

JUNE 16, 2004

**MEMBERS OF CONGRESS CALL FOR FEDERAL INVESTIGATION INTO POTENTIAL PRICE GOUGING & ANTI-COMPETITIVE PRACTICES BY THE OIL INDUSTRY**

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL) today joined fifty-two Democrats in calling on the Justice Department to investigate potential price gouging and anti-competitive practices by the oil industry. Since December, gas prices have risen by more than 59 cents per gallon.

□ In a letter to Attorney General John Ashcroft, the members expressed concern about the current oil market "where supplies have been tight and prices at the pump have risen dramatically." They added that "the current over-concentration of market power in the oil industry may provide oil companies with ample opportunities to exploit market power to gouge consumers."

The members called on the Attorney General, along with the Chair of the Federal Trade Commission (FTC), to *"immediately commence an investigation into current oil industry market structure, market concentration, and business practices, to determine whether any unfair or anti-competitive activity is taking place, or whether the recent trends towards increased market concentration should be reversed by government antitrust action."*

The letter was spearheaded by U.S. Representatives Fran Pallone (D-NJ) and Edward Markey (D-MA).

□ In 2001, the FTC released the findings of an investigation which found that, among the factors contributing to the spike in gas prices during the summer of 2000 was *"decisions by firms to maximize profits,"*

and that

*"[p]rice spikes are likely to occur in the future in the Midwest and other areas of the country."*

□ The investigation was requested by Schakowsky and other colleagues from the Midwest.

Below is the letter to the Justice Department and the FTC:

June 16, 2004

The Honorable John Ashcroft  
Attorney General  
Justice Department  
950 Pennsylvania Avenue, N.W.  
Washington, D.C. 20530

The Honorable Timothy J. Muris  
Chairman  
Federal Trade Commission  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

Dear Attorney General Ashcroft and Chairman Muris:

We are writing to express our deep concern over potential price gouging and anticompetitive activity in the oil industry.

A recent report by the General Accounting Office ("Energy Markets: Effects of Mergers and Market Concentration in the U.S. Petroleum Industry," GAO-04-96) has found that over 2,600 mergers have occurred in the U.S. petroleum industry since the mid-1990s, with most of these occurring later in the period. The GAO reports that these mergers have led to a substantial increase in market concentration in the oil industry, a reduction in the availability of lower priced "generic" gasoline compared to "branded gasoline, and in refiners preferring to deal with large distributors and retailers, leading to further market concentration in those businesses.

The GAO has concluded that oil company "mergers and increased market concentration generally led to higher wholesale gasoline prices in the United States from the mid-1990s through 2000." It found that "six of the eight mergers that GAO modeled led to price increases averaging between 1 and 2 cents per gallon." GAO also found that increased market concentration in the oil industry following these mergers also lead to increased prices, which GAO found had increased the wholesale price of gas in some regions of the country by 5 cents per gallon, and increased the price of "boutique fuels" sold in the East Coast and Gulf Coast regions by 1 cent per gallon, while prices for boutique fuels sold in California increased by over 7 cents per gallon.

We are greatly concerned that in the current oil market, where supplies have been tight and prices at the pump have risen dramatically, that the current over-concentration of market power in the oil industry may provide oil companies with

**ample opportunities to exploit market power to gouge consumers. We believe that your agencies, which have responsibility under federal law to enforce the laws against monopolies and unfair competition, should immediately commence an investigation into current oil industry market structure, market concentration, and business practices, to determine whether any unfair or anti-competitive activity is taking place, or whether the recent trends towards increased market concentration should be reversed by government antitrust action.**

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