revenues needed to allow tax reductions which, in turn, can and should stimulate our economy.

On January 23rd, Treasury Secretary William Simon, on behalf of the Administration, formally requested the Congress to increase the Federal debt ceiling through June 30, 1976 from $495 billion to $604 billion. In testimony before the Committee, the Secretary pointed out that the government would exceed the existing $495 billion limit on February 18, 1975, even though current law grants the Federal government the authority to be in debt until March 31, 1975. According to Treasury estimates, if the obligational authority is not increased by February 18, the government will be unable to roll over its debt and pay its bills after that date. Thus, a prompt increase in the debt ceiling is vital.

While we are dismayed at the government spending which occasions the skyrocketing deficits, the need to increase the debt limit is incontestable. We are appalled that some members of the Committee are taking advantage of this absolute necessity by advocating a course which threatens to close down the government in a time of crisis. This must be their intention when they weld the debt ceiling increase legislation to legislation handcuffing the President from resolving the nation's dangerous dependence on imported oil.

For years, the Committee on Ways and Means has fought attempts to attach unrelated amendments to debt ceiling legislation. The Committee has long felt it was unfair and unproductive to "put the gun at the President's head" by so doing. Yet, after years of responsible action, the current Committee has, in one day, voted by a 19-15 margin to abandon its sound and time-honored principle. We deplore this irresponsibility and refuse to be a part of it. There is sufficient time for the Committee and the Congress to consider separately the debt ceiling increase and H.R. 1767 as originally introduced, and this is the only sensible thing to do.

Petroleum Imports As A Threat
To National Security

The energy problem which faces us has spread like a plague, touching in some way the life of virtually every American.

Higher prices, the still-fresh memory of an oil embargo and long lines at gasoline pumps, plus a gnawing awareness of our increasing reliance on uncertain foreign supplies, have combined to bring the issue home throughout the land. The call for concerted national action to deal with the growing dependence on foreign oil and the deteriorating payments outflow has been loud and clear, and the President has now responded with a carefully constructed and integrated program.

As the President said so succinctly, we have dawdled long enough. In the space of one year, we have watched imported oil prices quadruple while our dependence on imported oil has grown to 40% of all oil purchased. The embargo of 1973-1974 shut off 2.4 million barrels of imported oil a day and resulted in a lost gross national product of up to $20 billion; today we could be faced with an interruption of 6 million barrels per day with the severity of the economic impact multiplied accordingly. Even with no interruption, the United States in calendar year 1974 had the second largest balance of payments deficit in its history ($3.065 billion), as the cost of imported oil rose from $7.8 billion in 1973 to $24.6 billion in 1974. The oil payments outflow is now running at over $2 billion monthly.

In the face of these facts and of our rapidly deteriorating balance of payments position, neither the Executive Branch nor the Congress, over the last year, has taken any action of more than marginal effect. Meanwhile, the problem is steadily growing more acute. The "fuse" of payments outflow, continued reliance upon insecure oil, and subjection to political blackmail is burning, and, unless extinguished, will result in an explosive crisis at some time. The only question is when. It is time to move, and each day of delay drains our strength and our capacity to act effectively. To delay this program for at least ninety more days is unconscionable.

By postponing implementation of the program, H.R. 1767 would replace substance with vacuum, for neither the sponsors of this legislation nor anyone else has yet produced a viable alternative. Nor should Congress delude itself that, by postponing a decision, the problem will go away.

We find this delaying tactic inexcusable. The problem to which the President's program is directed did not materialize overnight. There has been ample opportunity for the development of other plans. But in this respect the Democratic majority in the Congress has failed, and those who support H.R. 1767 indicate that they prefer lethargy to leadership.

Legal Authority To Act Under Section 232 Of The Trade Expansion Act of 1962

In imposing an import tax on foreign oil, the President is using the authority granted under the "national security provision" of our trade laws -- Section 232 of the Trade Expansion Act of 1962, as amended.

That section is clear. It provides that in cases where the President agrees with the findings of an investigation showing that any article is being imported "in such quantities and under such circumstances as to threaten to impair the national security...he shall take such action, and for such time, as he deems necessary, to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security." (Emphasis added.)

This is a broad mandate and was designed to be so. It originated in the Senate Finance Committee as an amendment to the 1955 Trade Agreements Extension Act.

In its Report on that legislation, the Committee stated its intention that the President should take "whatever action is necessary to adjust imports...." (Emphasis added.) And in explaining the amendment during floor debate, Senator Millikin of Colorado, who was one of the authors, pointed out: "It grants to the President authority to take whatever action he deems necessary to adjust imports.... He may use tariffs, quotas, import taxes, or other methods of import restrictions."

Under Section 232, the head of any department or agency, or any interested party, may request an investigation to determine if the imports of an article are a threat to national security. Over the years, many requests have been filed, and numerous investigations have been made. But Presidential action has been taken with respect to only one article -- oil.

In March of 1959, President Eisenhower issued Proclamation No. 3279, establishing an oil imports control program. This program (which, incidentally, was initiated after an investigation of 36 days) has been continued for 15 years, under five Chief Executives, using both quotas and license fees, without a single challenge to the authority employed -- until now.

During this time, the oil import situation has been monitored constantly, as envisioned by the original statute; Proclamation 3279 has been amended at least 26 times, and our major trade laws have been altered on a number of occasions. Most recently, during deliberations on the Trade Act of 1974, Section 232 itself was reviewed and changed in several respects, yet the language relating to Presidential action following a national security investigation survived intact.

As the Attorney General pointed out in a letter to the Secretary of the Treasury, which appears in an appendix to these views: "The force of Congressional acquiescence in this practice is particularly strong since Congress has, during that period, twice amended the very provision in question -- the last time only a month ago."

The report of the investigation conducted by the Secretary of the Treasury is also appended to these views. This material leaves no doubt that the investigation conducted followed both the spirit and the letter of the law.

Conclusion

We have here a situation where there is a Congressional mandate that requires the President, after a finding of threatened national security resulting from an imported article, to take such action "as he deems necessary to adjust the imports of such article..." Action has now been taken by the President, designed to (1) keep up the purchasing power of individuals and businesses; (2) coordinate tax collections of import fees and other energy taxes with offsetting tax reductions 1/; (3) avoid geographical or specific industry inequities 2/; and

1/The entire program of the President is designed to result in tax collections and distributions with a net effect as follows (negative figures indicate amount of stimulus to economy):

TIMING OF DIRECT BUDGET IMPACT
(DOLLARS IN BILLIONS)
1975

	I	II	III	IV
ENERGY TAXES	+0.2	+4.1	+12.6	+7.6
REDISTRIBUTION AND TEMPORARY TAX CUT	-0.0	-9.8	-20.2	-10.8
NET EFFECT	+0.2	-5.7	- 7.6	- 3.2

2/ Until Congress acts on the remainder of the President's program, the Federal Energy Administration's crude oil equalization regulations will ensure that the burden of import fees will be equally distributed nationally to assure that crude oil prices are not greater in N.E. than in any other region. Additionally, as to refinery products, the full import fee of $1.00 will be refunded during February, $1.40 of the $2.00 fee will be refunded in March, and $1.80 of the $3.00 fee will be refunded in April, and thereafter until the President's program is implemented. Thus, consumers in the New England region will pay a somewhat lower basic price for total oil consumption.

(4) avoid, to the extent possible, inflationary pressures -- all while still allowing the market to encourage short-term conservation and long-term switchovers to other energy sources. Now the majority, without seriously questioning the finding that our national security is threatened, want to tell the President that they don't like the fact that he has acted pursuant to that mandate. Had the President taken less effective action than he did, it might have signalled to those leaders both at home and abroad who are closely watching the response of the U. S. to this challenge that we do not have the resolve to do what is necessary, albeit politically unpopular, to adjust our consumption patterns so as to preserve our political and economic independence.

We would suggest that Congress, instead of fiddling while the fuse continues to burn, address itself to the remainder of the proposed energy program. If, in the course of doing so, a better solution miraculously appears, we will be the first to embrace it by supporting positive legislation, rather than taking the tragic step backward that this legislation contemplates. In the meantime, the present program demonstrates to our allies and others who are observing this debate, and make no mistake, they <u>are</u> observing, the strength of our commitment and our capability to take necessary action to conserve petroleum and to free ourselves from dependency on petroleum imports.

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

January 28, 1975

Received

... 0 1974

Rules Committee

5 pm

The Honorable Ray J. Madden
Chairman
Committee on Rules
U.S. House of Representatives

Dear Mr. Chairman:

The Committee on Ways and Means has ordered favorably reported H. R. 1767, with amendments, and has today reached a decision with respect to the rule to be requested on that bill. As you know, H. R. 1767 is the bill which suspends for a 90-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom with a Committee amendment which will raise the debt ceiling through June 30, 1975, to $531 billion (the permanent debt ceiling is $400 billion; the amendment provides an increase in the temporary debt ceiling to $131 billion, making a total debt ceiling through June 30, 1975, of $531 billion).

It is requested that the Committee on Rules accord the Committee on Ways and Means a hearing for a rule for the consideration of H.R. 1767, as amended, on the floor of the House of Representatives.

I am authorized and directed by the Committee on Ways and Means to request the usual type closed rule providing for 4 hours of general debate to be equally divided, waiving points of order, with Committee amendments only, and for the usual motion to recommit.

If it is in accord with your schedule, it is our hope that we can be heard on this bill on Tuesday, February 4, 1975, since we understand that the leadership will try to schedule the bill, if a rule is granted, for Wednesday, February 5, 1975, for floor consideration.

The Honorable Ray J. Madden
Page Two

For your information, I have today served notice in the Congressional Record to our Democratic colleagues that we intend to ask for a closed rule, so that if the House meets on Wednesday, Thursday, and Friday this week and Monday of next week, the Democratic Caucus rule with regard to four legislative days will have been met.

Sincerely,

Al Ullman

Al Ullman
Chairman

AU/jmf

THE WHITE HOUSE

WASHINGTON

January 28, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

FROM: VERN LOEN VL

SUBJECT: Zarb Hill Briefings
Wednesday, January 29

9:00 a.m.	GOP Conference (Charlie)
1:00 p.m.	Joe Waggonner group (Doug & Charlie) H-140 Capitol
12:30 p.m.	Northern tier M.C.'s (bi-partisan House & Senate) Vern & Charlie EF-100 Capitol

THE WHITE HOUSE

WASHINGTON

January 29, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: DOUG BENNETT

SUBJECT: Al Ullman's Tax Proposal

Chairman Ullman introduced late Tuesday his alternative to the President's temporary tax relief program. This proposal for temporary relief will be followed by a permanent tax relief plan offset by revenues gained from an energy package. Ullman's plan is to rush thru the temporary cuts within a few weeks.

This temporary relief package (parts of it to become permanent) borrows some concepts from the President's, is intended to be deficit financed to the extent of $19.4 B and sharply favors the lower income classes. It is a six point program with political sex appeal the thrust of which will probably be supported by the majority of the Ways and Means Committee. There is plenty of room for compromise between the President's program and this one. While it lacks the totally integrated economic/energy comprehensiveness of the President's package, it seems to be a step in the right direction provided the second stage (as yet undeveloped) proves adequate.

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Attached is a description of the Ullman plan, comparision with the President's plan and description of present law.

Comments on the Proposal

(1) Calls for some tax cuts which are permanent in nature and should for strategy purposes be tied to the politically harder-to-get energy revenue raising proposals.

(2) Is an attractive package as it provides money to low income people, helps utilities greatly, helps business generally, surtax exemption favors small business and maintains approximately the 3 to 1 relief distribution between individuals and business.

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COMPARISON OF PLANS

Ullman Plan	President's Plan	Present Law
Rebate on 1974 tax liabilities of approximately 10%. Cap of $300. Reaches cap at approximately $20,000 income and will phase out rebate between $20,000 and $30,000 by cutting the percent number to 3%. Paid in one lump sum in May. Estimated cost - $7+ B	(1) Rebate on 1974 tax liabilities of 12%. Cap of $1,000. Paid in two distributions - May and September. Provides some rebate to all taxpayers peaking at approximately $40,000 income bracket. Estimated cost - $12.2 B	(1) No provision.
(a) Increase the low income allowance to $1,900 for single tax payers and to $2,500 for married. (b) Increase the percentage standard deduction from 15% to 16% with a maximum allowable deduction of $2,500 for a single taypayer and $3000 for married. Estimated cost - $5+ B	(2) Increase the low income allowance to $2,000 for single taxpayers and to $2,600 for married. Estimated cost - $5 B	(2) (a) Low income allowance is $1,300 for single and married taxpayers. (b) The percentage standard deduction is 15% with a ceiling of $2,000.
Provide a 5% credit on earned income (wages and salaries) with a credit ceiling of $200. Provide for a $4,000 to $8,000 adjusted gross income phaseout of the credit. Estimated cost - $3+ B	(3) Provide an $80 cash payment for nontaxpayers. Estimated cost - $2 B [These two are similar in nature.]	(3) No provision.
Increase investment tax credit for all business to 10%. Increase limitation for utilities to 100% for two years and phase back to 50% at 10% per year over a five year period. Limitation for all other business remains at 50%. Estimated cost - $3.2 B	(4) Increase investment tax credit for all business to 12%. Increase limitation on utilities to 75% and phase back to 50% over a five year period. Limitation on all other business remains at 50%. Estimated cost - $4 B	(4) (a) 4% credit for utilities (b) 7% credit for all other business. (c) Limitation of 50% for all business.
Increase the surtax exemption level for corporate forms of business from $25,000 to $35,000. Estimated cost - $600 M	(5) Reduce corporate tax rate from 48% to 42%. Estimated cost - $6 B [Ullman proposal apparently, however, does not preclude rate cut at time of energy package.]	(5) Tax rate of 22% on first $25,000 of taxable income and surtax of 26% on all above or marginal rate of 48%.

(6) Utility reinvestment feature whereby there would be no tax paid on utility dividends if recipient reinvested in special issue equity shares of the utility within a limited period of time. Estimated cost - $200 - $300 M	(6) Similar to October 1974 proposal with respect to preferred stock dividend.	(6) No provision.

<u>TOTAL ESTIMATED RELIEF</u> - <u>$19.4 B</u> <u>INDIVIDUALS</u> - <u>$15.3 B</u> <u>BUSINESS</u> - <u>$4.1 B</u>

NOTES:

1. Ullman would make items 2 through 6 temporary for 1975 until and unless revenue from energy package is available -- then they become permanent.

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COMPARISON OF PLANS

between $20,000 and $30,000

ULLMAN PLAN	PRESIDENT'S PLAN	PRESENT LAW
(1) Rebate on 1974 tax liabilities of approximately 10%. Cap of $300. Reaches cap at approximately $20,000 income and will phase out rebate, by cutting the percent number to 3%. Paid in one lump sum in May. Estimated cost - $7.4 B.	(1) Rebate on 1974 tax liabilities of ~~approximately~~ 12%. Cap of $1000. Paid in two distributions - May and September. Provides some rebate to all taxpayers ~~Estimated~~ peaking at approximately $40,000 income bracket. Estimated cost - $12.2 B	(1) No provision
(2) (a) Increase the Low income allowance to $1900 for single taxpayers and to $2500 for married. (b) Increase the percentage standard deduction from 15% to 16% with a maximum allowable deduction of $2500 for a single taxpayer and $3000 for ~~a~~ married. Estimated cost - $5.7 B	(2) Increase the Low income allowance to $2000 for single taxpayers and to $2600 for married. Estimated cost - $5 B	(2) (a) Low income allowance is $1300 for single and married taxpayers. (b) The percentage standard deduction is 15% with a ceiling of $2000.
(3) Provide a 5% credit on earned income (wages and salaries) ~~[illegible]~~ with a credit ceiling of $200. Provide for a $4000 to $8000 adjusted gross income phaseout of the credit. Estimate cost - $3.1 B	(3) Provide an $80 cash payment for nontaxpayers. Estimated cost - $2 B [These two are similar in nature]	(3) No provision
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THE WHITE HOUSE

WASHINGTON

January 29, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: DOUG BENNETT

SUBJECT: Al Ullman's Tax Proposal

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94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94-1

TEMPORARY SUSPENSION OF PRESIDENTIAL AUTHORITY TO IMPOSE FEES ON, OR OTHERWISE ADJUST, PETROLEUM IMPORTS; INCREASE OF TEMPORARY LIMIT ON PUBLIC DEBT

JANUARY 30, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ULLMAN, from the Committee on Ways and Means, submitted the following

REPORT

together with

INDIVIDUAL, MINORITY, ADDITIONAL MINORITY, SEPARATE MINORITY, AND SUPPLEMENTAL MINORITY VIEWS

[To accompany H.R. 1767]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1767) to suspend for a 90-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such 90-day period; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On page 4, after line 14, insert the following:

> SEC. 4. Nothing in the first section and sections 2 and 3 of this Act shall be deemed to affect the validity of any proclamation or executive order issued before January 16, 1975, by the President under section 232(b) of the Trade Expansion Act of 1962.

45-826 O

On page 4, after line 14, insert the following:

SEC. 5. (a) During the period beginning on the date of the enactment of this Act and ending on June 30, 1975, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) shall be temporarily increased by $131,000,000,000.

(b) Effective on the date of the enactment of this Act, the first section of the Act of June 30, 1974, providing for a temporary increase in the public debt limit for a period ending March 31, 1975 (Public Law 93–325), is hereby repealed.

I. SUMMARY

As originally introduced and as reported by the Committee, H.R. 1767 provides for the temporary suspension of the President's authority to adjust imports of petroleum and petroleum products for the 90-day period beginning on the date of enactment, and negates any Presidential import adjustment action taken after January 15, 1975, and before the beginning of such 90-day period. The Committee amended the bill to also extend the temporary limit on the public debt through June 30, 1975, and increase the temporary limitation to $531 billion.

In the case of petroleum and petroleum products the first section of the bill suspends for the 90-day period beginning on the date of enactment any authority the President might have to adjust imports of petroleum and petroleum products. Section 2 would negate any Presidential action to adjust petroleum imports taken after January 15, 1975, and before the date of enactment, and also provides for the rebate of any duties or import fees or taxes levied and collected pursuant to any such action. Section 3 provides that the suspension of Presidential authority to adjust petroleum imports will cease if at any time during the 90-day period war is declared, a national emergency occurs, or certain situations involving the commitment of United States Armed Forces arise. Section 4 of the bill, added by Committee amendment, provides that H.R. 1767 shall not affect the import license fee system on petroleum and petroleum products which was in effect on January 15, 1975.

The other Committee amendment relates to the debt limitation. The permanent debt limitation under present law is $400 billion. Effective through March 31, 1975, present law also provides for a temporary additional limit of $95 billion, giving an overall public debt limit of $495 billion.

This bill provides for an increase of the present temporary debt limitation from $495 billion to $531 billion through June 30, 1975. No change is made in the permanent debt limit of $400 billion. This is a $36 billion increase in the present combined limitation as well as an extension of this limit for three additional months.

The administration requested an increase in the debt limitation to $604 billion through June 30, 1976, and indicated in its supporting information that a debt limitation of $531 billion would meet its financing requirements through June 30, 1975.

TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1947 TO DATE, AND A PROPOSED LIMITATION IN FISCAL YEAR 1975

[In billions of dollars]

Fiscal year	Statutory debt limitation: Permanent	Temporary additional	Total
1947–54	275		275.0
1955 through Aug. 27	275		275.0
1955: Aug. 28 through June 30	275	6.0	281.0
1956	275	6.0	281.0
1957	275	3.0	278.0
1958 through Feb. 25	275		275.0
1958: Feb. 26 through June 30	275	5.0	280.0
1959 through Sept. 1	275	5.0	280.0
1959: Sept. 2 through June 29	283	5.0	288.0
1959: June 30	285	5.0	290.0
1960	285	10.0	295.0
1961	285	8.0	293.0
1962 through Mar. 12	285	13.0	298.0
1962: Mar. 13 through June 30	285	15.0	300.0
1963 through Mar. 31	285	23.0	308.0
1963: Apr. 1 through May 28	285	20.0	305.0
1963: May 29 through June 30	285	22.0	307.0
1964 through Nov. 30	285	24.0	309.0
1964: Dec. 1 through June 28	285	30.0	315.0
1964: June 29 and 30	285	39.0	324.0
1965	285	39.0	324.0
1966	285	43.0	328.0
1967 through Mar. 1	285	45.0	330.0
1967: Mar. 2 through June 30	285	51.0	336.0
1968 [1]	358		358.0
1969 through Apr. 6 [1]	358	7.0	365.0
1969 after Apr. 6 [1]	358		358.0
1970 through June 30 [1]	365	12.0	377.0
1971 through June 30 [1]	380	15.0	395.0
1972 through June 30 [1]	400	50.0	450.0
1972 through Oct. 31 [1]	400	50.0	450.0
1973 through June 30 [1]	400	65.0	465.0
1973 through Nov. 30 [1]	400	65.0	465.0
1974 through June 30 [1]	400	75.7	475.7
1975 through Mar. 31 [1]	400	95.0	495.0
Proposed:			
From enactment through June 30, 1975 [1]	400	131.0	531.0
After June 30, 1975 [1]	400		400.0

[1] Includes FNMA participation certificates issued in fiscal year 1968.

This committee amendment includes within the temporary debt limit $14 billion for financing various Federal agency credit programs through the Federal Financing Bank. This action permits substantial interest saving on those bonds. The committee has requested the Secretary of the Treasury to report each month on the borrowing under the debt limit through the Federal Financing Bank and whether the debt limit is sufficient so it will not be necessary to divert this borrowing directly through the agencies involved.

II. SUSPENSION OF ANY EXISTING AUTHORITY TO INCREASE IMPORT FEES ON OIL

A. CHRONOLOGY OF PRESIDENT'S ACTION AND COMMITTEE RESPONSE

H.R. 1767 is essentially a response, and a much needed response, to the precipitous action taken by the President on January 23, proclaiming an import fee on petroleum and petroleum products. The President's action by proclamation anticipated enactment of legislation involving taxes on certain energy resources including a $2-per-barrel tax on crude petroleum, both imported and domestically produced, and also import fees and excise taxes on petroleum products. By favorably reporting H.R. 1767, the Committee is not seeking a Congressional confrontation with the President. Rather, the enactment of H.R. 1767 will reserve Congressional options to work as an equal partner with the President on our energy problems, including the problem of the growing dependence on foreign oil.

Press reports in early January of this year that the Administration was considering a tariff of $1–$3 per barrel on imports of petroleum were confirmed by the President's television address on January 13, and the State of the Union Message on January 15.

In anticipation of hearings by the Committee on Ways and Means on the President's tax proposals as outlined in the State of the Union Message, Chairman Ullman, after consulting with Committee members, wrote to the President on January 21, expressing his concern with the proposed action by the President and requesting that the President withhold Executive action until appropriate legislation consideration could be given to all of the President's energy tax proposals.

Chairman Ullman stated in his letter to the President:

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., January 21, 1975.

Hon. GERALD R. FORD,
President of the United States,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: This is in reference to your proposed action of imposing a $1–$3-per -barrel import fee or tariff on imports of crude oil (and a tariff of similar incidence on petroleum products) under Section 232, the national security provision of the Trade Expansion Act of 1962.

There has been no indication of which I am aware that the Secretary of the Treasury has conducted an investigation and recommended to you on the basis of such an investigation the action you propose to take under Section 232 of the Trade Expansion Act. In the absence of any indication along these lines, I must assume that you are acting under the national security investigation and Presidential finding of 1959 under which the import quota system on petroleum and petroleum products was established some 15 years ago.

I am aware that the President in February of 1973 changed the import quota system on petroleum and petroleum products to an import license fee system without benefit of a new national security investigation and Presidential finding. Such action at that time was not broadly questioned by the Congress, although many Members, including Members of the Committee on Ways and Means, had reservations concerning the basis of that action. Under H.R. 14462, as reported by the Committee on Ways and Means, any import restriction on petroleum under Section 232 would have become subject to specific legislative criteria. Also reflecting those concerns are the new procedural and reporting requirements which were added by amendments to Section 232 contained in the Trade Act of 1974, Public Law 93–618.

There are serious legal questions created by continued Presidential use of Section 232 to drastically change (merely by issuing executive orders) restrictions on imports of petroleum products without benefit of the statutory investigation and findings required by that provision.

It can be recognized that the President from time to time would find it necessary to make some changes in the program of adjusting imports under Section 232 in light of changing circumstances. However, the original thrust and purpose of the 1959 national security finding with respect to petroleum has all but disappeared. Obviously what remains is the continued, even increased dependence on imports of petroleum and petroleum products. The question is how best this situation can be dealt with in light of completely different circumstances in 1975?

The divergence of economic interests involved in the existing complicated import license fee system on oil imports will be exacerbated by the additional, and changing level of import fees which you propose to impose under Presidential authority. The changing costs and price conditions which the import fee will create are not conducive to sound legislation.

As you have implied in your message to the Congress, the energy and indeed the economic problems we face call for comprehensive and consistent legislative approach. In this regard, there is a preferable course to take and one which will provide the greatest degree of cooperation between the Executive branch and the Congress. To this end I respectfully request that you take no further action under the national security provision to impose additional fees or tariffs on imports of petroleum and petroleum products, but await appropriate legislative action. As I am sure you are aware the Committee on Ways and Means is responding to your request for action by making your proposal the first order of business.

Sincerely yours,

AL ULLMAN, *Chairman.*

Subsequently, the Committee held a hearing on January 22, and at that hearing Secretary of the Treasury Simon disclosed for the first time publicly the President's proposed action on import fees for crude petroleum and petroleum products was to be based on an investigation Secretary Simon had requested on January 4, 1975, under the national security provisions, of section 232 of the Trade Expansion Act of 1962. The investigation was completed January 13, and transmitted to the President January 14, 1975.

Despite the existence of an import license fee system on petroleum and petroleum products under section 232, despite the provision for public hearings or other appropriate forms by which interested parties could offer their views, and despite an expressed interest by the Committee on Ways and Means in the 93rd Congress concerning the use of section 232 to limit imports of petroleum in the absence of legislative guidelines, the Administration chose not to hold public hearings and, indeed, chose not to make public until January 22 the fact that a section 232 investigation had been requested and completed.

On January 23, the President issued his Executive Order proclaiming import fees on petroleum and petroleum products which would bring in revenues of about $200 million during the first three months and $400 million monthly by April 1975 according to the Administration. The President's action was taken without benefit of a public hearing on the effects of such a tax or tariff and without public or Congressional review of the system for imposing the import fee and the criteria used to determine its incidence on petroleum products and on different consumers.

B. Description of the President's Action and Comments on Economic Impact

The Proclamation by the President dated January 23, 1975 modifies Proclamation 3279 dated March 10, 1959, which established the mandatory oil import quota program. It also modifies amendments of that Proclamation including Proclamation 4210 of April 18, 1973, which suspended tariffs on imports of petroleum and petroleum products and replaced the oil import quota program by a system of import license fees.

Amendment of import license fee system

The Proclamation provides that the phase-in schedule of import license fees under the present system and the preferential longer phase-in fee schedule for imports of motor gasoline and other finished products from Canada (established under Proclamation 4227 of June 19, 1973) will be eliminated. This means that as of February 1, 1975, the import fees under the present program will increase on crude oil from 18.0 to 21.0 cents per barrel, from 59.5 to 63.0 cents per barrel on motor gasoline, and from 42.0 to 63.0 cents per barrel on all other finished products. These rates would have been achieved as of November 1, 1975 under the present program.

The elimination of the longer phase-in of fees on imports from Canada means the present fee of 6.0 cents per barrel on motor gasoline and 4.2 cents per barrel on other finished products rises to the uniform 63.0 cents per barrel, which was not scheduled to take effect until November 1, 1980.

New import fee schedule

The Proclamation increases the import fees under the present program on crude oil by a supplemental fee of $1 per barrel effective February 1, $2 per barrel as of March 1, and $3 per barrel as of April 1. The supplemental effective fees on petroleum products will be zero as of February 1, $0.60 as of March 1, and $1.20 by April 1. For example, the total import fee on a barrel of crude oil would be $3.21 as of April 1, and $1.83 per barrel of residual fuel oil.

The Proclamation reinstates the tariffs on petroleum and petroleum products as of February 1, which were suspended when the import quota system was replaced by license fees. The burden of the reinstatement is nil, however, since the tariffs are subject to refund of equivalent amounts from the total fees paid.

"Entitlements" program

The "Old Crude Oil Allocation Program," under Federal Energy Administration (FEA) regulations issued in December 1974, will continue to apply under the new program to equalize substantially

the costs of crude oil to refiners while the domestic two-tier price controls remain in effect. The purpose of this so-called "entitlements" program is to reduce the cost differentials between refiners with access to lower cost "old" oil (currently under a price ceiling averaging about $5.25 per barrel) and refiners dependent on more costly imported and "new" domestic crude oil not subject to price controls (averaging over $11 per barrel). The cost disparity is reduced by allocating low-priced "old" oil proportionately among all refiners by issuing entitlements each month to refiners granting them access to price-controlled "old" crude oil. The entitlements to each refiner will be equal to the national average ratio of "old" crude oil to new domestic plus imported crude, calculated monthly by the FEA. Additional entitlements will be issued to small refiners. The FEA will publish a list of the number of entitlements issued each refiner.

Refiners with a lower share of "old" oil than the national average in a particular month, for example, refiners heavily dependent on imported crude oil, sell entitlements to refiners with more than their share of low-priced crude, up to the amount of the national average ratio. The proceeds from the sales are used by the refiners to reduce their cost of higher-priced imported or domestic oils. The refiners' customers pay prices that reflect the cost of the imported crude oil reduced by the value of the entitlement sales for the particular month. In turn, refiners with more "old" oil than the national average must purchase such entitlements in order to process their "old" oil. The goal is for all refiners' product prices to reflect approximately the same proportion of low-priced domestic crude oil regardless of geographic location or source of crude oil supply.

Under the present allocation regulations, residual fuel oil and No. 2 fuels (heating oil and diesel fuel) receive an entitlement valued at approximately one-third of the crude entitlement value. These regulations are being amended to eliminate such entitlements for products. Entitlements for products are replaced by reductions in fees to importers of *all* petroleum products subject to the supplemental fees. The supplemental fees charged on products will be reduced from the crude levels by $1.00 per barrel on February 1, $1.40 per barrel on March 1, and $1.80 per barrel on April 1.

This system of lesser fees on products is designed to equalize as much as possible the costs of imported fuel oils and other imports of petroleum products with domestic production while price controls remain in effect. It is also intended to reduce the impact of large fees in regions heavily dependent on product imports.

About 60 percent of the total national supply of crude oil is either imported, "new" domestic production, or stripper well production not subject to price controls. Under the entitlements program, each refiner is allocated the equivalent of approximately 40 percent of its crude oil runs as price-controlled "old" oil. In other words, refiners will be reimbursed, in effect, under the entitlements program by about 40 cents for each $1.00 increase in the fee on imported crude oil and incur a net 60 cent price increase for each $1.00 increase in the fee. To maintain an equal cost relationship between domestic refiners and importers of refined products, the import fee on products is computed initially at 60 cents instead of the $1.00 crude level to match the effective 60-cent net fee cost for refiners. In turn, importers have had benefits under the present entitlements program equivalent to 60 cents per barrel of imported product. Since this entitlement will be eliminated under the new program, the import fee on products will be reduced by an equivalent 60 cents.

Effective import fees

Consequently, the net effective import fee on petroleum products will be zero in February; in March the corresponding initial fee is $1.20 instead of the $2.00 crude level (i.e., the reimbursement to refiners of the crude oil fee under the entitlements program is 80 cents) minus 60 cents for current entitlement benefits, for a net fee of $0.60; and in April the net fee of $1.20 excludes $1.80 for the crude oil entitlement and 60 cents for the current product entitlement. The FEA Administrator has authority under the proclamation to reduce the fee by these or by other amounts as he may determine necessary to achieve the objectives of the Proclamation and the Emergency Petroleum Allocation Act of 1973.

The fees are payable by the last day of the month following the month the imports are released from customs or entered or withdrawn from warehouse. Under current price regulations, there will be a minimum lag time of one month between importation or payment of the fees on imported crude oil or products and pass-through of the price increase by the refiner or importer. For example, the first fee on petroleum products would not be passed through until April.

Under the present license fee system, fees are refunded on imports which are refined into products for export or incorporated into petrochemicals exported. This drawback authority is extended under the new program to the supplemental fees. The Administration is given discretion to refund fees in certain other instances, including imports of unfinished oils incorporated into petrochemicals for export and fees on imports of crude oil manufactured into asphalt.

However, under the present system, imports of crude oil and petroleum products are generally exempt from license fees on the volumes under the allotments of the old import quota program. About 90 percent of crude imports and over 90 percent of residual fuel oil imports, for example, are currently fee exempt. These fee-free allocations, as well as the long-term allocations of imports into Puerto Rico and those made by the Oil Import Appeals Board, will continue in effect for the revised existing fees until the allocation system terminates in 1980. All petroleum and petroleum products imports will be subject, however, to the new supplemental fees.

Finally, the Proclamation provides for the Administrator of the FEA to evaluate the structure and scope of elements of the existing mandatory oil import program which will remain in effect with a view to possible simplification. He is to submit recommendations to the President within three months.

Economic Impact

According to the Federal Energy Administration, the United States now imports about 4.1 million barrels per day of crude oil and about 2.6 million barrels per day of fuel oil and other refinery products. The Administration estimates that the increase of $3.00 per barrel on imported crude oil and $1.20 on imported petroleum products will increase average imported petroleum prices by about $.035 per gallon.

The Administration has made public very little information about possible price effects of the proclaimed increases in existing import fees. The entire energy package is expected to cause a one-time increase in the price indexes of approximately 2 percent. This Treasury Department estimate combines the primary and ripple effects of the total $30 billion energy conservation taxes and fees package. In calendar year 1975, the import fees are expected to total $3.2 billon, or 12.2 percent of the total energy tax receipts. In calendar year 1976, the import fees are projected to be $4.1 billion, or 13.6 percent of the total. Therefore, the Administration considers the potential inflation impact of the oil import fee portion of the energy package to be small.

Other estimates are more pessimistic. A January 1975 Library of Congress Congressional Research Service report estimates that a $3-per-barrel increase in the import fees on imported crude and petroleum products will raise the price of imported crude from $12.50 to $15.50 per barrel, costing $7.1 billion yearly at current import rates.

The study indicates that all elements of the Administration's energy program in the aggregate could cost at least $50.3 billion in 1975. Given an anticipated 1975 gross national product of $1500 billion, the program could raise living costs by 3 percentage points, assuming complete pass through of the sum to final prices. Directly, before consideration of secondary or ripple effects, the energy package will raise the rate of inflation from an estimated 6–7 percent to 9–10 percent in 1975. Put another way, the package will increase the rate of inflation in 1975 about 50 percent in direct costs, even before considering the ripple costs that emanate from the primary price increase.

Energy costs are marked up through layer upon layer of the manufacturing, distribution and retailing systems which results in products embodying energy having their prices raised by more than the actual increase in energy costs. Many wages and other payments like social security are tied to the change in prices, hence, compounding the rise in energy prices' effect on the general price level. The ripple effect is estimated to be 1.5 to 2.0 times the primary effect, implying that, potentially, the Administration's total energy package's primary and secondary effects could cause 1974's 12 percent inflation rate to continue through 1975.

A report by Data Resources, Inc., also prepared in January, generally supports the Congressional Research Service study, although its estimates are slightly lower. The DRI study assumes that a large part of the price increase will be reflected in higher wages and unit labor costs, and will find its way back into prices via the wage-price spiral. The GNP deflator is estimated at 3 percent higher at the end of 1975, increasing the total inflation rate through the year to 10.7 percent. The study further predicts a spillover effect into 1976 of another one percent, bringing the total projected inflation rate for 1976 to over 6 percent and the total inflation effect of the Administration's energy package to 4 percent, thereby assuring continued double-digit inflation.

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C. Description of Provisions Regarding Import Fee on Petroleum

The first section of H.R. 1767 provides that the President's authority to adjust imports of petroleum and petroleum products under section 232 of the Trade Expansion Act of 1962 (the national security provision) or under any other provision of law, is to be suspended for a period of 90 days beginning on the date of enactment. It is intended that no further Executive action be taken in the form of an import quota, tax, tariff, or fee or other type of import restraint during the 90-day period that would have the effect of increasing the price of imported petroleum and petroleum products.

In this context, petroleum and petroleum products or, as stated in the bill, "petroleum or any product derived therefrom," means imported crude oil, crude oil derivatives, and products and related products derived from natural gas and coal tar, and as employed in proclamations issued under section 232 of the Trade Expansion Act of 1962 for the purpose of adjusting imports. It should be noted that section 4 provides that the Act is not to have any effect on proclamations or Executive orders issued before January 15, 1975 by the President under section 232 of the Trade Expansion Act of 1962. Thus, it is not intended that the Act affect the status of the existing import license fee system under Proclamation No. 4210.

Section 2(a) would repeal any Executive order or proclamation issued by the President after January 15, 1975 and before the date of enactment under section 232(b) of the Trade Expansion Act of 1962 or any other provision of law resulting in the imposition of a rate of duty on imports of petroleum or any product derived therefrom. On or after the date of enactment, petroleum and petroleum products made subject to a rate of duty by such action would enter free of any such duty. In addition, section 2(a)(2) would provide for the rebate of any duty paid on imports of petroleum or petroleum products imposed by the President pursuant to any action by him after January 15, 1975, and before the date of enactment, under section 232 or any other provision of law.

Section 2(b) is similar to section 2(a) except that it will repeal the import fee proclaimed by the President on January 23, 1975 or any similar action taken after January 15, 1975 and before the date of enactment involving the imposition of a tax or fee on the imports of petroleum or any products derived therefrom under section 232(b) of the Trade Expansion Act of 1962 or any other provision of law. Likewise, on and after the date of enactment, the tax or fee imposed on imports of petroleum and products derived therefrom shall be only the tax or fee in effect as a result of action taken before January 16, 1975. As in section 2(a)(2), any tax or fee imposed on imports of petroleum and petroleum products which exceeds the tax or fee imposed on January 15, 1975 is to be rebated upon application to the appropriate Federal agency.

In providing a rebate of duties or fees, the Committee intends that there should be no increase in the price of imported petroleum or any product derived therefrom should a traiff or import fee be imposed prior to the enactment of this Act. Since importers will be assured that the duties or fees will be rebated, there will be no need for importers to pass along the fee to the customers through an increase in price. In any event, the Committee is informed that under the President's Proclamation, the import fee on crude oil will not be collected immediately and the fee on products will not begin to be collected until April or even later.

Section 3 provides that the 90-day suspension of the President's authority to adjust imports of petroleum or any product derived therefrom under section 232 of the Trade Expansion Act of 1962 or any other provision of law shall terminate under certain circumstances involving the United States armed forces engagement in hostilities. The circumstances are: (1) should the Congress declare war; (2) should United States armed forces be introduced into hostilities pursuant to specific statutory authority; (3) should a national emergency be created by attack upon the United States, its territories or possessions, or its armed forces; or (4) should United States armed forces be introduced into such hostilities, situations, or places, or are enlarged in any foreign nation under circumstances which require a report by the President to the Congress pursuant to section 4(a) of the War-Powers Resolution (50 U.S.C. 1453(a)).

Thus, under Section 3, the President's power to act under Section 232 of the Trade Expansion Act in time of national emergency involving armed conflict would be preserved, despite the suspension period of 90 days provided in Section 1 of the bill.

The Committee has been informed that a suit has been instituted to test the validity of the President's action of January 23, 1975, under section 232(b) of the Trade Expansion Act of 1962 for the purpose of adjusting imports of petroleum and products derived therefrom. The Committee does not intend that its action in reporting out H.R. 1767, and in setting forth the views contained in this report with respect to the action taken by the President on January 23, 1975, should affect in one way or another the determination in this suit or in any other proceeding which has been instituted (or which may be instituted) on the merits of issues relating to the scope of Presidential authority or the validity of any particular exercise of that authority under section 232(b) of the Trade Expansion Act of 1962 or any other provision of law.

D. Reasons for Suspending the President's Authority

The Proclamation pre-empts other approaches to reducing demand for oil

The Committee has not had the opportunity to analyze in detail the many ramifications of the Presidential proclamation of January 23, 1975. It it clear, however, that the import fees to be imposed on crude petroleum are not due to be collected until the last of February. The payment of fees on products is to be delayed an additional month to the end of March or the first part of April. Surely the degree of import restraint gained by the precipitous Executive action under the umbrella of national security is of minimal contribution to the overall goal of reduction of oil imports. Given the actual effective date of the import fees, the early incidence (or lack thereof) of the President's program does not conform to the public posture of an active Executive branch making the hard decisions and impatiently awaiting Congressional concurrence.

Certainly early and effective action to reduce our reliance on oil imports is essential. However, the double challenge of inflation and recession are extremely serious threats to our economic welfare as well. These problems too are twin responsibilities of the Congress and the President. Reliance on Executive action under the national security clause, Section 232 of the Trade Expansion Act, without adequate public notice and in the absence of consultations with the Congress, and despite the best of intentions, ignores recent sensitivities respecting the use of Presidential power. What is of more basic concern is the effect the Proclamation has on the authority of the Congress.

By imposing the import fees by proclamation, the Administration sought to establish, once and for all, the across-the-board incidence of the $2-per-barrel import fee as the major element in the tax program of discouraging demand for oil. With the import fee on crude firmly established in the market place, the import fee on products being altered through the so-called "entitlements" program (established to reduce cost differentials created by price controls and the two-tier price system) and other import fee rebates or adjustment being made to accommodate "special circumstances," it was hoped that the Congress would have no choice but to adopt the President's approach, or alternatively, to assume the responsibility for not responding to the need for an effective energy program.

There is no doubt that to allow the President's proclamation of January 23, 1975, to stand pre-empts the choices that are otherwise available to the Congress in developing its own approach to energy conservation through the tax system.

As indicated above, the President's energy tax package is inflationary in its effect on energy cost for individuals and/or business, much more so than first estimated. Moreover, its negative impact on the effective demand for other goods has been underestimated by the Administration, as reflected in an unusual concensus among economists appearing before the Committee on Ways and Means. Alternatives to the President's program are available and must be considered, given general inflationary effects of the administration program on all energy costs, the secondary cost effects on products embodying energy, and the recessionary effect of reduced purchasing power the program will have.

The criteria of the national security provision has not been adequately met

The chronology of the national security investigation and finding on which the President based his proclamation has been detailed elsewhere in this report. The Committee is sympathetic with the supporting statements that literally hundreds of hearings and studies have been conducted in recent years on our energy needs and the policies and programs required to meet the energy challenge. Understandably, there was a great desire to avoid another lengthy investigation under the national security provision. There are a myriad of factors involved that have been analyzed, studied, and reported upon. Not all, however, are relevant to the criteria of Section 232.

Paragraph (c) of that section reads as follows:

> (c) For the purposes of this section, the Secretary and the President shall, in the light of the requirements of national security and without excluding other relevant factors, give consideration to domestic production needed for projected national defense requirements, the capacity of domestic industries to meet such requirements, existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense, the requirements of growth of such industries and such supplies and services including the investment, exploration, and development necessary to assure such growth, and the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements. In the administration of this section, the Secretary and the President shall further recognize the close relation of the economic welfare of the Nation to our national security, and shall take into consideration the impact of foreign competition on the economic welfare of individual domestic industries; and any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports shall be considered, without excluding other factors, in determining whether such weakening of our internal economy may impair the national security.

As can be seen, the major theme of the relevant factors to be considered by the Secretary of the Treasury and by the President is the impact of imports on the ability of industries to produce domestically and to meet national defense requirements from domestic production. While consideration is to be given to the close relation of the economic welfare of the Nation to our national security, it is the capacity of domestic industries in relation to national defense requirements that is most closely related to the purposes of the section.

The rationale supporting the national security action on oil imports in 1955 or in 1959 has changed drastically over the years, with the oil embargo and subsequent price increases presenting entirely new market conditions to domestic oil producers. No one is contending that the domestic oil industry is being destroyed by cheap imports. Not only has the rationale of encouraging domestic production in face of low cost foreign oil changed, but the structure of the domestic oil industry and the market it serves no longer relate to the type of reasoning which led to the oil quotas of 1959.

There can be no doubt that it is in the national security interest to reduce our reliance on foreign oil. There is doubt that the investigation and report prepared at the direction of the Secretary of the Treasury serves as an appropriate and adequate base for the tremendously significant import adjustment program that has been proclaimed. In view of the billions in dollars of costs which will be borne by our producing industries and by every energy consumer, a 10-day investigation with no consultations with interested parties, hardly seems appropriate.

What is at issue here is whether the decisions that must be made affecting energy costs throughout the economy are to be made in relation to criteria which have been carefully examined and written into law, or whether those decisions are to be made in relation to criteria decided by an administrator acting under an Executive order. Such decision would be made without the benefit of legislative guidelines, and indeed, without benefit of a publicly available rationale to guide the daily decisions of the administrator as he decides equity as between consumers and producers, producers and importers, and consumers and consumers. The report and national security findings transmitted to the President on January 14 provides little rationale to guide the administration of the extremely complex import fee system proclaimed by the President on January 23, 1975.

A national security investigation was conducted between January 4 and January 13, 1975, a report was prepared and a finding reached based on that investigation, and on January 14, that report and finding were transmitted to the President. The appropriateness of the decisions and actions involved are subject to very serious question. The procedures must be judged to be inadequate in light of the far reaching implications of the Proclamation and in the absence of any demonstration of the necessity to act so quickly and in such a manner as to pre-empt legislative alternatives.

Previous expression of Congressional concern were ignored

There already has been increasing concern in the Congress with respect to the actions of the President on imports of crude petroleum and petroluem products under Section 232. In the Trade Act of 1974, the Congress amended Section 232 to require that the Secretary of the Treasury consult with the Secretary of Defense and other appropriate officials. Section 232 was further amended to provide for public hearings or other opportunities for presentation of information by interested parties. These public procedures can be waived by the Secretary of the Treasury. Clearly, however, in an Act in which public hearings prior to Presidential actions were made standard operating procedure the Congressional intent is that public procedures are to be followed unless some unusual circumstance makes such procedures "inappropriate."

In the almost 20 years during which the national security provision has been in the trade law, Section 232 investigations have always included public hearings or other means of affording interested parties an opportunity for the presentation of views. Ironically, in view of the very brief investigation preceeding the President's action on the petroleum import fee of January 23, 1975, Section 232 was also amended to require that the Secretary of the Treasury complete his investigation and report his findings and recommendations to the President within one year after the investigation is begun. This was in response to Section 232 investigations being continued without final disposition, literally for years.

The Trade Expansion Act of 1962 conferred on the President certain powers to take action affecting imports once he determined that the level of those imports threatened to impair the national security of

the United States. In April 1973, by Executive Proclamation 4210 and again on January 21 of this year, the President has taken action, based on his claim of authority under that Section, to adjust imports by imposing a charge, which he called a license fee, on imported petroleum and petroleum products.

No court has had an opportunity to consider the reach of the delegation contained in the Trade Expansion Act and this resolution does not purport to do so now.

There is certainly grave doubt, at least, that a Court would uphold a claim that the Congress attempted to delegate virtually unlimited power to impose fees, no matter what euphemism is selected to denominate them, as a means of restricting imports. In any event, however, we understand the scope of that delegation will soon be determined in a Court action.

The purpose of the Resolution, then, is not to expand or change the authority which the Congress conferred on the President in the Trade Expansion Act of 1962 or in its amendments.

Nor does the Resolution ratify any previous actions by any President made in reliance on the National Security provisions of the Trade Expansion Act to impose dollar fees on imports, no matter whether this was done with or without public hearings and no matter whether done by Proclamation or in any other way.

In addition to the procedural amendments to Section 232, the Committee on Ways and Means has actively considered the President's action on petroleum imports under Section 232 in connection with the proposed Oil and Gas Energy Act of 1974.

Although H.R. 14462 of the 93rd Congress did not become law, Section 204 of that bill would have amended Section 232 of the Trade Expansion Act to prescribe criteria for, and to limit the use of, restrictions on the importation of petroleum and products derived from petroleum which may be imposed by the President under Section 232. Thus, the nature of the proposed action forcefully indicated the Committee's interests and views on these matters which, in effect, were ignored by the Secretary of the Treasury in his Section 232 investigation and in the action taken by the President.

In view of the fact that the President has chosen to continue the license fee system as a part of the import fee program, it is appropriate to consider the Committee's comment in House Report No. 93–1028 to accompany H.R. 14462, the Oil and Gas Energy Act of 1974. That report stated in part:

> The Committee has examined the license fee system established by the President on imports of petroleum in lieu of the import quota system under which the President has "adjusted" the volume of petroleum imports under the national security provision since 1959. There is general agreement that the oil import quota system had outlived its usefulness. However, the Committee finds that the existing license fee system is not responsive to existing conditions in world markets insofar as crude oil imports are concerned. Further, insofar as the license fee on petroleum products is concerned, the Com-

mittee believes that the continued recognition of special "rights" for certain importers should be ended and that if license fees are to be imposed, their application should be uniform and nondiscriminatory.

* * * * *

With respect to petroleum (i.e., crude oil), section 204 of the bill would prohibit the imposition of any quantitative limitation, duty, tax or fee except in any period for which the President determines that both the prevailing landed price of imported crude oil is equal to or less than the prevailing price of crude oil produced in the United States, and that the goal of promoting national self-sufficiency would be adversely affected without such imposition. This prohibition would effectively prohibit the imposition of restrictions on the importation of crude oil as long as domestic price controls which keep the average domestic price of crude below that of imported crude are in effect.

* * * * *

By requiring that a second condition be met, i.e., that without a quantitative limitation, duty, tax or fee, the goal of promoting national self-sufficiency would be adversely affected, your committee intends that not only must the price of imported crude be equal to or less than the price of domestic crude petroleum, but that the overall trends in market conditions are such that the goal of promoting national self-sufficiency itself requires some degree of import restraint on crude petroleum. The Committee, in formulating these criteria, wished to minimize market factors which serve to add to consumer costs unnecessarily.

* * * * *

Nevertheless, in reviewing the existing license fee system on imports of petroleum products, your committee was concerned that historical importers who had enjoyed import quota rights previously should not continue to receive exemptions and rights not available to other importers once the import quota system had been abandoned. Therefore, the bill requires that to the extent that a license fee system on petroleum products (in excess of charges, if any, on crude petroleum) is necessary to offset cost disadvantages of developing and operating refineries in the United States, the import restraint system should be applicable on a uniform and nondiscriminatory basis.

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In order that the Congress may play a more appropriate role in petroleum import policy under the import program proclaimed by the President under section 232, the bill provides for a Congressional disapproval procedure for any action taken under section 232(b).

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Aside from the Committee's concern as expressed in the report on H.R. 14462, there are other questionable aspects of the import

fee system which are of fundamental interest to the Committee and to the Congress.

Continued use of national security authority erodes legislative responsibilities under the Constitution

The existing license fee system and the import fee system proclaimed January 23 establishes a separate taxing mechanism, defining taxable units and categories of goods, determining equities among taxpayers based on assumed special circumstances, and assigning revenue collection responsibilities. The whole revenue and tariff system established by the President is outside the tariff and customs law and the Internal Revenue Code, and none of the criteria and guidelines for administering the system has been approved by the Congress.

Even at the low level of the license fees ($0.21 per barrel of crude), the future revenue was significant enough to cause the Committee last year to drop the provisions of Section 204 of H.R. 14462, mentioned above, from a tax bill it reported later in that session due to the revenue loss it was estimated could result from the enactment of statutory criteria on the imposition of import license fees on petroleum.

The long and continued use of such a broad authority as Section 232 in the exercise of basic legislative functions of raising revenues and regulating commerce erodes the authority of the Congress and prevents it from fully exercising its constitutional responsibilities.

By approving H.R. 1767, the House can take a step toward the resumption of the appropriate exercise of responsibilities that are reserved to the Congress by the Constitution.

E. Suspension of Authority Placed Heavy Responsibility on the Congress

There can be no doubt that in suspending the President's national security authority and negating his recent action under it with respect to imports of petroleum, the Congress is assuming a heavy responsibility to propose and enact an energy legislation. It is possible that a legislative package of energy taxes cannot be developed and enacted within the time frame of 90 days anticipated in H.R. 1767. Certainly it cannot be done effectively if Congress must act under the leverage of Executive action which increases basic energy costs through import fees with no opportunity for the Congress to choose more selective cost increases through the tax system. By its action of favorably reporting H.R. 1767, the Committee on Ways and Means is accepting its responsibility to develop and report to the House as expeditiously as possible legislation on petroleum and petroleum products (both imports and domestically produced) that is responsive to our energy requirement and coordinated with broad tax changes that are needed to stimulate economic activity and alleviate the inequities stemming from the inflationary pressures of the past year and a half.

In order to carry out those responsibilities effectively, the Congress must enact H.R. 1767 and assume a full partnership with the President in this area of great concern.

For the reasons stated above, your committee strongly recommends enactement of H.R. 1767.

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III. INCREASE IN THE TEMPORARY LIMIT ON THE PUBLIC DEBT

A. Present Law

The combined permanent and temporary limitation on the public debt is $495 billion effective through March 31, 1975. This limitation was approved by Congress and became law on June 30, 1974. The Secretary of the Treasury currently estimates that the ceiling will be reached on February 18, 1975, if existing outlay and receipts patterns continue unchanged.

B. Current Economic and Budget Outlook

The output of *real* goods and services—as measured by gross national product in constant prices—has been declining since the start of 1974, but price increases have more than offset this decline with the result that GNP in current prices has continued to increase. Table 1 shows that real GNP reached a peak annual rate of increase of 9.5 percent in the first quarter of 1973, had substantially lower rates of increase the rest of that year, and has decreased each quarter since the start of 1974. Further decreases in real GNP have been forecast through the middle of 1975. During the past two years, prices (as measured by the GNP deflator) have changed from a 5.5 percent annual rate of increase in the first quarter of 1973 to a 13.7 percent rate in the fourth quarter of 1974.

TABLE 1.—GROSS NATIONAL PRODUCT IN CURRENT AND CONSTANT PRICES AND GNP IMPLICIT PRICE DEFLATOR, QUARTERLY, 1971–74

[Billions of dollars; seasonally adjusted annual rates]

	Gross national product								
	Current dollars			Constant (1958) dollars			Implicit price deflator		
Year and quarter	Total	Difference	Percent change at annual rate	Total	Difference	Percent change at annual rate	Total (index: 1958=100)	Difference (index: 1958=100)	Percent change at annual rate
1971:									
1st quarter	1,027.8	+36.0	+15.3	736.9	+17.6	+10.1	139.5	+1.6	+4.7
2d quarter	1,047.3	+19.5	+7.8	742.1	+5.2	+2.8	141.1	+1.6	+4.8
3d quarter	1,061.3	+14.0	+5.5	747.2	+5.1	+2.8	142.0	+0.9	+2.6
4th quarter	1,083.2	+21.9	+8.5	759.1	+11.9	+6.5	142.7	+0.7	+1.9
1972:									
1st quarter	1,115.0	+31.8	+12.2	770.9	+11.8	+6.4	144.6	+1.9	+5.5
2d quarter	1,143.0	+28.0	+10.5	786.6	+15.7	+8.4	145.3	+0.7	+1.9
3d quarter	1,169.3	+26.3	+9.5	798.1	+11.5	+6.0	146.5	+1.2	+3.3
4th quarter	1,204.7	+35.4	+12.7	814.2	+16.1	+8.3	148.0	+1.5	+4.1
1973:									
1st quarter	1,248.9	+44.2	+15.5	832.8	+18.6	+9.5	150.0	+2.0	+5.5
2d quarter	1,277.9	+29.0	+9.6	837.4	+4.6	+2.2	152.6	+2.6	+7.3
3d quarter	1,308.9	+31.0	+10.1	840.8	+3.4	+1.6	155.7	+3.1	+8.3
4th quarter	1,344.0	+35.1	+11.2	845.7	+4.9	+2.3	158.9	+3.2	+8.6
1974:									
1st quarter	1,358.8	+14.8	+4.5	830.5	−15.2	−7.0	163.6	+4.7	+12.3
2d quarter	1,383.8	+25.0	+7.6	827.1	−3.4	−1.6	167.3	+3.7	+9.3
3d quarter	1,416.3	+32.5	+9.7	823.1	−4.0	−1.9	172.1	+4.8	+11.9
4th quarter	1,428.0	+11.7	+3.3	803.7	−19.4	−9.1	177.7	+5.6	+13.7

Also, during the past year and a quarter, the unemployment rate has increased from a low point of 4.6 percent in October 1973, to a high 7.1 percent in December 1974. The unemployment level is expected to reach and probably exceed 8.0 percent by the middle of 1975.

The economic trends sketched above are reflected in a lower level of budget receipts and a higher level of outlays in the fiscal year 1975 than had been estimated earlier. This is indicated in table 2 which shows the initial (January 1974) budget estimates of receipts and outlays for the fiscal year 1975, the estimates presented to the committee by the administration on January 23, 1975, and two intervening estimates. The pattern of falling receipts and rising outlays is consistent with the economic trends cited above. Reflected in the latter estimates, for example, are higher outlays for unemployment insurance benefits and social security benefit payments, items which are associated with increasing unemployment. At the same time, lower receipts resulting from increased unemployment, less income earned by those now employed only on a part-time basis, falling corporate profits, some switching from FIFO to LIFO accounting methods and an unusual level of capital loss generated by a falling stock market.

TABLE 2.—ESTIMATES OF UNIFIED BUDGET TOTALS IN FISCAL YEARS 1974–76

[billions of dollars]

		1975				
	1974 actual	Budget estimate	May estimate	Nov. 26 estimate [1]	Current estimate [1]	1976 Current estimate [1]
Receipts	264.9	295.0	294.0	293	279	293–300
Outlays	268.4	304.4	305.4	302	313	348–350
Deficit	−3.5	−9.4	−11.4	−9	−35	−[2] 50

[1] Estimates include effects of proposed legislation.
[2] Approximately.

The latest budget estimates have experienced a rapid transformation as the economic decline accelerated. This is, for example, a change from a $9 billion to a $35 billion budget deficit in a two-month period. Part of the increased deficit for fiscal year 1975 is a net $5 billion reduction in revenues resulting from the President's proposal for economic stimulation and energy conservation. The revenue effects of the economic and energy tax proposals are summarized below in table 3.

TABLE 3.—EFFECT OF THE PRESIDENT'S TAX PROPOSALS ON BUDGET RECEIPTS

[Fiscal years; in billions of dollars]

	1975	1976
Estimate excluding proposals	284	303–306
Tax cuts to stimulate the economy	−6.1	−10.2
Individuals	(−4.9)	(−7.3)
Business	(−1.2)	(−2.9)
Energy taxes	4.3	35.3
Excise taxes and import fees	(4.3)	(19.0)
Windfall profits taxes	(----------)	(16.3)
Energy tax offsets	−3.2	−31.5
Individuals	(−1.4)	(−24.9)
Corporations	(−1.8)	(−6.6)
Net effect of proposals	−5.0	−6.4
Current estimate	279	297–300

Receipts and outlays by type of funds are presented in table 4. This table indicates that in the fiscal year 1975, the $35 billion deficit in Federal funds consists of an $8 billion surplus in the trust funds and a $43 billion deficit in the Federal funds. The latter deficit is the significant one for consideration of the debt limit because it describes the total of new debt obligations that must be issued. The trust fund surplus is also invested in the debt represented by the $43 billion Federal funds deficit. The trust fund surplus invested in Federal funds debt differs from other Federal obligations because these funds are not raised in competition with other borrowers in the money market.

TABLE 4.—BUDGET TOTALS BY FUND GROUP

[Fiscal years; in billions of dollars]

	1974 actual	Current estimate 1975	Current estimate 1976
Receipts:			
Federal funds	181.2	186	198–200
Trust funds	104.8	119	126–127
Interfund transactions	–21.1	–26	–28
Total	264.9	279	297–300
Outlays:			
Federal funds	198.7	229	253–255
Trust funds	90.8	110	123–124
Interfund transactions	–21.1	–26	–28
Total	268.4	313	348–350
Surplus or deficit (–):			
Federal funds	–17.5	–43	[1] –55
Trust funds	14.0	8	5
Total	–3.5	–35	[1] –50

[1] Approximately.

Note: Detail may not add to totals due to rounding.

C. Administration Proposal

The administration requested an increase in the combined permanent and temporary debt limitation to $604 billion through June 30, 1976. In presenting its estimate of its needs for debt financing, the administration pointed out that a $531 billion ceiling would be adequate for the remainder of fiscal year 1975. The projection of its probable debt limit requirements on a monthly basis through June 30, 1976, is presented in table 5. Included in these estimates are a $6 billion cash balance and a $3 billion allowance for contingencies which are the usual figures used for estimates of this type.

A reconciliation of the $531 billion debt expected to be outstanding on June 30, 1975, with the change in the debt since the end of the fiscal year 1974 is shown in table 6. As indicated in this table, the outstanding debt at the end of the fiscal year 1974 was $476 billion and at that time there was an actual cash balance of $9 billion. The $531 billion represents a net increase requested through fiscal year 1975 of $55 billion.[1] The Federal funds deficit of $43 billion accounts for all but $12 billion of this increased debt. The remaining debt represents the financing of various Federal agency credit activities through the Federal Financing Bank. The administration decided to do this because

[1] The $9 billion actual cash balance at the end of 1974 is equal to the allowance of $6 billion for cash balance and $3 billion for contingencies which are included in the $531 billion total for June 30, 1975.

interest costs of one-half percent could be saved in this way. This step, however, places the $14 billion of debt issues attributable to these agencies within the public debt limit, and to the extent of $2 billion, accounts for more than $12 billion of debt in excess of the Federal funds deficit. However, an offset of this amount is expected to develop because the Treasury believes that $2 billion in tax rebate checks will not be cashed by June 30, 1975, even though issued. (This assumes that the President's tax rebate proposal will be enacted without change.)

TABLE 5.—ESTIMATES OF PUBLIC DEBT SUBJECT TO LIMITATION, MONTHLY FROM JANUARY 1975 THROUGH JUNE 1976

[Billions of dollars]

	Operating cash balance	Public debt subject to limitation	With usual $3 billion margin for contingencies
FISCAL YEAR 1975 [1]			
1974: actual			
June 30	9.2	476.0	
July 31	6.5	475.6	
Aug. 31	5.4	482.1	
Sept. 30	8.7	481.7	
Oct. 31	2.2	480.5	
Nov. 30	3.1	485.7	
Dec. 31	5.9	493.0	
1975: estimated			
Jan. 31	6.0	495.0	
Feb. 28	6.0	502.0	505
Mar. 31	6.0	507.0	510
Apr. 30	6.0	510.0	513
May 31	6.0	522.0	524
June 30	6.0	528.0	531
FISCAL YEAR 1976 [2]			
July 31	6.0	532.0	535
Aug. 31	6.0	538.0	541
Sept. 30	6.0	544.0	547
Oct. 31	6.0	551.0	554
Nov. 30	6.0	558.0	561
Dec. 31	6.0	567.0	570
1976:			
Jan. 31	6.0	571.0	574
Feb. 29	6.0	577.0	600
Mar. 31	6.0	583.0	586
Apr. 30	6.0	584.0	587
May 31	6.0	596.0	599
June 17 (peak)	6.0	601.0	604
June 30	6.0	596.0	599

[1] Based on estimated budget receipts of $279 billion, outlays of $314 billion, and deficit of $35 billion.
[2] Based on estimated budget receipts of $297 billion–300 billion, outlays of $348 billion–350 billion and deficit of approximately $50 billion.

TABLE 6.—*Summary reconciliation of debt limit need in fiscal year 1975 with budget and off-budget activity*

(In billions of dollars)

Debt subject to limit June 30, 1974	$476
Adjusted to $6 cash balance	473
Plus: Fed funds deficit, fiscal year 1975	43
Off-budget agency spending financed by Treasury	14
Allowance for contingencies	3
Less: Increase in checks outstanding (assumed flow of tax rebate checks issued but not yet cashed)	2
Equals debt subject to limit June 30, 1975	531

D. Basis for Committee Action

The committee believed that there were too many unknown factors to justify providing a debt limit not only for the remainder of this fiscal year but for the next fiscal year as well. For example, while it is known that a majority of economists believe that the recession will end in the middle of 1975, there is no single consensus about how fast the rate of recovery will be. Nor is there any public information explaining the administration's forecast for 1975, with or without inclusion of the President's spending, tax and energy recommendations. Moreover, neither your committee nor the House has made any decisions as to whether or not it will follow the President's proposals concerned with the current recession or the shortage of energy resources. Even if it should decide to follow the general principles of the President's proposals, differences in revenue consequences are likely to be significant.

Outlays for the fiscal year 1976 also may differ significantly from the administration's estimates. Outlays for 1976 are estimated to rise by about $35 billion (see table 7). The estimates include an $8 billion increase in military and military assistance funds that will first require congressional action. Social security benefit payments, various retirement programs, Federal military and civilian pay and coal miner benefits are shown to increase in 1976 by $11.7 billion, if Congress consents to limit the annual cost of living adjustments to 5 percent. If Congress does not concur and does not pass the legislation that is needed to implement this part of the President's requests, outlays will rise in 1976 by $17.7 billion—$6.1 billion more than in the budget. Similarly, $6½ billion is shown as expenditures in the form of grants to State and local governments, per capita rebates to individuals and higher energy outlays by the Federal Government that will be the result of the President's energy tax proposals which are part of the energy program that Congress has begun to evaluate. There are, in addition, $11 billion other cuts, deferrals and rescissions which require congressional concurrence before they may become effective. These budget cuts which require legislation total $17 billion.

TABLE 8.—*Administration estimates of major changes in outlays, between fiscal years 1975 to 1976*

(In billions of dollars)	*Increase, 1975 to 1976*
DOD—Military and military assistance	8
Social security trust funds	7½
Allowance for energy tax equalization payments	6½
Aid to the unemployed	3½
Interest	3
Special petrodollar fund	1
Other (approximately)	5
Total (approximately)	35

As a result of this examination, the committee decided that it could make no reasonable decision with respect to public debt needs for the fiscal year 1976. In examining the public debt limit for the remainder of fiscal year 1975, the committee was aware that the receipts and

outlays estimates also are subject to a number of uncertainties, but of much less magnitude than for next year. In many respects, expenditure commitments and patterns have been well enough established that they cannot easily be revised this fiscal year. Here, doubts basically exist only with respect to new programs. As a result, the committee decided to allow the administration the debt limit it requested for the fiscal year 1975. Therefore, the committee recommends that the public debt limit be increased to $531 billion through June 30, 1975.

E. Federal Financing Bank

In the course of the committee's hearings, it was informed that about $14 billion of the debt limit increase is needed to cover that amount of Federal agency financing of credit programs through the Federal Financing Bank. The administration stated that this step saves one-half percentage point in the rate of interest paid or about $70 million each year. By issuing the $14 billion as public obligations of the Federal Financing Bank which are general obligations of the Federal Government, the Bank will use up $14 billion of the debt limitation. Should general statutory debt authority in this amount not be available, it would be necessary to finance part of this agency debt in a more expensive way. The committee is anxious that this additional cost not be incurred. Accordingly, the committee has instructed the Secretary of the Treasury to submit a monthly report to the committee that will state the extent to which the Federal Financing Bank has used the authority to issue general obligations of the U.S. Government that fall under the public debt limit.

IV. APPENDIX

TABLE I.—*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—History of legislation*

Sept. 24, 1917:	
40 Stat. 288, sec. 1, authorized bonds in the amount of	[1] $7,538,945,400
40 Stat. 290, sec. 5, authorized certificates of indebtedness outstanding revolving authority	[2] 4,000,000,000
Apr. 4, 1918:	
40 Stat. 502, amending sec. 1, increased bond authority to	[1] 12,000,000,000
40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to	[2] 8,000,000,000
July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to	[2] 20,000,000,000
Mar. 3, 1919:	
40 Stat. 13, amending sec. 5, increased authority for certificates outstanding to	[2] $10,000,000,000
40 Stat. 1309, new sec. 18 added, authorizing notes in the amount of	[1] 7,000,000,000
Nov. 23, 1921: 42 Stat. 321, amending sec. 18, increased note authority outstanding (established revolving authority) to	[2] 7,500,000,000
June 17, 1929: 46 Stat. 19, amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding	[2] 10,000,000,000
Mar. 3, 1931: 46 Stat. 1506, amending sec. 1, increased bond authority to	[1] 28,000,000,000
Jan. 30, 1934: 49 Stat. 343, amending sec. 18, increased authority for notes outstanding to	[2] 10,000,000,000

See footnotes at end of table.

Feb. 4, 1935:	
49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing revolving authority) to	[2] $25, 000, 000, 000
49 Stat. 21, new sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding	[2] 20, 000, 000, 000
49 Stat. 21, new sec. 22 added authorizing U.S. savings bonds within authority of sec. 1.	
May 26, 1938; 52 Stat. 447, amending secs. 1 and 21, consolidating in sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to $30,000,000,000). Same aggregate total outstanding	[2] 45, 000, 000, 000
July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bonds, certificates of indebtedness, bills, and notes	[2] 45, 000, 000, 000
June 25, 1940: 54 Stat. 526, amending sec. 21, adding new paragraph:	
"(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by secs. 5 and 18 of this Act, as amended, not to exceed in the aggregate $4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under sec. 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated 'National Defense Series'"	[2] 49, 000, 000, 000
Feb. 19, 1941: 55 Stat. 7, amending sec. 21, limiting face amount of obligations issued under authority of act outstanding at any one time to	[2] 65, 000, 000, 000
Eliminated separate authority for $4,000,000,000 of national defense series obligations.	
Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to	[2] 125, 000, 000, 000
Apr. 11, 1943: 57 Stat. 63 amending sec. 21, increased limitation to	[2] 210, 000, 000, 000
June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to	[2] 260, 000, 000, 000
Apr. 3, 1945: 59 Stat. 47, amending sec. 21 to read: "The face amount of obligations issued under authority of this act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate $300,000,000,000 outstanding at any one time"	[2] 300, 000, 000, 000
June 26, 1946: 60 Stat. 316, amending sec. 21, adding: "The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof, shall be considered, for the purposes of this section, to be the face amount of such obligation," and decreasing limitation to	[2] 275, 000, 000, 000
Aug. 28, 1954: 68 Stat. 895, amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by $6,000,000,000 to	[2] 281, 000, 000, 000
June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to	[2] 281, 000, 000, 000
July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, temporarily increasing limitation by $3,000,000,000 for period, beginning July 1, 1956, and ending June 30, 1957, to	[2] 278, 000, 000, 000
Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1956, to	[2] 275, 000, 000, 000

See footnotes at end of table.

Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by $5,000,000,000	[2] $280, 000, 000, 000
Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation to $283,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation	[2] 288, 000, 000, 000
June 30, 1959: 73 Stat. 156, amending sec. 21, effective June 30, 1959, increasing limitation to $285,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959	[2] 290, 000, 000, 000
Amending sec. 21, temporarily increasing limitation by $10,000,000,000 for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 1, 1959	[2] 295, 000, 000, 000
June 30, 1960: 74 Stat. 290, amending sec. 21 for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by $8,000,000,000	[2] 293, 000, 000, 000
June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 30, 1962, temporarily increasing limitation by $13,000,000,000 to	[2] 298, 000, 000, 000
Mar. 13, 1962: 76 Stat. 23, amending sec. 21, for period beginning on Mar. 13, 1962, and ending June 30, 1962, temporarily further increasing limitation by $2,000,000,000	[2] 300, 000, 000, 000
July 1, 1962: 76 Stat. 124 as amended by 77 Stat. 50, amending sec. 21, for period—	
1. Beginning July 1, 1962, and ending Mar. 31, 1953	[2] 308, 000, 000, 000
2. Beginning Apr. 1, 1963, and ending June 24, 1963	[2] 305, 000, 000, 000
3. Beginning June 25, 1963, and ending June 30, 1963	[2] 300, 000, 000, 000
May 29, 1963: 77 Stat. 50, amending sec. 21, for period—	
1. Beginning May 29, 1963, and ending June 30, 1963	[2] 307, 000, 000, 000
2. Beginning July 1, 1963, and ending Aug. 31, 1963	[2] 309, 000, 000, 000
Aug. 27, 1963: 77 Stat. 131, amending sec. 21, for the period beginning on Sept. 1, 1963, and ending on Nov. 30, 1963	[2] 309, 000, 000, 000
Nov. 26, 1963: 77 Stat. 342, amending sec. 21 for the period—	
1. Beginning on Dec. 1, 1963, and ending June 29, 1964	[2] 315, 000, 000, 000
2. On June 30, 1964	[2] 309, 000, 000, 000
June 29, 1964: 78 Stat. 225, amending sec. 21, for the period beginning June 29, 1964, and ending June 30, 1965, temporarily increasing the debt limit to	[2] 324, 000, 000, 000
June 24, 1965: 79 Stat. 172, amending sec. 21 for the period beginning July 1, 1965, and ending on June 30, 1966, temporarily increasing the debt limit to	[2] 328, 000, 000, 000
June 24, 1966: 80 Stat. 221, amending sec. 21, for the period beginning July 1, 1966, and ending on June 30, 1967, temporarily increasing the debt limit to	[2] 330, 000, 000, 000
Mar. 2, 1967: 81 Stat. 4, amending sec. 21, for the period beginning Mar. 2, 1967, and ending on June 30, 1967, temporarily increasing the debt limit to	[2] 336, 000, 000, 000
June 30, 1967: 81 Stat. 99—	
1. Amending sec. 21, effective June 30, 1967, increasing limitation to	[2] 358, 000, 000, 000
2. Temporarily increasing the debt limit by $7,000,000,000 for the period from July 1 to June 29 of each year, to make the limit for such period	[2] 365, 000, 000, 000
Apr. 7, 1969: 83 Stat. 7—	
1. Amending sec. 21, effective Apr. 7, 1969, increasing debt limitation to	[2] 365, 000, 000, 000
2. Temporarily increasing the debt limit by $12,000,000,000 for the period from Apr. 7, 1969 through June 30, 1970, to make the limit for such period	[2] 377, 000, 000, 000
June 30, 1970: 84 Stat. 368—	
1. Amending sec. 21, effective July 1, 1970, increasing debt limitation to	[2] 380, 000, 000, 000
2. Temporarily increasing the debt limit by $15,000,000,000 for the period from July 1, 1970, through June 30, 1971, to make the limit for such period	[2] 395, 000, 000, 000

See footnotes at end of table.

Mar. 17, 1971: 85 Stat. 5—

1. Amending sec. 21, effective Mar. 17, 1971, increasing debt limitation to .... [2] $400,000,000,000
2. Temporarily increasing the debt limit by $30,000,000,000 for the period from Mar. 17, 1971, through June 1972, to make the limit for such period .... [2] 430,000,000,000

Mar. 15, 1972: 86 Stat. 63 temporarily increasing the debt limit by an additional $20,000,000,000 for the period from Mar. 15, 1972, through June 30, 1972, to make the limit for such period .... [2] 450,000,000,000

July 1, 1972: 86 Stat. 406, temporarily extending the temporary debt limit of $50,000,000,000 for the period from July 1 through Oct. 31, 1972, to make the limit for such period .... [2] 450,000,000,000

Oct. 27, 1972: 86 Stat. 1324, temporarily increasing the public debt limit by $65,000,000,000 for the period from Nov. 1, 1972 through June 30, 1973, to make the limit for such period .... [2] 465,000,000,000

July 1, 1973: 87 Stat. 134, temporarily extending the temporary debt limit of $65,000,000,000 for the period from June 30, 1973, through Nov. 30, 1973, to make the limit for such period .... [2] 465,000,000,000

Dec. 3, 1973: 87 Stat. 691, temporarily increasing the temporary debt limit by $75,700,000,000 for the period from Dec. 3, 1973, through June 30, 1974, to make the limit for such period .... [2] 475,700,000,000

June 30, 1974: 88 Stat. 285, temporarily increasing the temporary debt limit by $95,000,000,000 for the period from June 30, 1974, through March 31, 1975, to make the limit for such period .... [2] 495,000,000,000

[1] Limitation on issue.
[2] Limitation on outstanding.

TABLE II.—PUBLIC DEBT SUBJECT TO LIMITATION AT END OF FISCAL YEARS 1938–73

[In millions of dollars]

Fiscal year	Public debt subject to limitation at end of year	Fiscal year	Public debt subject to limitation at end of year
1938	36,882	1957	270,188
1939	40,317	1958	276,013
1940	43,219	1959	284,398
1941	49,494	1960	286,065
1942	74,154	1961	288,862
1943	140,469	1962	298,212
1944	208,077	1963	306,099
1945	268,671	1964	312,164
1946	268,932	1965	317,581
1947	257,491	1966	320,102
1948	251,542	1967	[1] 326,471
1949	252,028	1968	[1] 350,743
1950	256,652	1969	[1] 356,932
1951	254,567	1970	[1] 373,425
1952	258,507	1971	[1] 399,475
1953	265,522	1972	[1] 428,576
1954	270,790	1973	[1] 459,089
1955	273,915	1974	[1] 476,006
1956	272,361	1975 [2]	[1] 494,083

[1] Includes FNMA participation certificates issued in fiscal year 1968.
[2] Debt at close of business, Jan. 28, 1975.

Source: Table 1: Annual Report of the Secretary of the Treasury on the State of the Finances, 1967, p. 439, through 1964; table FD-8: Treasury Bulletin, December 1974, p. 25, for 1968 through 1974; and Daily Treasury Statement for Jan. 28, 1975.

V. COSTS OF CARRYING OUT THE BILL AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the effect on the revenues of this bill.

If it is assumed that at the end of the 90-day period beginning on the date of enactment the President reproclaims the import fees on petroleum and petroleum products which were proclaimed on January 23, 1975, and if it is assumed that the Congress takes no further action with respect to imports of petroleum and petroleum products, it is estimated that the loss in revenue for calendar year 1975 that would result from the enactment of Sections 1 through 4 of H.R. 1767 would amount to no more than $600 million.

If it is assumed that at the end of the 90-day period beginning on the date of enactment the President does not reproclaim the import fees on petroleum and petroleum products which were proclaimed on January 23, 1975, and if it is assumed that the Congress takes no further action with respect to imports of petroleum and petroleum products, it is estimated that the loss in revenue for calendar year 1975 that would result from the enactment of Sections 1 through 4 of H.R. 1767 would amount to no more than $3.8 billion.

Your committee does not believe that the changes made by this bill in the debt limit will result in any costs either in the current fiscal year or in any of the 5 fiscal years following that year. The Treasury Department agrees with this statement.

In compliance with clause 2(l)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the record vote by the committee on the motion to report the bill. The bill was ordered reported by a roll call vote of 19 in favor and 15 opposed.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is proposed is shown in roman):

Section 21 of the Second Liberty Bond Act

SEC. 21. The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate $400,000,000,000 [1] outstanding at any one time. The current redemption value of any obligation issued on a discount basis

[1] The bill as reported provides for a temporary increase of $131,000,000,000 in this debt ceiling for the period ending June 30, 1975.

which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation.

Act of June 30, 1974

AN ACT To provide for a temporary increase in the public debt limit

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, [That during the period beginning on the date of the enactment of this Act and ending on March 31, 1975, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) shall be temporarily increased by $95,000,000,000.]

SEC. 2. Effective on the date of the enactment of this Act, the first section of the Act of December 3, 1973, providing for a temporary increase in the public debt limit for a period ending June 30, 1974 (Public Law 93–173), is hereby repealed.

VII. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER HOUSE RULES

In compliance with clauses 2(l)(3) and 2(l)(4) of Rule XI of the Rules of the House of Representatives, the following statements are made.

With regard to subdivision (A) of Clause 3, the Committee advises that its oversight findings led it to the conclusion that the procedures relative to, and the Proclamation issued by the President on January 23, 1975, respecting imports of petroleum and petroleum products under Section 232 of the Trade Expansion Act of 1962 were inappropriate, and that the Proclamation unnecessarily interferes with the ability of the Committee on Ways and Means and the ability of the Congress to consider adequately and to legislate effectively on measures respecting tariffs and taxes to be levied on petroleum and petroleum products. It, therefore, is recommended that such Proclamation be terminated and that any further action by the President under Section 232 of the Trade Expansion Act of 1962 on petroleum and petroleum products be suspended for a period of 90 days beginning with the date of enactment of H.R. 1767.

The Committee's oversight findings led it to the conclusion that an increase in the public debt limitation was required as to February 18, 1975, and occasioned the consideration of the Committee amendment.

In compliance with subdivision (B) of Clause 3 the Committee states that the change made with respect to the President's action under Section 232 of the Trade Expansion Act of 1962 and the change made in the budget limitation provide no new budget authority or new or increased tax expenditures.

With respect to subdivisions (C) and (D) of Clause 3, the Committee advises that no estimate or comparison has been prepared by the Director of the Congressional Budget Office relative to any of the

provisions of H.R. 1767, nor have any oversight findings or recommendations been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 1767.

In compliance with clause 2(l)(4) of Rule XI, the Committee states that the provisions with respect to the President's action under Section 232 of the Trade Expansion Act of 1962 are not expected in and of themselves to have an inflationary impact on prices and in costs in the operations of the national economy. The debt limitation change of itself is not expected to have an inflationary impact on prices and in costs in the operation of the national economy, It is expected, however, to decrease interest costs through the funding of agency debt through the Federal Financing Bank in the Treasury Department.

VIII. INDIVIDUAL VIEWS OF MR. ROSTENKOWSKI EIGHTH DISTRICT OF ILLINOIS

As an original sponsor of this legislation, it is with some reluctance that I now find it necessary to take exception with my colleagues on some of the issues raised in reporting it to the full House of Representatives for consideration.

In cosponsoring H.R. 1767, I felt that the President's plan to increase import fees on crude oil would impose tremendous economic hardships on many American families without producing a significant decrease in the level of crude oil imports. The increased fee would not create the economic disincentive necessary to force most consumers to alter their present purchasing habits. Probably, the only product whose price would increase by the level necessary to force consumers to look for a less expensive alternative would be home heating oil that is distilled from foreign crude. But, as has been consistently pointed out by my colleagues from New England, there is presently no alternative to this home heating oil for those consumers who must rely on imported supplies.

My support for H.R. 1767 was based on the premise that if the government wants to impose economic disincentives to discourage the use of petroleum in general, and imported petroleum in particular, this must be done in a way that will force consumers to alter their spending patterns on products for which the demand is somewhat flexible. I felt that the President's increased import fee was not the economic incentive that would accomplish this. Rather, it is necessary to take steps to directly curtail the use of gasoline, the one oil-based product in this country in which significant consumption curtailment can be achieved without massive economic disruption. This can only be accomplished through the use of strong disincentives—disincentives that do precisely that— encourage people not to use the product.

While I personally favor a strong *economic* disincentive, perhaps a steep fuel tax with an annual rebate to all drivers (equal to the tax paid on the first 10,000 miles driven), I could support any alternative that would effectively eliminate wasteful gasoline consumption and, as a result, decrease the need for crude oil imports.

During the consideration of H.R. 1767 before the Committee however, very little time was devoted to the discussion of the effectiveness of the President's proposed energy program. Rather, almost all attention was focused on the President's "orchestrated" compliance with the requirements of Section 232 of the Trade Expansion Act, as amended, and the resulting use of this Executive power as a lever to force Congress to act on the rest of the Administration's program. There is little doubt in my mind that a concerted effort was made within the Administration to document the justification necessary to exercise this Presidential power under the Trade Expansion Act. But

it must be remembered that while individual Members of Congress might not have found that the present level of imports was sufficient to "threaten to impair the national security", that is not what is required under the law.

Under Section 232, as amended, the Secretary of the Treasury is required to make an investigation, during which he shall consult with the Secretary of Defense and other appropriate officers of the United States. While public hearings are recommended, they can be and were waived in the present case. After reviewing the testimony of Secretary Simon, I have no doubt that his office did all that was necessary to comply with the requirements of the law.

While the law is clear in what it requires in the form of an investigation, it leaves to the Administration, the discretion to make what it feels to be the appropriate decision after evaluating the results of a Section 232 investigation. As a result, the Administration's careful adherence to these procedures, forces me to differ with those of my colleagues on the Committee who feel that the President's action violated the language of the Trade Expansion Act as amended by the Trade Act of 1974.

A second point that was overly stressed during our deliberations was the sentiment expressed by many on the Committee that the President was using his authority to increase import fees as an unfair lever on the Congress. While the fee undoubtedly was being used to apply pressure, I cannot agree that the President's use of this was either illegal or unfair. In fact, I cannot think of any instance in recent history where any President has not used every legal means at his disposal to encourage the Congress to assist him in the development of key programs.

The President's imposition of an import fee to force Congressional consideration of the remainder of his economic-energy package is no more unfair than Congressional use of the debt-ceiling to force the President to accept a Congressional proposal to which he is opposed—in this case, a suspension of his power to impose fees. In my ten years on the Ways and Means Committee, I have traditionally opposed the use of the debt ceiling in this manner, as an unjustified parliamentary maneuver designed to avoid the direct consideration of legislation that would be better considered on its own merits. For this reason, I opposed in Committee the amendment which attached the debt ceiling increase to H.R. 1767.

In conclusion, I believe that if we in the Congress are going to oppose the President's program at this most critical time, we should oppose it only if we are able to substitute a positive program of our own. We should not spend hours searching for a mere technicality to block his action, or days complaining how unfair it is for him to take the initiative, using every discretionary tool available to him.

As the House of Representatves debates H.R. 1767, I hope that my colleagues will evaluate not only the short-term effect of suspending the President's power to impose import fees, but also that they will remember that such a rejection of his program commits us to offering a concrete alternative and to offering it within 90 days. We have too long argued just issues, it is time for us to act.

DAN ROSTENKOWSKI.

IX. MINORITY VIEWS

We oppose this legislation, for a number of reasons which will be detailed in these views, and urged that it be defeated.

H.R. 1767, as amended, would do two things: First, it would prohibit, for a 90-day period, the President from boosting import fees on crude oil, scheduled to begin February 1, 1975. Second, it would increase the temporary debt ceiling by $36 billion through June 30 of this year.

MERGER OF THE DEBT LIMIT BILL WITH THE BILL TO DELAY PETROLEUM IMPORT FEES

The combining of these two totally unrelated measures in a single legislative package is an irresponsible and unprecedented move by the Committee and leads inescapably to the conclusion that the Democratic Majority on the Ways and Means Committee is playing politics with the economic and energy problems of our country. Responsible action to thwart this attempt is essential and we urge our colleagues to reject the ploy.

On January 15th the President announced to the country his comprehensive program for dealing with out economic and energy problems. This program included a series of actions he indicated he would take under authority granted him by existing law as well as requests for enactment by the Congress of several proposals to curb the use of fuel and combat recession.

Since the announcement of the President's economic and energy proposals, there has been much debate over his intention to raise import fees on crude oil and the wisdom of that course of action. The President has maintained that the import fee increase is an integral part of his program to insure needed energy conservation, and we are reluctant to take away his authority in this respect, in the absence of any viable alternative. The Democratic Majority in the Congress has not come forward with another reasonable course of action and at this point we wonder just what their plans really are.

On January 23rd, Treasury Secretary William Simon, on behalf of the Administration, formally requested the Congress to increase the Federal debt ceiling. In testimony before the Committee, the Secretary pointed out that the government would exceed the existing limit on February 18, 1975.

For years, the Committee on Ways and Means has fought attempts to attach unrelated amendments to debt ceiling legislation. It has long felt it was unfair and unproductive to "put the gun at the President's head" by so doing. Yet, after years of responsible action, the current Committee has, in one day, voted to abandon its sound and time-honored principle. We deplore this recklessness and refuse to be a part of

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it. There is sufficient time for separate consideration of the debt ceiling increase and H.R. 1767 as originally introduced, and this is the only sensible thing to do.

PETROLEUM IMPORTS AS A THREAT TO NATIONAL SECURITY

The energy problem touches in some way the life of virtually every American. Higher prices, the still-fresh memory of an oil embargo and long lines at gasoline pumps, plus a gnawing awareness of our increasing reliance on uncertain foreign supplies, have combined to bring the issue home throughout the land. And the call for concerted national action to deal with the worsening problem has been loud and clear.

As the President said so succinctly, we have dwadled long enough. It is time to move, and *each day* of delay drains our strength and our capacity to act effectively.

In the space of one year, we have watched imported oil prices quadruple while our dependence on foreign sources has grown to almost 40 percent of our current demand. The embargo of a year ago shut off more than 2.2 million barrels of oil shipments a day and resulted in a lost gross national product of up to $20 billion; today, if we were to be faced with an interruption of supplies from OPEC countries only, we could lose 4.35 million barrels per day (about a quarter of current consumption), with the severity of the economic impact multiplied accordingly. Even with no interruption, the United States in calendar year 1974 had the second worst balance of payments deficit in its history ($3.065 billion), as the cost of imported oil rose from $7.8 billion in 1973 to $24.6 billion in 1974. The oil payments outflow is now running at over $2 billion monthly.

These problems, to which the President's program is directed, did not materialize overnight. There has been ample opportunity for the development of other plans. But in this respect, the Democratic Majority in the Congress has failed, and by not providing an alternative, they indicate that they prefer inaction to leadership.

LEGAL AUTHORITY TO ACT UNDER SECTION 232 OF THE TRADE EXPANSION ACT OF 1962

In imposing import license fees on foreign oil, the President is using the authority granted under the "national security provision" of our trade laws—section 232 of the Trade Expansion Act of 1962, as amended.

That section is clear. It provides that in cases where the President agrees with the findings of an investigation showing that any article is being imported "in such quantities and under such circumstances as to threaten to impair the national security . . . he *shall* take such action, and for such time, as he deems necessary, to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security." (Emphasis added.)

This is broad authority, and it was so designed. It originated in the Senate Finance Committee as an amendment to the 1955 Trade Agreements Extension Act. In its Report on that legislation, the Committee stated its intention that the President should take "*whatever action is necessary* to adjust imports . . ." (Emphasis added.) And in explaining the amendment during floor debate, Senator Millikin of Colorado, who was one of the authors, pointed out: "It grants to the President authority to take whatever action he deems necessary to adjust imports . . . He may use tariffs, quotas, import taxes, or other methods of import restrictions."

Under section 232, the head of any department or agency, or any interested party, may request an investigation to determine if the imports of an article are a threat to national security. Over the years, many requests have been filed, and numerous investigations have been made. But Presidential action has been taken with respect to only one article—oil.

In March of 1959, after a 36-day investigation, President Eisenhower issued Proclamation No. 3279, establishing an oil imports control program. For many years thereafter, quotas were used as a means of control. But circumstances changed, and two years ago a system of variable license fees was established, with the import fee on crude petroleum placed at 63 cents a barrel. Under the new system, the levy on crude would go up $1 per barrel February 1.

It is significant that the Congress did not seek to remove the President's section 232 authority to impose quotas or to switch to a license fee system. In fact, the oil imports control program has been continued for 15 years, under five Chief Executives, using both quotas and license fees, without a single challenge to the authority employed—until now.

During this time, the oil import situation has been monitored, as envisioned by the original statute; Proclamation 3279 has been amended at least 26 times, and our major trade laws have been altered on a number of occasions. Most recently, during deliberations on the Trade Act of 1974, section 232 itself was reviewed and changed in several respects, yet the language relating to Presidential action following a national security investigation, survived intact.

As the Attorney General pointed out in a letter to the Secretary of the Treasury, which appears in an appendix to these views: "The force of Congressional acquiescence in this practice is particularly strong since Congress has, during that period, twice amended the very provision in question—the last time only a month ago."

As amended by section 127 of the Trade Act of 1974, the Secretary of the Treasury is charged with conducting the investigation to determine whether imports of an article are threatening national security. The full report of the investigation conducted by the Secretary is also appended to these views. That material leaves no doubt that the investigation conducted followed both the spirit and the letter of the law.

CONCLUSION

Considering the clear intent of the Congress in enacting the "national security provision" and retaining it for 20 years, along with the urgent need for positive action in light of the emergency situation which exists with respect to oil supplies today, we feel it is imperative that the nation move expeditiously toward reducing its vulnerability because of its reliance on insecure imports.

While some of us have serious concerns with respect to the President's import fee action, all of us feel he is quite correct in challenging the Congress to meet head-on the key question of how best to move toward a safe degree of energy self-sufficiency.

We would suggest that the Congress, instead of employing a delaying tactic, address itself to the development of a comprehensive energy program. In this process, we pledge our full cooperation in the consideration of all alternatives. In the meantime, the present program demonstrates to our allies and others who are observing this debate, and make no mistake, they *are* observing, the strength of our commitment and our capability to take necessary action to conserve petroleum and to free ourselves from dependency on petroleum imports.

HERMAN T. SCHNEEBELI.
BARBER B. CONABLE, Jr.
JERRY L. PETTIS.
BILL ARCHER.
GUY VANDER JAGT.
WILLIAM A. STEIGER.
BILL FRENZEL.
JAMES G. MARTIN.
L. A. BAFALIS.

APPENDIX TO MINORITY VIEWS ON H.R. 1767, AS REPORTED

THE SECRETARY OF THE TREASURY,
Washington, January 14, 1975.

Memorandum for the President.
Subject: Report on Section 232 Investigation on Petroleum Imports.

This report is submitted to you pursuant to Section 232 of the Trade Expansion Act of 1962, as amended, and results from an investigation that I initiated under that Section for the purpose of determining whether petroleum* is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.

At the present time, the demand for petroleum in the United States is 18.7 million barrels per day. Of this amount, imports provide 7.4 million barrels daily. The deficit in petroleum production compared with demand has grown since 1966, when the United States ceased to be self-sufficient.

Our increasing dependence upon foreign petroleum had, by 1973, created a potential problem to our economic welfare in the event that supplies from foreign sources were interrupted. Its adverse contribution to our balance of payments position had also significantly increased, and for the year 1973 the outflow in payments for the purchase of foreign petroleum was running at $8.3 billion annually, only partially offset by exports of petroleum products.

In September 1973, the worsening petroleum import situation was further seriously aggravated by an embargo on crude oil imposed by the Organization of Petroleum Exporting Countries, which effectively kept 2.4 million needed barrels of oil per day from U.S. shores. After the initiation of the embargo, the price of imported oil quadrupled from approximately $2.50 per barrel to approximately $10.00 per barrel and has since that time risen somewhat further. Simultaneously, the balance of payments problem deteriorated by reason of the increased oil bill paid by United States consuming interests. Today the outflow of payments for petroleum is running at a rate of $25 billion annually.

As a result of my investigation, I conclude that the petroleum consumption in the United States could be reduced by conserving approximately one million barrels per day without substantially adversely affecting the level of economic activity in the United States. Any sudden supply interruption in excess of this amount, however, and particularly a recurrence of the 2.4 million barrel per day reduction which occurred during the OPEC embargo, would have a prompt substantial impact upon our economic well-being, and, considering the

*The term "petroleum", as used in this report, means crude oil, principal crude oil derivatives and products, and related products derived from natural gas and coal tar.

close relation between this nation's economic welfare and our national security, would clearly threaten to impair our national security.

Furthermore, in the event of a world-wide political or military crisis, it is not improbable that a more complete interruption of the flow of imported petroleum would occur. In that event, the total U.S. production of about 11 million barrels per day might well be insufficient to supply adequately a war-time economy, even after mandatory conservation measures are imposed. As a result, the national security would not merely be threatened, but could be immediately, directly and adversely affected.

In addition, the price at which oil imports are now purchased causes a massive payments outflow to other countries. The inevitable result of such an outflow is to reduce the flexibility and viability of our foreign policy objectives. For this reason, therefore, a payments outflow poses a more intangible, but just as real, threat to the security of the United States as the threat of petroleum supply interruption. On both grounds, decisive action is essential.

FINDINGS

As a result of my investigation, I have found that crude oil, principal crude oil derivatives and products, and related products derived from natural gas and coal tar are being imported into the United States in such quantities as to threaten to impair the national security. I further find that the foregoing products are being imported into the United States under such circumstances as to threaten to impair the nation security.

RECOMMENDATIONS

I therefore recommend that appropriate action be taken to reduce imports of crude oil, principal crude oil derivatives and products, and related products derived from natural gas and coal tar into the United States, to promote a lessened reliance upon such imports, to reduce the payments outflow and to create incentives for the use of alternative sources of energy to such imports. I understand that a Presidential Proclamation pursuant to Section 232 of the Trade Expansion Act of 1962 is being drafted by the Federal Energy Administration consistent with these recommendations.

WILLIAM E. SIMON.

REPORT OF INVESTIGATION OF EFFECT OF PETROLEUM IMPORTS AND PETROLEUM PRODUCTS ON THE NATIONAL SECURITY PURSUANT TO SECTION 232 OF THE TRADE EXPANSION ACT, AS AMENDED BY THE ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT, OPERATIONS AND TARIFF AFFAIRS, DAVID R. MACDONALD

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., January 9, 1975.

Memorandum for: The Assistant Secretary of the Treasury (Enforcement, Operations, and Tariff Affairs).
Subject: Section 232 Investigation on Petroleum Imports.

Reference is made to your memorandum of 4 January 1975 in which you advised that the Department of the Treasury is conducting an investigation under Section 232, 76 Stat. 877 (19 U.S.C. 1862), to determine the effects on the national security of imports of petroleum and petroleum products. Department of Defense views on the security implications of current and projected oil import levels were solicited.

The Department of Defense holds that this nation must have the capability to meet the essential energy requirements of its military forces and of its civil economy from secure sources not subject to military, economic or political interdiction. While it may be that complete national energy self-sufficiency is unnecessary, the degree of our sufficiency must be such that any potential supply denial will be sustainable for an extended period without degradation of military readiness or operations, and without significant impact on industrial output or the welfare of the populace. This is true because the national security is threatened when: (1) the national economy is depressed; (2) we are obliged to rely on non-secure sources for essential quantities of fuel; (3) costs for essential fuels are unduly high; and (4) we reach a point where secure available internal fuel resources are exhausted.

As you know, the Mandatory Oil Import Program was established in 1959 for the express purpose of controlling the quantity of imported oil which at that time had been found to threaten to impair the national security. In the intervening years we have observed with growing concern the decline in domestic and western hemisphere petroleum productive capacity in relation to demand. The result has been a rapid expansion in our dependence on eastern hemisphere sources for the oil which is so essential to our military needs and the nation's economy. By 1973 that dependence had reached a level which risked substantial harm to the national economy in event of a peacetime supply denial. In event of general war, those risks would be substantially greater because of the sharply increased level of military petroleum consumption which would require support from domestic petroleum resources. The 1973 Arab oil embargo offered proof, if proof were needed, of the deterioration in our national energy situation.

Energy conservation efforts and expanded use of alternate fuels halted the growth in crude oil and product imports during much of 1974. However, production of both oil and gas in the United States continues to decline, and indications are that import growth has resumed. Projections for 1975 indicate that imports may exceed seven million barrels a day, sharply higher than in 1974 and equal to near 19 percent of the probable total energy supply in 1975. To the extent that demand for petroleum imports causes increasing reliance on insecure sources of fuel, then such demand/reliance is a severe threat to our security. Given the gradual reduction in the quantity of petroleum available from relatively secure Western hemisphere sources, relative dependence on insecure sources in the eastern hemisphere will grow more rapidly than the overall growth in oil imports.

The exhaustion of our available internal fuel resources would pose an even greater threat to our security. Therefore, our petroleum policy should properly balance these opposing needs. That is to say, national security considerations would seem to require a proper balance of import restrictions with a decrease in demand. We recognize that the nation faces a period of several years during which dependence on insecure imported oil will exceed levels which we would consider acceptable from a national security viewpoint. Accordingly, we believe that every reasonable effort should be made to inhibit demand growth, and increase total internal energy supply while keeping the quantity of imports at the lowest level commensurate with the essential needs of national security and the civil economy.

The proper control of petroleum imports at minimum essential levels will provide assurance to those engaged in the development of conventional and non-conventional domestic energy resources that foreign oil, regardless of its availability and potential price competitiveness, will not be allowed to deny future markets to secure domestic energy supplies. The appropriate restriction of oil imports will also impact favorably on the balance of payments and, more importantly, will permit the United States to make a significant contribution to international efforts to reduce total world oil demand which, through its recent rapid growth, has contributed to harmful increases in world oil prices. Those increases have posed serious threats to the economic and military viability of NATO and other friendly nations, as well as to the United States. Reduced dependence on imported oil can also minimize the adverse impact on the United States, NATO and other friendly nations of boycotts such as that imposed by the Arab nations in 1973.

It is our conclusion that current and projected levels of demand and need for imported petroleum products and crude oil pose substantial risks to the national security of the United States. Additional growth in the need to import will result in further dependence on eastern hemisphere sources from which oil must move over long and vulnerable sea lanes. Moreover, it will depend predominantly on nations which have demonstrated the will and ability to employ their oil resources for political purposes. Further, the rapid growth in U.S. oil imports since 1970 has had, and will continue to have if it persists, a

major role in creating and maintaining the conditions which led to the oil price rises of 1973 and 1974, and impaired the ability of our NATO allies to obtain their minimal oil needs in periods of supply disruption. Future growth will exacerbate those conditions. Increasing dependence on imported oil is inimical to the interests of the United States and should be subject to such controls as may be needed to insure that oil imports are properly balanced against our essential needs and reflect our development of additional energy resources.

Attached for your information are estimates of military petroleum requirements.

Arthur I. Mendolia,
Assistant Secretary of Defense
(Installations and Logistics).

Report of Investigation Under Section 232 of the Trade Expansion Act, as Amended, 19 U.S.C. 1862

I. INTRODUCTION AND SUMMARY

This investigation is being conducted at the request of and on behalf of the Secretary of the Treasury pursuant to his authority under Section 232 of the Trade Expansion Act (the "Act"), as amended, 19 U.S.C. 1862. (Annex A) The purpose of the investigation is to determine whether crude oil, crude oil derivatives and products, and related products derived from natural gas and coal tar are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security. Under 31 CFR 9.3, the Assistant Secretary of the Treasury for Enforcement, Operations, and Tariff Affairs is responsible for making this investigation.

The Secretary of the Treasury has determined pursuant to Section 232 that it would be inappropriate to hold public hearings, or otherwise afford interested parties an opportunity to present information and advice relevant to this investigation. He has also determined pursuant to his authority under 31 CFR 9.8 that national security interests require that the procedures providing for public notice and opportunity for public comment set forth at 31 CFR Part 9 not be followed in this case. (Annex A)

In conducting the investigation, information and advice have been sought from the Secretary of Defense, the Secretary of Commerce, and other appropriate officers of the United States to determine the effects on the national security of imports of the articles which are the subject of the investigation. Information and advice have been received from the Departments of State, Defense, Interior, Commerce, Labor, the Council of Economic Advisers, and the Federal Energy Administration. (Annex B)

In summary, the conclusion of this report is that petroleum *is* being imported in such quantities and under such circumstances as to threaten to impair the national security of this country.

Petroleum is a unique commodity: it is essential to almost every sector of our economy, either as a raw material component or as the fuel for processing or transporting goods. It is thus essential to the maintenance of our gross national product and overall economic health. Only a small percentage of present U.S. petroleum imports could be deemed to be secure from interruption in the event of a major world crisis. The quantity of petroleum imports, moreover, is now such a high percentage of total U.S. consumption that an interruption larger than one million barrels per day at the present time would adversely affect our economy. If our imports not presently deemed to

be secure from interruption were in fact kept from our shores, the effect on the U.S. economy would be staggering and would clearly reach beyond a matter of inconvenience, or loss of raw materials and fuel for industries not essential to our national security. The outflow in payments for petroleum also poses a clear theat not only to our wellbeing, but to the welfare of our allies. As the State Department has concluded, the massive transfer of wealth greatly enhances the economic and political power of oil rich states who do not necessarily share our foreign policy objectives, and correspondingly tends to erode the political power of the United States and its allies.

The purpose of this investigation under Section 232 of the Act is to determine the effects of our level of imported petroleum upon our national security and not to fashion a remedy. Nevertheless, it would appear that we must, over the longer term, wean ourselves away from a dependence upon imported oil, conserve our use of petroleum, promote the use of alternative sources of energy, and at least in part, stanch the outflow of payments resulting from our purchases of this commodity. As Secretary Kissinger states:

"Clearly, decisive action is essential. We have signalled our intention to move toward energy self-sufficiency. We must now demonstrate with action the strength of our commitment. In the short-term, our only viable economic policy option is an effective program of energy conservation. A vigorous United States lead on conservation will encourage similar action by other consuming nations. Consumer cooperation on conservation now and then development of new supplies over time will deter producer aggressiveness by demonstrating that consumers are capable of acting together to defend their interests."

II. STATUTORY CONSIDERATIONS

This investigation has proceeded in recognition of the close relationship of the economic welfare of the Nation to our national security. As required by Section 232, consideration has been given to domestic production of crude oil and the other products under investigation needed for projected defense requirements, the existing and anticipated availability of these raw materials and products which are essential to the national defense, the requirements of the growth of the domestic petroleum industry and supplies of crude oil and crude oil products, and the importation of goods in terms of their quantities, availabilities, character and use as those affect the domestic petroleum industry and the ability of the United States to meet its national security requirements.

In addition, other relevant factors required or permitted by Section 232 have been considered, including the amount of current domestic demand for petroleum and petroleum products which is being supplied from foreign sources, the degree of risk of interruption of the supply of such products from these countries, the impact on the economy and our national defense of an interruption of such supplies including the effects on labor, and the effect of the prices charged for foreign petroleum and petroleum products on our national security.

III. IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS

During the first eight months of 1974, the United States imported approximately 5.8 million barrels per day of petroleum and petroleum products. (Annex C) This figure amounted to 35.6 percent of total United States demand for such products during this period. The latest data available indicates that United States dependence on imported oil is growing. For the four weeks ending December 13, 1974, the United States imported about 7.4 million barrels per day of petroleum and petroleum products, which represented 39.5 percent of total United States demand for such products during the same period. (Annex C)

Imports into the United States may be divided into two major sources, the nations belonging to the Organization of Petroleum Exporting Countries (OPEC) and other nations. (Annex D) The OPEC nations have far more production capacity than the non-OPEC nations. Of the world's total production of approximately 55 million barrels per day, OPEC members produce 30 million barrels, Communist countries 11 million and the balance of 14 million barrels per day is produced by other countries including the U.S.[1] Moreover, the OPEC countries have over 8 million barrels per day of production potential which is not being utilized while virtually no unused capacity exists in the rest of the world.[2]

Most recent indicators show that 3.5 million barrels per day of crude oil and petroleum products are being imported by the U.S. directly from the OPEC member states. (Annex D) In addition, as much as 850,000 barrels per day of finished products imported into the U.S. from third country sources may originate from OPEC nations.[3] In total, 4.35 million barrels per day of the 1974 U.S. demand of approximately 17.0 million barrels per day came from OPEC sources. In percentage terms, U.S. imports from OPEC members account for over 25% of domestic demand.

The major Western Hemisphere suppliers of petroleum to the United States are Canada and Venezuela. The latter country provided the United States with approximately 1.1 million barrels per day from January through October 1974. For the same period, Canada exported to the U.S. over 1,000,000 barrels per day or slightly over 17% of our imported supplies.

The Canadian Government has recently conducted a study of its own energy potential. It concluded that steps should be taken to reduce exports of oil with a view to conserving petroleum for future Canadian requirements.[4] Accordingly, on November 22, 1974, the Canadian Government announced its intention to limit exports to the U.S. to 650,000 barrels per day by the end of 1975. Further reductions in exports will take place after annual reviews. As a result, it appears that the U.S. can no longer count on the availability of large volumes of oil from Canada but may have to increase our reliance on OPEC to make up for the reduction of Canadian imports.

[1] Treasury sources, Office of Energy Policy.
[2] Treasury sources, Office of Energy Policy.
[3] Treasury estimate, Office of Energy Policy.
[4] Statement of Donald S. MacDonald, Minister of Energy, Mines and Resources, on Canadian Oil Supply and Demand. Press Release November 22, 1974.

In summary, 60 percent of current imports of crude oil comes directly from OPEC members and another 15 percent is refined by third world countries using OPEC crude oil. At least 85% of the imported petroleum, however, whether from OPEC or non-OPEC countries, appears to be subject to the threat of interruption in the event of a crisis. Moreover, the outlook in the short run is for the percentage of imports derived from OPEC members to increase as a result of limitations on Canadian exports.

IV. EFFECT OF 1973–1974 EMBARGO ON THE DOMESTIC ECONOMY

The interruption of the supply of a major part of U.S. imports of petroleum during the Winter of 1973–74 had a serious adverse impact on the economy of the United States.

In this memorandum, Secretary Dent stated:

"The experience of the Arab oil embargo last year, even though it halted only about one-half of our oil imports, confirms the risk of disruption to the economy which is implicit in dependence on imports of oil to this degree. The oil embargo is believed to have produced a reduction in U.S. GNP by some $10 to $20 billion. All sectors of the economy were adversely affected, with the consumer durables sector and housing construction most heavily hit. Further, it is estimated that a substantial part of the inflationary rise of prices during 1974, particularly in the first half, is attributable to the direct and indirect effects of the rise in overall energy costs which followed the rapid escalation of costs for Arab oil. In view of this record of injury caused by loss of foreign oil supply and our continuing vulnerability of future injury of even greater impact, it is my opinion that imports at current and projected levels do constitute a threat to impair the national security."

The Federal Energy Administration noted in its Project Independence report that the embargo's impact was serious as a result of the nation's high level of dependence upon foreign petroleum imports. In the years 1960 through 1973 U.S. production did not keep pace with U.S. consumption of petroleum. The resulting gap represented the level of U.S. imports, which increased drastically:

U.S. PRODUCTION AND CONSUMPTION OF PETROLEUM[1] (1960–73)

[Petroleum in millions of barrels per day]

Year	Production	Consumption	Gap (imports)
1960	8.0	9.5	1.5
1965	8.8	10.8	2.0
1970	11.3	14.7	3.4
1972	11.2	16.4	5.2
1973	10.9	17.3	6.4

[1] Federal Energy Administration, Project Independence report, appendix at 284 (November 1974).

The impact of the embargo on imports can be shown by a comparison of import figures for both crude and refined oil imports for each of the months September 1973 through February 1974, and the percent change reflected in such figures from the same months of the preceding year:

MONTHLY IMPORTS BEFORE AND DURING THE OIL EMBARGO [1]
[In millions of barrels per day]

	Crude oil	Percent change from previous year	Total refined products	Percent change from previous year
September 1973	3.47	+47	2.65	+26
October	3.86	+49	2.67	+9
November	3.45	+50	3.14	+30
December	3.99	+45	2.90	+1
January 1974	2.46	−13	2.85	−4
February	2.10	−22	2.55	[2] +17

[1] Ibid. at 285.
[2] The indicated positive balance in this month is reflected by the disproportionately large imports of motor gasoline, to accommodate critical shortages of this refined product.

Both the National Petroleum Council and the Federal Energy Administration have made detailed analyses of the impact of the 1973–74 embargo. A demand reduction of over 1 million barrels per day has been attributed to curtailment and conservation. These savings occurred in areas which caused minimum individual or collective hardship. However, many such savings were the result of one-time only reductions in usage patterns, such as lowering of thermostat levels. Once accomplished, by voluntary or other restraints upon energy usage, such savings cannot thereafter be duplicated.

The cost of the embargo to the economy, in terms of both increased energy costs and adverse impacts on the labor market, was severe. During the first quarter of 1974, the seasonally adjusted Gross National Product fell by 7% and the seasonally adjusted unemployment rate changed from 4.6% in October 1973 to 5.1% by March of 1974. Of course there were other factors at work in the economy during this period and it is difficult to isolate those declines attributable solely to the embargo. However, according to the FEA, increased energy prices during the embargo period were responsible for at least 30% of the increase in the Consumer Price Index with the long-term effects of the embargo and the subsequent price rises continuing after the embargo was lifted. As the FEA has pointed out, a comparison of the nation's economic performance for the two years preceding the embargo with the first quarter of 1974 demonstrates a clear and uninterrupted upward historical trend (albeit a reduced rate of increase beginning in the second quarter of 1973) followed by a sudden sharp decline during the relevant period:

GROSS NATIONAL PRODUCT STATISTICS (1972–74) [1]

	Real GNP [2]	Present changes in GNP from preceding quarter (annual rate)
1972:		
I	768.0	
II	785.6	9.5
III	796.7	5.7
IV	812.3	8.0
1973:		
I	829.3	8.6
II	834.3	2.4
III	841.3	3.4
IV	844.6	1.6
1974: I	831.0	−6.3

[1] Ibid. at 289.
[2] Seasonally adjusted at annual rates in billions of 1958 dollars.

A similar effect has been identified by FEA with respect to real personal consumption expenditures and real fixed investments. These are set forth in detail in the Appendix to the Project Independence Report, and are not set forth in detail herein.

Following the embargo, the Department of Commerce reduced its forecast of real output for the first quarter of 1974 by $10.4 billion, and its forecast for the first quarter of 1975 by $15 billion.[4] Again, studies showing detailed effects upon the labor market and contributions to changes for selected items within the CPI have been analyzed in detail by the Department of Commerce and the Federal Energy Administration, and set forth in the Project Independence Report.

The adverse change of .5% in the seasonally adjusted national unemployment rate between October 1973 and March 1974 represents an increase of approximately 500,000 unemployed people. The Department of Labor has estimated that during the period of embargo 150,000 to 225,000 jobs were lost as a direct result of employers' inability to acquire petroleum supplies. An additional decline of approximately 310,000 jobs occurred as an indirect result of such shortages in industries whose products or processes were subject to reduced demand as a result thereof (most notably, the automobile industry). The Department of Labor estimates that 85% of the total jobs lost were those of semi-skilled workers, 5% clerical and 3% professional, technical and skilled.[5]

The Federal Energy Administration has projected the loss in economic activity (GNP) which could be reasonably correlated to a shortfall in oil supplies. The pattern of this correlation indicates that at any given time, the economy can absorb a modest reduction in consumption before painful reductions in economic activity occur. After this reduction in nonessential uses of oil is made, further reductions of oil supplies will result in sharply increasing losses in the GNP. Based on such models, the FEA has determined the impacts of interruption of imports under several conditions. For example, a recently calculated situation shows that a 2.2 million bbl/day import reduction for six months' duration is estimated to cause a $22.4 billion reduction in GNP.[6]

The Federal Energy Administration estimates that a reduction in consumption of approximately 1 million barrels per day can be managed without imposing prohibitive costs on the economy. While recognizing that a figure of 1 million barrels per day is not precise, it does approximate a reasonable estimate of the short-term reduction beyond which more severe economic readjustments would take place. Of the 17 million barrels per day current demand, it is estimated that 16 million is the proximate quantity required to prevent progressive deterioration of the economy at the present time.

It should also be noted that the impacts of any supply interruptions will be disproportionately felt in the various regions of the country. The major determinants of the impact within any given region is the amount of imports into that region, climatic conditions of

[4] Ibid. at 291.
[5] Ibid. at 296.
[6] Federal Energy Administration, Office of Economic Impact, The Potential Economic Costs of Future Disruptions of Crude Oil Imports, at 11 (Dec. 23, 1974).

the region, and the industries located there. The northwestern and northeastern parts of the country import large amounts of their petroleum requirements, the climatic conditions require them to use more energy for heating than other regions, and they have more energy using manufacturing industries in general than other parts of the country (this is especially true of the Northeast).

The direct effects of an embargo would be concentrated in PAD (Petroleum Administration for Defense) Districts 1 and 5. PAD District 1 includes the Eastern Seaboard of the U.S. where it is estimated that 83 percent of the 1975 crude petroleum demand will be imported. In PAD District 5, the West Coast of the U.S. including Alaska and Hawaii, imports are 43 percent of total uses. The East Coast problem is especially difficult because of the high fuel oil demands in the New England area and the fact that approximately 98 percent of the residual fuel oil for PAD District 1 is imported as a refined product or made from imported crude.[7]

V. VULNERABILITY OF U.S. ECONOMY TO OIL AND DEVELOPMENT OF ALTERNATE ENERGY SOURCES

The vulnerability of the U.S. economy to petroleum supply interruptions is highlighted by (1) the fact that it is the backbone, not only of our defense energy needs, but also of our economic welfare, and (2) the difficulty of bringing in alternate energy sources immediately.

Although there may have been some recent minor changes, the 1973 figures show that petroleum accounted for 46 percent of domestic energy consumption, natural gas for 31 percent, coal for 18 percent, hydropower for 4 percent and nuclear for 1 percent. (Annex E)

The degree to which other energy forms can in the short run be physically substituted for oil is limited. Residual oil used in heating or utilities can be replaced with coal only after conversion of the plant's combustion facilities has taken place. Other energy sources are limited in supply or feasibility of use. Supplies of natural gas are declining and an interestate pipeline curtailment of 919 billion cu. ft. is expected in the 1974–75 heating season.[1] The natural gas reserve/production ratio has declined from 21.1 in 1959 to 11.1 in 1973,[2] indicating the production potential is seriously impaired. It does not appear that we can substitute natural gas for oil. On the contrary, the prospects are that either oil or coal may have to be substituted for natural gas. The nation's ability to increase its hydroelectric power generating capacity is severely limited. Other energy sources such as nuclear electrical generating power require long lead times for development and will not be available in materially increased quantities for a number of years. For example, nuclear power is not expected to reach a significant percentage (12%) of our total energy capacity until 1985.[3] The availability of coal is subject to further mine development, expansion of transportation systems and convertibility of furnaces and boilers, all of which require significant development

[7] Ibid at 3.

[1] Federal Power Commission, Staff Report, Requirements and Curtailments of Major Interstate Pipeline Companies Based on Form 16 Report (Nov. 15, 1974).

[2] Report of a subcommittee of the House Committee on Banking and Currency on Oil Imports and Energy Security: An Analysis of the Current Situation and Future Prospects; 93d Cong., 2d sess. at 28 (September 1974).

[3] Federal Energy Administration, Project Independence Report, at 30 (November 1974).

time. Moreover, both the production and combustion of coal is currently subject to environmental restrictions which further limit its accelerated development as an energy source.

The outlook for increasing production of crude oil from domestic sources is not favorable for the near term. Domestic production has declined from 9.6 million barrels per day in 1970 to 8.7 million barrels per day in December 1974. A further gradual decline is anticipated until oil from the North Slope of Alaska becomes available in late 1977, or until oil is produced from presently undeveloped areas as the Outer Continental Shelf. Nevertheless, the sharp increase in the price of oil should stimulate increased exploration which, in the intermediate or longer term, if combined with conservation efforts should ameliorate the present threat to our economy.

Also, long-term energy sources such as the development of geothermal and oil shale energy resources and the practical utilization of solar energy require major advances in the technology involved. This technology may take several years to develop, but should assist in the solution of the domestic shortage of energy sources if sufficient incentive is provided.

VI. THREAT TO THE NATIONAL SECURITY OF FUTURE SUPPLY INTERRUPTIONS

Section IV has described the serious impact on the national economy and consequently on the national security of the winter 1973–1974 embargo. It is reasonable to expect similar or even worse effects of an interruption of supply in the future, particularly in light of increasing dependence on foreign sources of supply. U.S. production is declining[1] and alternative sources of energy supply require a long lead time for development.[2] Moreover, supplies from the most secure Western Hemisphere sources are likely to decline as illustrated by the Canadian action to reduce oil exports to the United States.

The Department of Defense has described the risks to our national security posed by the threat of a future supply interruption. The Department of Defense, in its memorandum to me of January 9, 1975, stated:

"The Department of Defense holds that this nation must have the capability to meet the essential energy requirements of its military forces and of its civil economy from secure sources not subject to military, economic or political interdiction. While it may be that complete national energy self-sufficiency is unnecessary, the degree of our sufficiency must be such that any potential supply denial will be sustainable for an extended period without degradation of military readiness or operations, and without significant impact on industrial output or the welfare of the populace. This is true because the national security is threatened when: (1) the national economy is depressed; (2) we are obliged to rely on non-secure sources for essential quantities of fuel; (3) costs for essential fuels are unduly high; and (4) we reach a point where secure available internal fuel resources are exhausted.

[1] Federal Energy Administration, Project Independence Report at 5 (November 1974). See figures set forth in Annex F.

[2] See discussion of alternative energy sources in Section V. See also Federal Energy Administration, Project Independence Report at 6 (November 1974).

"As you know, the Mandatory Oil Import Program was established in 1959 for the express purpose of controlling the quantity of imported oil which at that time had been found to threaten to impair the national security. In the intervening years we have observed with growing concern the decline in domestic and western hemisphere petroleum productive capacity in relation to demand. The result has been a rapid expansion in our dependence on eastern hemisphere sources for the oil which is so essential to our military needs and the nation's economy. By 1973 that dependence had reached a level which risked substantial harm to the national economy in event of a peacetime supply denial. In event of general war, those risks would be substantially greater because of the sharply increased level of military petroleum consumption which would require support from domestic petroleum resources. The 1973 Arab oil embargo offered proof, if proof were needed, of the deterioration in our national energy situation.

"Energy conservation efforts and expanded use of alternate fuels halted the growth in crude oil and product imports during much of 1974. However, production of both oil and gas in the United States continues to decline, and indications are that import growth has resumed. Projections for 1975 indicate that imports may exceed seven million barrels a day, sharply higher than in 1974 and equal to near 19 percent of the probable total energy supply in 1975. To the extent that demand for petroleum imports causes increasing reliance on insecure sources of fuel, then such demand/reliance is a severe threat to our security."

Although oil exporters vary in their specific national goals and from time to time make unilateral decisions in regard to oil policies, oil exporters have the potential to bring about concerted actions which can explicitly deny the U.S. needed imports through such actions as last year's embargo. The loss in GNP growth and the significant unemployment created have on their face a significant impact in terms of the overall strength of the national economy. Continued reliance on foreign sources of supply leaves the U.S. economy vulnerable to further disruptive, abrupt curtailment or embargo of supplies, as well as to further increases in prices. Consequently, it is only prudent from a national security standpoint to plan for the possibility that another embargo, or other type of supply interruption could occur.

VII. THE EXCESSIVE RELIANCE ON IMPORTED OIL AS A SOURCE OF WEAKNESS IN A FLEXIBLE FOREIGN POLICY

The dependence of the United States on imported petroleum can also adversely affect the ability to achieve our foreign policy objectives.

A healthy and vital domestic economy coupled with modern and adequate defense forces are the basic elements of strength in protecting our national security, but equally important in today's interdependent world is the continued smooth functioning of the international economic system and, in particular, the economic strength and viability of our Allies. The economies of many of these countries are almost totally dependent on imported oil and are therefore much more vulnerable to the threat of a new oil embargo. This could adversely affect the extent to which we can rely on those Allies in the event of a serious political or military threat to this country.

The risk to our Allies and to ourselves comes not only from the possibility of disruptions of supply and the impact this could have on foreign policies but also from the effect on their domestic economies of the high cost of oil imports. Individual consumer states faced with balance of trade deficits and having difficulties in financing them, could attempt to equilibrate their trade balances through "beggar-thy-neighbor" actions.

For example, deliberate measures could be taken to interfere with markets so as to increase exports and/or decrease imports from non-oil exporting countries. Specific examples would include export subsidies, import tariffs, quotas, and perhaps other non-tariff barriers to trade. Such action would, of course, be infeasible as a concerted policy by all deficit nations and therefore irrational. Indeed, should all embark on such a course, a severe economic loss would result through income reductions to all. Exports would be reduced for all oil importing countries with loss in economic activity.

A slowdown in economic growth and consequent unemployment resulting from such a course could have economic and social effects that could have serious political implications for our own security.

These potential problems could arise from the continued high levels of oil imports in conjunction with the price of oil, which generate large current account surpluses for OPEC. Given the limited absorptive capacity of some of these countries the increased oil revenues to these countries will not be immediately translated into increased imports. A recent estimate of the OPEC 1974 current account imbalance is about $60 billion. In contrast, the 1973 OPEC current account balance was only $13 billion. Projections of these balances through time indicate continued reserve accumulations at least until 1980, as some OPEC members will only gradually adjust their import levels to higher export revenues. An estimate of these accumulations as of 1980 is on the order of $200 to $300 billion (in terms of 1974 purchasing power) for OPEC as a group. Such a massive transfer of wealth would enhance the economic and political power of oil rich states which do not necessarily share our foreign policy objectives.

It is our expectation that these funds will be held and invested in a responsible manner. There is every economic incentive for the owners of these resources to take this course. The United States' basic economics position strongly favors maximum freedom for capital movements and we believe there is no reason to change this policy.

However, in view of the possible problems noted above, it is imperative that we join with our Allies in a concerted program of conservation, reduced reliance on imported sources of oil and development of alternative energy supplies. In this way we promote market forces that will work against further rises in already monopolistic oil prices, and exert some downward pressure on world oil prices.

The Department of Defense confirms these conclusions:

"The appropriate restriction of oil imports will also impact favorably on the balance of payments and, more importantly, will permit the United States to make a significant contribution to international efforts to reduce total world oil demand which, through its recent rapid growth, has contributed to harmful increases in world oil prices. Those increases have posed serious threats to the economic and military viability of NATO and other friendly nations, as well as to the

United States. Reduced dependence on imported oil can also minimize the adverse impact on the United States, NATO and other friendly nations of boycotts such as that imposed by the Arab nations in 1973."

The Federal Energy Administration has pointed out that reduction of reliance on imported oil and conservation are essential to U.S. participation in the International Energy Program. Administrator Zarb states:

"Given the inability to create effective emergency supplies in the short run, it is important that the U.S. actively support and participate in international security agreements such as the International Energy Program (IEP), or a producer-consumer conference, with the objective of establishing future world oil prices acceptable to the U.S., the other importers, and the OPEC countries; and to decrease the likelihood of politically or economically motivated supply disruptions.

"The IEP particularly is an important component of the U.S. energy supply security program. It would coordinate the responses of most major oil importing nations to international supply disruptions, provide guidelines for conservation and stockpile release programs, and avoid competition for available supplies, and thus limit the oil price increases likely to result from an oil shortage.

"The IEP deters the imposition of oil export embargoes because it diminishes the ability of oil exporters to target oil shortfalls on particular oil importers, or greatly increases the cost of doing so. For example, under an IEP, a U.S. import shortfall of 3 MM B/D would require a much larger export cutoff, and increase the political and economic costs exporters would incur in imposing an embargo.

"These measures do not exhaust the options available to the U.S. Government. They seem to us, however, to be among the most effective programs which the U.S. can implement at this time, given the character of the international energy market. As such, these options offer attractive prospects for minimizing the threat to our national security resulting from our need to continue to rely on imported oil."

VIII. FINDINGS AND RECOMMENDATIONS

As a result of my investigation, I recommend that the following determinations and recommendations be made by the Secretary of the Treasury and forwarded to the President:

Findings

As a result of the investigation initiated by me, I have found that crude oil, principal crude oil derivatives and products, and related products derived from natural gas and coal tar are being imported into the United States in such quantities as to threaten to impair the national security. I further find that the foregoing products are being imported into the United States under such circumstances as to threaten to impair the national security.

Recommendations

I therefore recommend that appropriate action be taken to reduce imports of crude oil, principal crude oil derivatives and products, and related products derived from natural gas and coal tar into the

United States, to promote a lessened reliance upon such products, to reduce the payments outflow and to create incentives for the use of alternative sources of energy to such imports. I understand that a Presidential Proclamation pursuant to Section 232 of the Trade Expansion Act of 1962 is being drafted by the Federal Energy Administration consistent with these recommendations.

DAVID R. MACDONALD,
Assistant Secretary
(Enforcement, Operations, and Tariff Affairs).

[Annex A]

THE SECRETARY OF THE TREASURY,
Washington, January 4, 1975.

Memorandum for Assistant Secretary Macdonald.
Subject: Request for Section 232 Investigation.

Pursuant to my authority under Section 232 of the Trade Expansion Act, 76 Stat. 877 (19 U.S.C. 1862), I am requesting you to conduct an investigation under that section to determine the effects on the national security of imports of petroleum and petroleum products.

In my judgment, national security interests require that the procedures requiring public notice and opportunity for public comment or hearings, set forth in the Treasury regulations at 31 CFR Part 9, not be followed in this case. I further find that it would be inappropriate to hold public hearings, or otherwise afford interested parties an opportunity to present information and advice relevant to the investigation as provided by Section 232, as amended by the Trade Act of 1974. Therefore, I request that you proceed immediately with the investigation without doing so.

WILLIAM E. SIMON.

[Annex B]

THE SECRETARY OF STATE,
Washington, January 11, 1975.

Hon. WILLIAM E. SIMON,
Secretary of the Treasury.

DEAR BILL: I am responding to your January 3 memorandum and that of David Macdonald requesting the view of the State Department as to the effect of petroleum imports on our national security.

The 1973–1974 oil embargo and production cutbacks demonstrated our vulnerability and that of other industrial nations to an interruption in foreign oil supplies. In addition to its direct economic cost in lost GNP and increased unemployment, the embargo stimulated massive and abrupt price increases which the producers have been able to maintain and increase. Without preventative action, OPEC's accumulation of financial assets will accelerate, reaching a total of about $400 billion in investable funds by the end of 1980. This massive transfer of wealth will greatly enhance the economic and political power of the oil rich states who do not share our foreign policy objectives. It will also cause a serious erosion of the political power of the United States and its allies relative to the Soviet Union and China.

Clearly, decisive action is essential. We have signalled our intention to move toward energy self-sufficiency. We must now demonstrate with action the strength of our commitment. In the short-term, our only viable economic policy option is an effective program of energy conservation. A vigorous United States lead on conservation will encourage similar action by other consuming nations. Consumer cooperation on conservation now and the development of new supplies over time will deter producer aggressiveness by demonstrating that consumers are capable of acting together to defend their interests.

From the national perspective, a major United States' conservation effort will:

—reduce OPEC's financial claims on United States resources and the transfer of economic and political power to the producers;
—reduce our vulnerability to supply disruptions;
—limit the effect of future OPEC price rises on United States growth and inflation; and
—exert some downward pressure on world oil prices.

We believe substantially higher import license fees will contribute to our conservation strategy. They should reduce our dependence on imported energy and demonstrate to other consumers and producers the seriousness of our commitment not to remain vulnerable to escalating oil prices and threats of supply interruptions.

Warm regards,

HENRY A. KISSINGER.

MILITARY PETROLEUM REQUIREMENTS

Estimated consumption, U.S. forces, FY 1975—558,000 barrels per day.[1]

Estimated consumption in general war—1,800,000 barrels per day.

In addition to purely military requirements there is a substantial additional need for direct and indirect use of petroleum by defense-related private industry. No data is available on the amount of petroleum involved, but broad estimates of total energy consumption by defense industry indicate that from 1.5 to 3.0 percent of total national energy consumption is curently required. That percentage would increase substantially in a protracted general war, probably largely due to conversion of industry to war production, without necessarily reflecting sharply increased energy requirements on a btu basis.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., January 8, 1975.

Hon. DAVID R. MACDONALD,
Assistant Secretary, Enforcement, Operations, and Tariff Affairs, Department of the Treasury, Washington, D.C.

DEAR MR. MACDONALD: In response to your memorandum of January 4, 1975, relating to the request for investigation on petroleum

[1] Currently approximately 35% of consumption is obtained from foreign sources. No significant changes in consumption are projected through FY 1976.

imports under Section 232 of the Trade Expansion Act, we have enclosed some observations concerning the effects on the national security of imports of petroleum and petroleum products.

Sincerely yours,

JACK W. CARLSON,
Assistant Secretary of the Interior.

Enclosure.

THE EFFECTS ON NATIONAL SECURITY OF IMPORTS OF PETROLEUM PRODUCTS

Imports of crude oil in the first nine months of 1974 averaged 3.3 million barrels per day, and imports of petroleum products and unfinished oils in petroleum averaged 2.6 million barrels per day. Total imports as a percent of supply accounted for 36 percent and demand for petroleum products in the same period averaged nearly 16.5 million barrels per day. In the first nine months of 1974, residual fuel oil accounted for 60.2 percent of our product imports and 61.3 percent of domestic residual fuel oil demand; distillate fuel oil, 9.3 percent of imports, and 8.6 percent of demand. Imports of gasoline constituted 8.4 percent of products, but only 3.4 percent of domestic demand; jet fuel, 6.3 percent of imports and 16.7 percent of demand. Imports of liquefied gases and ethane comprised 4.6 percent of products and 9 percent of demand. Other products, which includes naphthas, kerosine, lubricants, waxes, asphalt, etc., aggregated 11.2 percent of product imports and 13.7 percent of domestic demand.

If crude imports were cut off, refining operations in the U.S. would have to be curtailed sharply. Based on average refinery yields (August 1974), domestic refineries obtained from the 3.3 million barrels a day of crude oil imported, nearly 1.6 million barrels a day of gasoline, nearly 700 thousand barrels a day of distillate fuel oil, and 274 thousand barrels a day of residual fuel oil.

Viewed narrowly, namely in terms of the probable needs of the Department of the Defense under present conditions or in a major nuclear war, it would appear that petroleum importations at current levels would not jeopardize national defense per se. However, a cut off of foreign supplies of crude petroleum and/or petroleum products would have a serious impact on the national economy, such as was demonstrated in the 1973–74 Arab Oil Embargo. Broadly viewed, a disruption of imports could have serious implications for the national security, as well, in that a strong and healthy economy is generally considered essential to our overall ability to maintain our free democratic institutions.

Still another consideration is the adverse impact petroleum products imports have on expansion of domestic refinery capacity. We cannot now meet our normal domestic needs from the full output of existing refinery capacity. An increase in imports of products would be harmful to national security because increasing dependence on such sources would not only make the United States more vulnerable to disruptions in supply flows, but also inhibit domestic refinery expansion.

Even without a further embargo, large imports pose an economic threat. The accompanying chart includes a 1974 estimated value of products and crude oil imports totaling $23.5 billion. Furthermore, in view of recent OPEC announcements, expenditures for petroleum imports could be even greater in 1975, and subsequent years. Therefore, this capital drain could have serious repercussions on the U.S. economy, and endanger the national security thereby. Moreover, large capital exports to nations not necessarily friendly to the objectives of the United States increases the potential for harm to ourselves or to our allies, and thus increases the threat to our security.

THE SECRETARY OF COMMERCE,
Washington, D.C., January 10, 1975.

Memorandum for the Secretary of the Treasury.
Subject: Section 232 Investigation of Petroleum Imports.

This is in response to your memorandum of January 4, 1975, concerning the investigation of oil imports being initiated under Section 232 of the Trade Expansion Act of 1962, as amended. Specifically, your memorandum forwarded the request of Assistant Secretary of the Treasury Macdonald for (a) any information this Department has bearing on the effects on the national security of imports of petroleum and petroleum products, and (b) advice as to whether petroleum and petroleum products are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.

Based on prior analyses and a brief review during the past five days, it is my opinion that there is no question that imports of petroleum at current volumes and circumstances, including the current level of OPEC prices, threaten to impair the national security. Under these circumstances, we recognize the threat posed by oil imports to the ability of the United States to produce goods and services essential for ensuring our national security preparedness. We recognize the additional threat posed by the possibility of an extended embargo of oil imports. Section 232 of the Trade Expansion Act, the basis for the present investigation, in fact requires that recognition be given to "the close relation of the economic welfare of the Nation to our national security."

As you know, the quota system of the Mandatory Oil Import Program, based on national security findings, was in effect from 1959 to early 1973. Its objective was to restrict imports of petroleum and petroleum products to 12.2 percent of domestic production in Districts I–IV (the Eastern 80 percent of the continental U.S.) and to no more than the difference between demand and domestic supply in District V (the West Coast). At that time, foreign oil was priced well below domestic oil and restrictions on imports were judged necessary to preserve a viable domestic crude oil producing industry. However, in recent years domestic consumption has increased much faster than production, and it has not been feasible to maintain the old formula. In early 1973, import quotas were replaced by the license fee program, and imports of crude petroleum and products by the end of 1974 reached a figure which amounted to slightly more than 35 percent of consumption. I am enclosing a publication from the

the Bureau of the Census in which import quantities for 1973 and 11 months of 1974 are given.

The experience of the Arab oil embargo last year, even though it halted only about one-half of our oil imports, confirms the risk of disruption to the economy which is implicit in dependence on imports of oil to this degree. The oil embargo is believed to have produced a reduction in U.S. GNP by some $10 to $20 billion. All sectors of the economy were adversely affected, with the consumer durables sector and housing construction most heavily hit. Further, it is estimated that a substantial part of the inflationary rise of prices during 1974, particularly in the first half, is attributable to the direct and indirect effects of the rise in overall energy costs which followed the rapid escalation of costs for Arab oil. In view of this record of injury caused by loss of foreign oil supply and our continuing vulnerability to future injury of even greater impact, it is my opinion that imports at current and projected levels do constitute a threat to impair the national security.

In summary, I perceive the threat as being based on two factors: the possibility of an extended embargo and the inflationary impact of higher prices and volumes. We certainly want to ensure, should a positive finding be determined, that any recommended course of action would address these factors. If I can be of any further assistance in your deliberations, please let me know.

FREDERICK B. DENT,
Secretary of Commerce.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., January 9, 1975.

Memorandum to: David R. Macdonald, Assistant Secretary (Enforcement, Operations, and Tariff Affairs).
Subject: Section 232 Investigation on Petroleum Imports.
References:
Memorandum, January 4, 1975, above subject from Secretary of the Treasury, William E. Simon.
Memorandum, January 6, 1975, above subject, Assistant Secretary of the Treasury, David R. Macdonald.

The Department of Labor currently has no information available directly relating to whether petroleum or petroleum products are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.

Data usually provided by the Department of Labor for Section 232 investigations could not be collected and made available within the time required by Mr. Simon's memorandum of January 4. If you wish us to proceed with the fully detailed Department of Labor portion of a Section 232 investigation, we would be pleased to consult with you on the matter.

As noted in the memorandum of January 4, some work has been done in the Department concerning the current effects of imports of petroleum and petroleum products, albeit not in relationship directly to national security. This work includes:

1. The *Secretary of Labor's Report on the Impact of Energy Shortages on Manpower Needs*, dated March 1974. This report, required under Section 506 of the Comprehensive Employment and Training Act of 1973, deals with the impact of energy shortages on current and future employment. A copy is enclosed.

2. *Labor Report*, a part of the *Project Independence Blueprint Task Force Report*, dated November 1974. This report is available from the Federal Energy Administration.

3. "The Effects of Oil Resource Allocation", an unpublished study recently completed by Professor Yoram Barzel of the University of Washington under contract to the Department of Labor. The study is currently being reviewed within the Department. If it appears that this study contains material relevant to the effect of petroleum and petroleum products imports on national security we will advise you.

JOEL SEGALL,
Deputy Under Secretary, International Affairs.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., January 8, 1975.

Hon. DAVID R. MACDONALD,
Assistant Secretary, Enforcement, Operations, and Tariff Affairs, Department of the Treasury, Washington, D.C.

DEAR MR. MACDONALD: Petroleum and petroleum products are being imported into the United States in such quantities and under such circumstances as to threaten to impair the national security.

The quantity of imports of petroleum and petroleum products is so large that these imports are essential to the continued functioning of our economy at acceptable levels of employment and output. Unless appropriate action is taken, petroleum and petroleum product imports would continue at current or higher levels, leaving the economy open to serious damage if those imports were interrupted.

The circumstances under which petroleum and petroleum products are being imported into the United States lead to a threat to national security. Foreign governments may interrupt the flow of petroleum and petroleum product imports to the United States to achieve economic or political ends. Oil-exporting nations whose exports are now essential to the continued security of the United States have agreed to act jointly in matters of oil exports. Collective action by some petroleum exporters reduced U.S. petroleum imports during 1973–1974 with serious damage to the economy and security of the United States. A threat to our national security will exist until the United States can absorb the effects of an embargo without damage to its vital economic and military interests.

The United States can absorb the effects of an embargo without serious damage only if imports from those countries which act jointly on petroleum matters are not essential to the United States. These imports would not be essential if the economy of the United States required only as much petroleum and petroleum products, or their substitutes, as could be produced within our borders or imported from nations which did not belong to the group which acted jointly on petroleum matters. Consequently, actions which cause the economy to adjust to the consumption of less energy in the form of petroleum and petroleum products, and/or which cause more petroleum products to be supplied by domestic sources, would lead to greater national security.

Alternatively, imports from those nations which act jointly on petroleum matters would not threaten the security of the United States if alternative sources of petroleum and petroleum product supply could easily and readily replace interrupted imports. At present such supplies do not exist, and consequently there is a threat to the national security of the United States.

In summary, petroleum and petroleum products are now being imported in quantities such that serious damage to national security would result from interruption of these imports. The circumstances under which petroleum and petroleum products are being imported makes those imports insecure. Consequently, petroleum and petroleum product imports threaten the national security.

Sincerely,

ALAN GREENSPAN.

FEDERAL ENERGY ADMINISTRATION,
Washington, D.C., January 11, 1975.

DAVID R. MACDONALD,
Assistant Secretary, Enforcement, Operations, and Tariff Affairs, U.S. Department of the Treasury, Washington, D.C.

DEAR MR. MACDONALD: This is in response to your memorandum of January 4, 1975, concerning Treasury Department Section 232 Investigation on Petroleum Imports.

The Project Independence Report projected continued U.S. reliance on imported oil through 1980, given projected U.S. domestic supply/demand responses to world oil prices of $4–$11 per barrel.

It is our judgment that, whatever its source, imported oil is inherently less secure than domestic oil. Oil import shortfalls jeopardize the national security of the U.S. and other oil dependent nations because they impose severe economic costs. For that reason, the costs of offsetting that insecurity ought to be reflected explicitly in the domestic price of imported oil.

The future supply security of U.S. imports was a major focal point in the Project Independence Report. The International Assessment of that report assessed U.S. vulnerability to foreign political and economic coercion resulting from disruptions in the supply of imported crude. It should be noted, moreover, that a significant disruption in imports of certain finished products, such as residual fuel oil, could have major economic security implications for the country. For example, approximately 80 percent of residual fuel oil consumed in the U.S. is imported and most of it is consumed on the East Coast for the production of electricity and for industrial use. At the present time, very few of these users have the capability of converting to other fuels in the event of a temporary supply disruption lasting several months or longer.

The report evaluates a number of alternatives for offsetting the costs of oil import interruptions. The criteria for evaluating these options included their relative contribution to U.S. energy import supply security, their costs, and their impact on world oil prices. The most prominent options are: 1) Regulation of energy consumption during an oil import shortfall; 2) Alternative domestic emergency energy supplies; 3) International oil sharing. Each of these is discussed in greater detail below.

1. REGULATION OF ENERGY CONSUMPTION

As was demonstrated during the 1973–74 embargo, government regulation of domestic fuel supplies can diminish the economic impact of an oil import embargo. FEA has estimated that an oil shortfall of approximately 1 million barrels/day can be managed by fuel allocation programs, without imposing prohibitive costs on the economy. In the short-term, 1975–76, this option is likely to remain effective. In the longer term. more efficient energy utilization will diminish the extent to which oil import shortfalls can be managed exclusively by relying on minimal cost fuel allocation programs.

2. ALTERNATIVE EMERGENCY ENERGY SUPPLIES

In the short-term, 1975–76, emergency energy supply availability is limited to current inventories, domestic and international stocks, and any available production capacity of exporting states not participating in the embargo.

In the longer term, strategic petroleum reserves could be developed. For example, our assessment of current oil import security indicates the desirability of 1 billion barrels of crude oil, stored in U.S. salt-dome caverns as they become available. The amount could be adjusted as the threat assessment changes. Such a stockpile could offset a 3MM barrel/day import cut for nearly one year. Given domestic conservation programs and alternate supply sources, however, the stockpile would most likely last longer than one year.

It will take several years to build strategic reserves to the desired level. In the meantime, the U.S. must consider ways to dampen the rate of increase in oil imports. We feel that, even at current world oil prices, the *cost* of using imported oil, i.e., the expected economic loss caused by an import shortfall, and/or the costs of emergency supply programs to diminish that loss, is currently not internalized by the U.S. economy. To this end, FEA feels a "security fee" on imported oil would be effective. This fee ($1 to $3 per barrel) could be used in part to finance the strategic reserve programs, and to encourage development of domestic energy resources.

3. INTERNATIONAL ENERGY AGREEMENTS

Given the inability to create effective emergency supplies in the short run, it is important that the U.S. actively support and participate in international security agreements such as the International Energy Program (IEP), or a producer-consumer conference, with the objective of establishing future world oil prices acceptable to the U.S., the other importers, and the OPEC countries; and to decrease the likelihood of politically or economically motivated supply disruptions.

The IEP particularly is an important component of the U.S. energy supply security program. It would coordinate the responses of most major oil importing nations to international supply disruptions, provide guidelines for conservation and stockpile release programs, and avoid competition for available supplies, and thus limit the oil price increases likely to result from an oil shortage.

The IEP deters the imposition of oil export embargoes because it diminishes the ability of oil exporters to target oil shortfalls on particular oil importers, or greatly increases the cost of doing so. For example, under an IEP, a U.S. import shortfall of 3 MM B/D would require a much larger export cutoff, and increase the political and economic costs exporters would incur in imposing an embargo.

These measures do not exhaust the options available to the U.S. Government. They seem to us, however, to be among the most effective programs which the U.S. can implement at this time, given the character of the international energy market. As such, these options offer attractive prospects for minimizing the threat to our national security resulting from our need to continue to rely on imported oil.

We have enclosed a copy of the International Assessment chapter from the Project Independence Report together with a copy of the PIMS "U.S.–OPEC Petroleum Report," which provides OPEC export volume and pricing data for 1973 by individual member countries. The 1974 report has not yet been compiled.

We trust that this information will be helpful in the conduct of your investigation.

Sincerely,

FRANK G. ZARB, *Administrator.*

ANNEX C.—CRUDE PETROLEUM AND PETROLEUM PRODUCTS [1]

[1974 Data in 1,000 bbl/day]

Month	Domestic production	Crude imports	Product imports	Total imports	Domestic demand
January	8, 907	2, 382	2, 973	5, 455	17, 270
February	9, 156	2, 248	2, 973	5, 271	17, 371
March	8, 950	2, 462	2, 753	5, 215	16, 045
April	8, 952	3, 267	2, 703	5, 970	15, 919
May	8, 903	3, 748	2, 454	6, 202	15, 624
June	8, 777	3, 957	2, 218	6, 175	16, 459
July	8, 893	4, 167	2, 143	6, 310	16, 156
August	8, 918	3, 905	2, 286	6, 190	16, 332
8-mo average [2]	8, 932	3, 267	2, 563	5, 830	16, 397
LATEST DATA [3]					
4 weeks (ending Dec. 13) [4]	8, 661	4, 047	3, 360	7, 407	13, 742

[1] FEA, Monthly Energy Review—October 1974.
[2] Imports as percent of demand—35.6 percent.
[3] FEA, Petroleum Situation Report—Dec. 13, 1974.
[4] Imports as percent of demand, 39.5 percent.

[ANNEX D]

U.S. Imports of crude oil and petroleum products by source, January through October 1974

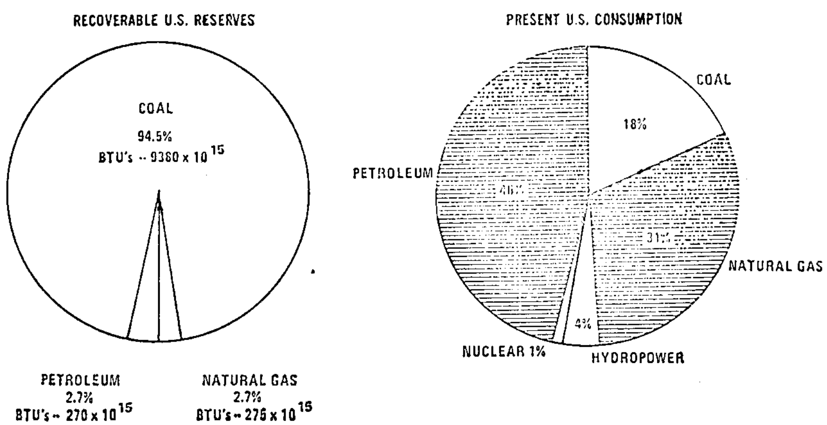
[In thousands of barrels per day]

Country:	Total
Algeria	220
Egypt	14
Kuwait	2
Qatar	16
Saudi Arabia	382
United Arab Emirates	82
Major Arab OPEC countries	716
Ecuador	71
Indonesia	296
Iran	542
Nigeria	670
Venezuela	1, 131
Gabon	33
Major OPEC countries	3, 459
Canada	1, 015
Netherlands Antilles	494
Angola	50
Italy	100
Netherlands	52
Mexico	10
Bahamas	213
Trinidad	272
Others	178
Grand total	5, 843

Source: Federal Energy Administration, from Census Bureau FT-135 Report.

THE CRUX OF U.S. PROBLEM

ANNEX E



Source: FEA - Project Independence P-13

[Annex F]

U.S. crude oil daily averages in thousands of barrels per day production

Date:	Quantity	Date:	Quantity
1964	7, 614	1969	9, 238
1965	7, 804	1970	9, 637
1966	8, 295	1971	9, 462
1967	8, 810	1972	9, 441
1968	9, 095	1973	9, 187

NOTE.—4 weeks ending Dec. 13, **8,661.

Sources:
*API Annual Statistical Review (BuMines) September 1974, p. 13.
**FEA Petroleum Situation Report, Dec. 13, 1974.

APPENDIX B TO MINORITY VIEWS ON H.R. 1767 AS REPORTED

OFFICE OF THE ATTORNEY GENERAL,
Washington, D.C., January 14, 1975.

Hon. WILLIAM E. SIMON,
Secretary of the Treasury,
Washington, D.C.

DEAR MR. SECRETARY: This is in response to your letter of January 7, 1975 requesting my views as to compliance with § 232 of the Trade Expansion Act of 1962, as amended, 19 U.S.C. § 1862, and with applicable Treasury regulations, of the proposed procedures for adoption and the proposed contents of an amendment to Proclamation 3279, Adjusting Imports of Petroleum and Petroleum Products into the United States, 3 CFR Proc. 3279, as amended.

Proclamation 3279 was originally promulgated on March 10, 1959 (24 Fed. Reg. 1781), after a finding by the Director of the Office of Civil and Defense Mobilization pursuant to 19 U.S.C. § 1352a (Pub. L. No. 85–686, § 8(a), Aug. 20, 1958, 72 Stat. 678) "that crude oil and the principal crude oil derivatives and products are being imported in such quantities and under such circumstances as to threaten to impair the national security," which finding was concurred in by the President. As you are aware, that finding was based upon the facts that existed at that time, an overproduction of petroleum in the world market with a consequent extremely low price for foreign petroleum which discouraged domestic exploration and production. No one doubts that the findings was accurate, and a proper basis for the Proclamation, in 1959,[1] but the question arises whether it is a lawful basis for the presently contemplated modification of the restrictions, especially in light of the drastic change from the factual situation which provided the basis of the 1959 finding. Today the world is faced with high prices and threatened cutbacks in production, and the United States has recently suffered an oil embargo by many producing states.

Section 232(b) of the Trade Expansion Act, as amended, 19 U.S.C. § 1862(b), after setting forth the requirement for an investigation and finding of a threat to the national security, provides that the President ". . . shall take such action, *and for such time, as he deems necessary* to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security." (Emphasis supplied.)

The normal meaning of the phrase "such action," in a context such as this, is not a single act but rather a continuing course of action, with

[1] In *Texas Am. Asphalt Corp.* v. *Walker*, 177 F. Supp. 315 (S.D. Tex. 1959), the President's judgment that the facts called for exercise of his authority was held not subject to judicial review.

respect to which the initial investigation and finding would satisfy the statutory requirement. This interpretation is amply supported by the legislative history of the provision, which clearly contemplates a continuing process of monitoring and modifying the import restrictions, as their limitations become apparent and their effects change. See *e.g.*, the comments on the floor of the House by Congressman Cooper, floor manager of the bill which adopted the provision:[2]

"The President would not only retain flexibility as to the particular measure which he deems appropriate to take, but, having taken an action, he would retain flexibility, with respect to the continuation, modification, or suspension of any decision that had been made."[3]

The Conference Report on the bill stated with reference to § 232(b) that "it is . . . the understanding of all the conferees that the authority granted to the President under this provision is a continuing authority. . . ." H. Rep. No. 745, 84th Cong., 1st Sess. 7 (1955). The 1958 amendments to § 232(b) were aimed at eliminating the same sort of wastefulness and duplication of effort which a requirement of reinvestigation for every modification of restrictions would produce. *See* S. Rep. No. 1838, note 2 *supra.*

The interpretation here proposed, whereby import restrictions once imposed can be modified without an additional investigation and finding, has been sanctioned by the Congress' failure to object to the President's proceeding on that basis repeatedly during the past fifteen years. Proclamation 3279 has been amended at least twenty-six times since its issuance in 1959, *see* U.S.C. § 1862 note. Some of those amendments have been minor administrative changes; others have involved major alteration of the means by which petroleum imports were restricted; none have been preceded by a formal § 232(b) investigation and finding. The force of congressional acquiescence in this practice is particularly strong since Congress has, during that period, twice amended the very provision in question—the last time only a month ago. *Cf. Saxbee* v. *Bustos*, —— U.S. ——, ——, 43 USLW 4017, 4021 (Nov. 25, 1974).

The foregoing does not imply that the statute contemplates modification of restrictions without any Presidential determination that the modification is necessary to protect against imports that threaten national security. To the contrary, not only for modification but even for continuation of restrictions the statutory scheme presumes that the President will monitor, through the appropriate agency (now the Department of the Treasury), the factual situation and the effectiveness of his measures in meeting it. The point, however, is that this

[2] 19 U.S.C. § 1862(b) has its origin in Section 7 of the Trade Agreements Extension Act of 1955, 69 Stat. 166. It was originally codified to 19 U.S.C. § 1352a. In the Trade Agreements Extension Act of 1958, Pub. L. No. 85–686, § 8(a) Aug. 20, 1958, 72 Stat. 678, the wording of the subsection was slightly changed so as to increase the President's flexibility and power, *see* S. Rep. No. 1838, 85th Cong., 2d sess., 1958 U.S. Code Congressional and Administrative News 3614, and a new subsection was added which is now 19 U.S.C. § 1862(c). In 1962 the entire section was reenacted as § 232 of the Trade Expansion Act of 1962, Pub. L. No. 87–794, Oct. 11, 1962, 76 Stat. 877, and codified to 19 U.S.C. § 1862, without change in meaning or intent, *see* S. Rep. No. 2059, 87th Cong., 2d sess., 1962 U.S. Code Congressional and Administrative News 3118. Most recently the Trade Act of 1974, Pub. L. No. 93–618, § 127(d), made further slight amendments in the investigative procedure.

[3] 101 Cong. Rec. 8160–61 (1955). Because these remarks were made in amplifying the Conference Report by the House floor manager, they are entitled to be given the same weight as a supplemental committee report. *See Duplex Printing Press Co.* v. *Deering*, 254 U.S. 443, 474–75 (1921).

monitoring, both for continuation and for modification, does not have to comply with the formal investigation and finding requirements applicable to the original imposition of the restriction. And there is nothing to indicate that this rational scheme somehow changes when the factual basis on which a threat to the national security is found changes from that which governed the original determination. Such a distinction not only has no foundation in the statute or its legislative history; it is also unworkable, since facts constantly change and there is no apparent criterion for determining when the change is significant enough to give rise to a reinvestigation and renewed finding requirement.

My conclusion that there is no legal requirement for a new § 232(b) investigation and finding in order to issue the proposed Proclamation does not preclude your making a specific investigation and finding if you wish to do so in connection with the constant monitoring which the statute envisions. Such discretionary action would not be subject to the requirements of § 232(b) nor to the Treasury regulations (31 CFR Part 9) relating to that section. Moreover, even if it were, there is no doubt that you would not be required to give notice, allow for public comment, or hold public hearings on the matter. Section 232(b) states that "the Secretary shall, *if it is appropriate* and after reasonable notice, hold public hearings . . ." (Emphasis added.) There is no evidence in the report of the committee which drafted this language, S. Rep. No. 93–1298, 93d Cong., 2d Sess. 96 (1974), that it is meant to establish a standard any more specific or restrictive than its language implies. Your own regulations require public notice upon undertaking an investigation and allow for public comment, 31 CFR § 9.7(b); and they provide for public hearings when the Assistant Secretary deems it appropriate, 31 CFR § 9.7(f). But these provisions can be varied or dispensed with in emergency situations or when, in your judgment, national security interests require, 31 CFR § 9.8. Your letter states that you have determined in the present case that national security interests require a most speedy investigation which would not allow for notice and hearings or comments. This reason fully suffices for dispensation from any such requirements of the statute and the regulations.

There remains for consideration the question whether § 232(b) authorizes the types of measures adopted by the proposed Proclamation to restrict imports of petroleum and petroleum derived products. It is clear that § 232 grants the President the broadest flexibility in determining what measures to use to restrict imports, as well as in modifying the restrictions in light either of changed circumstances or of evidence that existing restrictions were insufficient. The language of the section, "take such action . . . as he deems necessary," reflects this, and the legislative history reinforces it.

The report of the Committee which drafted this provision stated that the President was to have the authority to take "*whatever* action is necessary to adjust imports." (Emphasis supplied.) S. Rep. No. 232, 84th Cong., 1st Sess. 4 (1955). On the floor of the Senate, Senator Milliken, who with Senator Byrd actually drafted the provision as an amendment to the House bill, stated that: "It grants to the President authority to take whatever action he deems necessary to adjust imports . . . . He may use tariffs, quotas, import taxes, or other methods of import restrictions." (101 Cong. Rec. 5299 (1955).).

Senator Barkley, also a member of the Senate Finance Committee which added this section to the bill, stated that the President can ". . . impose such quotas or take other steps as he may believe to be desirable in order to maintain the national security." (101 Cong. Rec. 5298 (1955)).

Senator Bennett, again a member of the Senate Finance Committee, commented on the powers the President could give to the Office of Defense Mobilization, saying that—". . . they will have at their command the entire scope of tariffs, quotas, restrictions, stockpiling, and any other variation of these programs." (101 Cong. Rec. 5588 (1955)).

The Conference Report made clear that the President's flexibility in choosing the means extended not merely to his initial action but also to any modifications that he might make in light of changed circumstances. H. Rep. No. 745, *supra;* see the floor remarks of Congressman Cooper, quoted at page 3, *supra.* The 1958 amendments intended no change in this flexibility and discretion. The Senate Report stated: "As was the purpose when the national security section was added in the 1955 extension of the act, the amendments are designed to give the President unquestioned authority to limit imports which threaten to impair defense-essential industries." (S. Rept. No. 1838, supra).

A broad interpretation of the President's powers under § 232(b) has been concurred in by the courts. As stated in *Pancoastal Petroleum, Ltd.* v. *Udall*, 348 F.2d 805, 807 (D.C. Cir. 1965), "The law confers discretion on the President in broadest terms."

Against this background, there is no doubt that the devices employed in the draft Proclamation are within the authority of § 232(b). These include a return to the tariffs eliminated by Proclamation 4210 of April 18, 1973, and an increase in the license fees established by the same Proclamation. Both tariffs and license fees are traditional means of restricting imports and certainly envisioned by the statutory provision.

Sincerely,

WILLIAM B. SAXBE,
Attorney General.

X. ADDITIONAL MINORITY VIEWS OF HON. JERRY L. PETTIS

A comprehensive energy and economic program was proposed in the State of the Union Message two weeks ago. It is a necessarily complex answer to a complicated problem. It is preferable to many other proposed partial or simplistic alternatives and far superior to the most destructive option of all: doing nothing.

The first step to implement this program was taken when the President acted to impose an import tax on crude oil, beginning February 1. This tax will be linked to an equalization plan to spread the financial burden throughout all regions of the country.

In H.R. 1767, a step backward is being taken. This bill would do two things. First it slows down the President's energy program by prohibiting him from imposing the import tax for 90 days. Then, in an effort to prevent a veto, it includes in the same bill an increase in the temporary debt ceiling required so the government can pay its bills after mid-February.

It has been 15 months since the Arab oil embargo. Action is needed now, not further delay. "Time" can no longer serve as an excuse for postponing the beginning of a concerted national energy program.

Given their past repeated failures, it is unlikely that the Democratic leadership in any amount of time will develop comprehensive solutions to the energy problem.

Last December, the Democrats tried in Kansas City to address themselves to energy and economic problems, and again in mid-January, the House Democratic Caucus attempted to articulate a comprehensive answer.

They have not succeeded because in the current situation there are no easy, pleasant solutions. After 15 months, 90 more days will not change this basic truth. Sacrifice and readjustment are unpleasant but necessary realities. Rationing, a frequently-mentioned alternative, makes a good talking point, but if enacted would prove far less equitable or effective in meeting national goals than the President's energy package.

After over a year of energy "crisis" we can afford no more delay. The President has indicated a willingness to compromise all but the need for balance in the final formula. Nevertheless, if the Democratic Congressional leadership insists on continuing their tactic of "confrontation politics" over this measure, then Republicans in the House should be prepared to vote to sustain a veto of this bill. Far preferable would be constructive Congressional action to consider, modify if required, and enact a comprehensive energy program.

JERRY L. PETTIS.

XI. SEPARATE MINORITY VIEWS OF HON. JOHN J. DUNCAN

I am in agreement with the minority views relating to the merging of the debt limit bill with the bill to delay petroleum import fees. As stated, the combining of these two unrelated measures in a single legislative package is unprecedented and irresponsible and leads inescapably to the conclusion that the Democratic Majority on the Ways and Means Committee is playing politics with the economic and energy problems of our country.

It has never been a pleasant matter for me to vote to raise the Federal debt limit. However, if the authority to increase the present statutory limit is not granted by February 18, the government will be unable to pay its obligations after this date.

For these reasons, I am opposed to H.R. 1767, in its present form.

JOHN J. DUNCAN.

XII. SEPARATE MINORITY VIEWS OF HON. DONALD D. CLANCY

My remarks will be directed to the amendment adopted by the Committee which would increase the National Debt. The serious and dangerous position that this nation finds itself in today is the result of the unbridled spending of this government, in both the Executive and Legislative Branches, past and present. There is a simple answer to the reason of this legislation being considered today and that is that we have not exercised sufficient fiscal restraint which would have eliminated the necessity to increase our National Debt. Our National Debt is so astronomical that it is estimated that we will spend approximately $33 billion for interest alone on the debt in this fiscal year. It is the third largest item in the Federal Budget.

It is clear to every American that Congress has failed to control Federal spending in a manner that would result in a balanced budget, which most of us advocate and have urged for many years. We have failed to institute proper budgetary controls that are so necessary to restore a health economic climate. A balanced budget can only be restored by deeds and not words that I have heard too often in the debate on this issue that we are considering today. I have heard the same arguments in past years.

Each Administration knows fully well that even if an unbalanced budget is proposed, it is very easy to have Congress approve the spending proposals and later approve debt increases to provide for the deficit. I have listened too long to the faulty argument that "we must honor our obligations". We have a paramount obligation to restore fiscal responsibility that this argument glibly sidesteps. We can honor this paramount obligation by curtailing unnecessary expenditures rather than ritualistically providing another huge increase in the debt limit.

By adopting this legislation, this government will go to the money market and borrow once again enormous sums from the private sector which, of necessity, has an adverse effect upon the entire economy of our country. We will further place pressure on interest rates which contributes greatly to inflation, which we are experiencing in great measure today. A major problem in Congress today is that there are to few willing to cast a vote against spending measures that send the debt higher and higher each year.

We can put our financial house in order by exercising restraints in spending and notifying this Administration and those of the future that Congress will not, by a wave of a wand, permit them to borrow so easily to provide for the deficit that they advocate in their budgets.

Budget control and effective restraint have been neglected too long and the ultimate result has been more taxes and more inflation for our people. These are why I oppose this measure at this time.

DONALD D. CLANCY.

XIII. SUPPLEMENTAL MINORITY VIEWS OF HON. BILL FRENZEL, HON. WILLIAM A. STEIGER, HON. JAMES G. MARTIN, AND HON. L. A. BAFALIS

The bill (H.R. 1767) to suspend the President's authority for three and one-half months to control oil imports through imposition of fees is a matter of grave concern. Its alleged purposes are suitably lofty, and it offers a haven for those who are genuinely concerned by (1) the possibility of regional inequity, (2) the possibility of abrupt energy price increases to consumers, and/or (3) the apparent change of legislative/executive dialogue from negotiation to confrontation.

All of these questions concern us. We are worried that the regions of this country that are heavily dependent on imported oil, including our states of Minnesota, Wisconsin and Florida will be obliged to sacrifice more than other areas, which are less dependent.

We also regret that the hearing processes of the Trade expansion Act were not used. Our overall national dependence on offshore oil makes our situation grim—perhaps an emergency. We believe the Administration can be faulted for at least not sooner revealing the details of the equalization system, if not for skipping the hearing process altogether.

The question of whether the Executive has acted overaggressively or arrogantly is, in the long run, perhaps even more serious. The 94th Congress really has not had time to review the conditions, evaluate the alternative policies and participate fully in the final policy choice.

These valid concerns make it easy to ignore or to dismiss a series of valid counter concerns. First is the need, an urgent need if we follow Administration logic, to establish a national policy to reduce our overall dependence on foreign oil. Second, but perhaps more important, is Congress' track record of utter failure in energy policy. That record is buttressed by the disinterest or inability of the majority party, even to begin serious efforts to establish energy policy.

Congress rejected, even in the middle of the embargo crisis, a standby rationing plan. Last Fall, the Congressional majority ridiculed an increase in the gas tax. Congress, or at least its majority leadership, is unwilling to make the hard choices needed for energy conservation. It is happier criticizing the President than in dealing with painful reality. The Presidential prod may be a little heavy-handed, but, on the record, it seems necessary.

The Secretary of the Treasury and the President have stated that the Administration is not committed to complete the second and third fee increases, scheduled to occur March 1 and April 1, respectively, provided Congress makes progress on a reasonable conservation plan. On the contrary, the Administration is committed to work with Congress in its plan, a modification or even a different alternative. The President's oft-repeated willingness to work with us takes much of the sting out of the apparent confrontation. That willingness gave us a Transit compromise last November.

The phasing of the import fees lends support to the Administration's contention that it wishes to prod the Congress to action gently. Prompt Congressional action on an energy policy could prod the import fee, and thus the price effect on consumers, to a modest level. The Presidential proclamation specifically exempts refined products in its first stage, so the immediate fears of regional inequity will be minimized. The gradually-increasing tax schedule will bring gradually-increasing pressure on Congress to establish its own program or to accept some variation of the President's program.

Stated in simple terms, there is nothing in the Administration program to prevent the Congress from acting. On the contrary, the President has pleaded with Congress to take action, and his proposal is calculated to provide the greatest-possible incentive for Congressional action.

Returning specifically to the oil cost-equalization plan, the Administration, through a variety of official witnesses, has assured us of its equity. That equalization program is absolutely essential to any energy policy based on price allocation—even the existing policy already forced upon us by the OPEC price policy. One program was announced and withdrawn by FEA. The second is announced and its equity vouched for. But its details, if fully announced, are only dimly perceived by ourselves.

Our support of, or acquiescence to, any policy, is conditioned absolutely on energy-price equity. What is required, we believe, is not exactly equal energy prices everywhere, but equality (in extra dollars of cost, not percentages) in additional energy costs under a new program of mandatory energy conservation. We believe the Administration is fully committed to such a program by its official statements to this committee, and our vote against H.R. 1767 is solidly based on this commitment.

Departing from the merits, or the intentions, of H.R. 1767, its sponsors admit that it leaves the President powerless to protect the people of our country at a time of national emergency other than outright war. An embargo would be such a national emergency.

Congress has proved it can't act quickly. This bill prevents the President from allocating by price. A number of self-appointed energy gurus in the Congress have stated that the President has no rationing powers. During an embargo, the distribution of crude and refined oil products would be governed by the law of the jungle, or the law of the black market. Those with the time to wait, or the resources to influence, would be the recipients of oil products. Others, particularly working people and the poor, would be losers.

An even further departure from the merits of H.R. 1767 is its marriage to the Debt Ceiling Bill. The Debt Bill has been attached as a crutch to prop up H.R. 1767. The marriage of two separate bills is invariably bad policy, no matter how convenient it seems at the time. Each time we abandon our own standards, we move closer to the Senate system of anarchy which we all pretend to deplore.

A vote against this unfortunate marriage is justified on procedural grounds alone. Other procedural irregularities mar the bill. We had

to vote to suspend our own rules to consider it. We had to marry two bills with no relationship. And we had to consummate the unholy marriage by the use of proxies. Altogether, the performance was unworthy of a Congress which gives lip service to reform.

The Debt Limit Bill is frighteningly high, but Congress has spent every penny and the bills are now due. The Committee record has been sperad with exclamations of shock and outrage, but many of them originate from those who have voted for every spending program and have criticized the Executive every time he has tried to hold back spending.

The debt and the deficit are a national disgrace, and all of us can share some of the blame. But, it is well to remember that Congress is the champion spender of all time and that no President ever spent any money which was not first appropriated by Congress.

Reviewing all the considerations and acknowledging many reservations and misgivings, we feel compelled to vote against H.R. 1767, which would suspend the President's power to levy an oil import fee. Some of our sympathies are with it, particularly as noted herein; but, on balance, it is unwise. The President's tax proposal may be a crude stimulus, but it seems to be the only prospect of stirring the Congress into action.

Bill Frenzel.
William A. Steiger.
James G. Martin.
L. A. Bafalis.

XIV. ADDITIONAL MINORITY VIEWS OF HON. BILL FRENZEL AND HON. WILLIAM A. STEIGER

Subsequent to the completion of our earlier remarks, the Committee voted 17 to 16 to seek a closed rule on H.R. 1767 with a waiver of all points of order.

We do not believe that closed rules should be completely eliminated, but we strongly believe they should be used sparingly. For this bill, we believe the closed rule is totally unwarranted. The House should have the ability to consider amendments without restriction.

It is just such wanton use of the closed rule as this which has led reformers to try to eliminate it. If we continue to lean on the closed rule as a crutch to our distrust of representative government, we deserve having our crutch taken away for good.

The same is true of the waiver of points of order. There is a point of order that should be waived. There is no need to waive all points of order. The waiver is a dictatorial process that breeds sloppy Committee work.

We believe the rule requested gives further procedural reasons to oppose this bill.

BILL FRENZEL.
WILLIAM A. STEIGER.

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