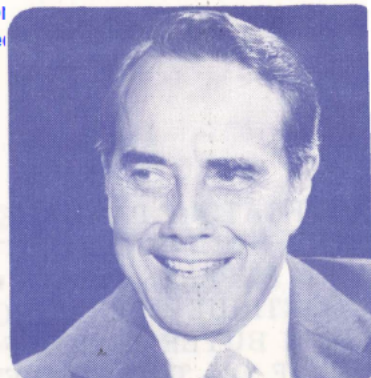


News from Senator

# BOB DOLE



(R - Kansas)

SH 141 Hart Building, Washington, D.C. 20510

FOR IMMEDIATE RELEASE  
THURSDAY, MARCH 15, 1984

CONTACT: WALT RIKER  
SCOTT RICHARDSON 202/224-

STATEMENT OF SENATOR BOB DOLE  
SENATE JUDICIARY COMMITTEE HEARING  
MARCH 15, 1984

MR. DOLE. MR. CHAIRMAN, I APPRECIATE THIS OPPORTUNITY TO BRIEFLY COMMENT ON THE RECENT PROLIFERATION OF MERGER ACTIVITY IN OUR NATION'S PETROLEUM INDUSTRY. WHAT APPEARS TO BE UNDERWAY IS A MAJOR RESTRUCTURING OF THIS MASSIVE INDUSTRY THAT WILL UNDOUBTEDLY IMPACT SIGNIFICANTLY NOT ONLY UPON THE WORKERS AND CONSUMERS IN MY STATE OF KANSAS BUT IN EVERY STATE OF THE UNION. I COMMEND THE COMMITTEE FOR TAKING THIS INITIATIVE TO DELVE INTO THESE COMPLEX ISSUES EARLY ON SO THAT WE IN CONGRESS CAN BE FULLY APPRISED AS TO THE RAMIFICATIONS OF INCREASED CONCENTRATION IN THE PETROLEUM INDUSTRY. THIS WILL SURELY ASSIST US IN OUR DELIBERATIONS AS TO WHETHER ANY NEW LEGISLATION IS NEEDED IN REGARD TO THESE MATTERS.

ANTITRUST CONSIDERATIONS

MR. CHAIRMAN, THE POTENTIALLY NEGATIVE IMPACT OF ANY LARGE COMPANY MERGING WITH OR BUYING OUT A COMPETITOR IS OBVIOUS. FROM AN ANTITRUST STANDPOINT, AN INCREASE IN MARKET SHARE THROUGH ACQUISITION CAN RESULT IN SUCH A DIMINUTION OF EFFECTIVE COMPETITION THAT PROTECTIONS AGAINST ARTIFICIALLY HIGH PRICES AND SUPPLY CONTROL WHICH ARE BUILT INTO THE CONCEPT OF FREE MARKET COMMERCE ARE LOST. THE POTENTIALLY BIG LOSER IS, OF COURSE, THE CONSUMER, WHO MAY WELL END UP PAYING HIGHER PRICES AND HAVING LESS CHOICE CONCERNING THE WHO, HOW AND WHERE OF BUYING A PARTICULAR PRODUCT. OF NO LESS IMPORTANCE IS THE EFFECT MERGERS IN THE OIL INDUSTRY OR ANY OTHER INDUSTRY FOR THAT MATTER, HAVE IN HUMAN TERMS, THE LOSS OF JOBS, THE MODIFICATION OF HEALTH AND PENSION BENEFITS FOR EMPLOYEES OF COMPANIES INVOLVED AND THE FINANCIAL IMPACT THE MERGERS CAN HAVE ON LOCAL COMMUNITIES.

MR. CHAIRMAN, I HIGHLIGHT THESE DANGERS NOT TO INDICATE AT THIS TIME SUPPORT FOR A POSITION THAT EVERY PROPOSED MERGER IN THE OIL INDUSTRY IS BAD FOR THIS NATION AND SHOULD BE PROHIBITED, BUT TO MAKE THE POINT THAT CONGRESS SHOULD TAKE A HARD LOOK AT THESE ISSUES TO BE SURE THAT SUCH TRANSACTIONS NOW BEING PROPOSED AND THOSE THAT WILL SURELY COME FORTH IN THE FUTURE ARE PROPERLY SCRUTINIZED.

TEXACO/GETTY MERGER

I HAVE RECENTLY HAD THE OPPORTUNITY TO REVIEW THE FEDERAL TRADE COMMISSION'S POLICY AND GUIDELINES IN THIS REGARD IN RELATION TO THE PROPOSED TEXACO/GETTY MERGER. AS PART OF THE FTC'S TENTATIVE APPROVAL OF THAT ACQUISITION, TEXACO MUST WITHIN A CERTAIN PERIOD OF TIME DIVEST ITSELF OF A GETTY REFINERY (ALONG WITH SUPPORTING PIPELINES AND RETAIL ORGANIZATION) LOCATED IN EL DORADO, KANSAS BY SELLING THIS PROPERTY TO A PARTY WHO WILL OPERATE IT AS A DIRECT COMPETITOR WITH TEXACO IN THAT MARKET. ACCORDING TO THE FTC, THE OPERATION OF THIS FACILITY BY A VIABLE THIRD PARTY IS A NECESSARY PREREQUISITE TO THEIR DETERMINATION THAT THE TEXACO/GETTY MERGER WILL NOT UNDULY UPSET THE COMPETITIVE BALANCE IN THE AFFECTED MARKET. WHAT IS TROUBLESOME TO ME IS THAT IT IS UNCLEAR WHAT THE RESULT WILL BE IF THE EL DORADO FACILITY CANNOT BE SOLD AS A COMPLETE

(MORE)



OPERATING PACKAGE WITHIN THE 32 MONTH PERIOD PROVIDED BEFORE, BY THE FTC. A DISTINCT LIKELIHOOD, I MIGHT ADD, ACCORDING TO SEVERAL OIL EXPERTS I HAVE CONSULTED IN KANSAS. WILL TEXACO BE ALLOWED TO CONTINUE OPERATING THE REFINERY? WILL THE FACILITY BE CLOSED DOWN IF A BUYER IS NOT FOUND? WHAT EFFECT WOULD EITHER OF THESE OPTIONS HAVE ON THE COMPETITIVE BALANCE IN THE AREA? IT SEEMS TO THIS SENATOR THAT THE EFFECT OF THESE POSSIBLE SCENARIOS SHOULD BE ADDRESSED AND ADDRESSED NOW.

#### COMMENT PERIOD

IT IS MY UNDERSTANDING THAT THE COMMENT PERIOD REGARDING THE COMMISSIONS TENTATIVE APPROVAL OF THIS MERGER AND THE TIME FOR FINAL APPROVAL WILL PASS WELL BEFORE WE FIND OUT IF THE EL DORADO REFINERY CAN IN FACT BE SOLD. THE TEXACO/GETTY ASSETS WILL BE SO COMMINGLED THAT EVEN IF WE FIND OUT LATER THE FTC PLAN FOR MAINTAINING A COMPETITIVE ATMOSPHERE IN THAT MARKET WILL NOT COME TO FRUITION IT WILL BE TOO LATE TO DO ANYTHING ABOUT IT.

MR. CHAIRMAN, I OFFER THESE DETAILS ABOUT THE TEXACO/GETTY MERGER AND THE EFFECTS IN MAY HAVE ON MY STATE, ITS WORKERS AND CONSUMERS, TO HIGHLIGHT MY CONCERN THAT FULL AND COMPLETE ANALYSES OF THESE MERGERS BE COMPLETED, COMMENTED ON AND REVIEWED BEFORE A FINAL STAMP OF APPROVAL IS GIVEN FOR ANY MERGER. THE TEXACO/GETTY MERGER WILL HAVE A PROFOUND AFFECT ON THE CITIZENS OF MY STATE, BOTH IN REGARD TO THE 1,000 JOBS IN EL DORADO, KANSAS THAT HANG IN THE BALANCE AS WELL AS THE CONSUMERS ACROSS THE STATE THAT RELY ON THE AVAILABILITY OF AFFORDABLE PETROLUEM PRODUCTS. I URGE THAT DILIGENT CONSIDERATION BE GIVEN TO THESE SERIOUS ISSUES.

A LARGER QUESTION THAT IS POSED CONCERNS THE NEED FOR OIL EXPLORATION IN THIS COUNTRY AND ELSEWHERE. OVER THE PAST 25 YEARS, WE HAVE SEEN FLUCTUATIONS IN BOTH THE DEMAND AND SUPPLY OF OIL, OFTEN ACCOMPANIED BY SEVERE PRICE DISRUPTIONS. LARGE PRICE INCREASES HAVE SLOWED CONSUMPTION AND SERVED AS AN INCENTIVE TO OIL EXPLORATION. CURRENT ESTIMATES VARY, BUT IT SEEMS THE BEST THAT CAN BE SAID IS THAT WE DON'T TRULY KNOW WHAT OUR FUTURE ENERGY NEEDS WILL BE.

WE ALL RECOGNIZE THAT IN RELATIVE TERMS THE U.S. HAS BEEN THOROUGHLY EXPLORED FOR PETROLEUM. DESPITE ALL OF THIS PRODUCTION, PROVED U.S. OIL RESERVES FELL FROM 39 BILLION BARRELS IN 1971 TO APPROXIMATELY 28 BILLION BARRELS IN 1983. SO IT SEEMS WE OUGHT TO BE CONCERNED ABOUT FUTURE SUPPLY, AND THAT WE OUGHT TO BE CAREFUL ABOUT EMBRACING A POLICY THAT SERVES AS A DETERRENT TO FUTURE ENERGY EXPLORATION. IF TEXACO CAN, FOR EXAMPLE, INCREASE ITS RESERVES FROM 1.05 BILLION BARRELS TO SOME 2.3 BILLION BARRELS, THEY MAY HAVE NO INCENTIVE TO ENGAGE IN FURTHER EXPLORATION. PERHAPS THE FTC AND THE JUSTICE DEPARTMENT OUGHT TO CAREFULLY CONSIDER THE POST MERGER EXPLORATION PROGRAM OF A COMPANY BEFORE CONSENTING TO A MERGER. IT SEEMS THAT AT LEAST WE OUGHT TO TAKE A CLOSE LOOK AT SITUATIONS WHERE AN ACQUIRING COMPANY ASSUMES AN ENORMOUS PROPORTION OF DEBT, THE SERVICING OF WHICH NECESSARILY DETERS OIL EXPLORATION.

MR. CHAIRMAN, I AGAIN THANK YOU AND THE COMMITTEE FOR THIS OPPORTUNITY TO SPEAK. I WILL REVIEW WITH INTEREST TESTIMONY OFFERED HERE TODAY AS I CONTINUE TO FORMULATE MY POSITION IN REGARD TO THESE ISSUES.