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RELEASE: July 6

OIL DIVESTITURE

Senator Birch Bayh, whose claim to fame in recent years has been as proposer of several constitutional amendments and as the one who stopped passage of the proposed Human Life .Amendment, has bounced back into the news as the sponsor of a new bill which could have as much impact on Americans as a constitutional amendment.

By a slim margin, Bayh persuaded the Senate Judiciary Committee to report favorably a bill to break up the oil companies. Specifi cally, he wants the Federal Government to split apart the production, transportation, and refining-marketing operations of the large oil companies.

The purpose of the great Sherman Anti-Trust Act and other Federal actions against big business has always been to prevent monppoly and to promote competition. However, if there is any industry where there is no monopoly and plenty of competition, it is oil.

No one company dominates the oil industry. The largest company, Exxon, controls only eight percent of crude oil production, owns only eleven percent of crude oil reserves, and holds only nine percent of refining capacity.

Even the top four oil firms combined have only 27 percent of crude oil production and 30 percent of gasoline sales. In most other major industries, the four top firms have a much higher percentage of the market.

Under the Birch Bayh bill, 18 oil companies would be subject to divestiture. Compare the 18 in oil, for example, **with** the automobile industry where there are only three large companies, or with other vital industries in which the market is dominated by fewer than half

(more)

a dozen companies.

The splittin apart of the functions of the oil companies, as requir,:ld by the Birch Bayh bill, is called vertical divestiture. Many distinguished economists believe that, if this is required, it will cause a horizontal merging of the 18 oil companies in order to sustain the high financial risks which are an inherent part of the oil business. Many of the small independent oil producers believe that they will be hurt worst of all by divestiture of the big com panies.

Tho result o:f divestiturt would be a much less competitive industry than we now have. Under the present system, the 18 largfl companies are keen competitors, and thnt eompc ti tion operates for the benefit of the consWJ1er.

1.1he pol i t1cians who voted for the l)reaki:ng up of ,uneriea 's 18 largest oil companit>es t3re, for political purposes, trying to pin tfrn blame on big business for the shortage oJ gasoline and f:_H l oil, and their rise in prices, following the .Arob oil embar?10 of 1973. Fen· the most part, these are the same pol i tioians who bloclrnd ti1e AlasJ.rnn pipeline for four years, and who have opposed drilling in the oil fields off Alaska and our ea:Yt and ,,est coasts. T.he failure to d,.;ve lop these tremendous American oil n serves is a principal reason for our de1,em.tence o:n high-priced Middle East oi).

There is no evidence to show that divestiture of the oil companies will reduce gasoline prices or even hold them at their present level. ırhc:re i·,,::i lJmch mo:n:1 reason to believe that divestiture would deal irreparnble harm to the .American conswner by increasing oil prices, reducing quality, eliminating jobs, discouraging companies from .Prospecting for new oil, and would end up making us more dependent than ever on imported oil.

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