

News from Senator

BOB DOLE



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FOR IMMEDIATE RELEASE
TUESDAY, NOVEMBER 20, 1979

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DOLE AMENDMENT WOULD MAKE OIL COMPANIES MEET SOCIAL RESPONSIBILITIES ON RE-INVESTMENT

WASHINGTON -- Senator Bob Dole (R-Kan.) today introduced an amendment to the Oil Merger Bill (S. 1246) in the Senate Judiciary Committee to guarantee that major oil companies "meet their social responsibilities" with regard to re-investing their profits in producing new energy.

In a statement before the committee, Dole said that the Oil Merger Bill as it is now drafted "will actually diminish competition and make every small and medium-sized company in America a vulnerable target for takeover by big oil companies, making it easier for oil companies to divert investment from energy production into acquisition of non-energy companies."

The Dole amendment is aimed at inducing oil companies to re-invest their profits in energy production.

"I believe that the first obligation of the oil companies is to find and produce the new energy that we so critically need to improve the health of our economy and reduce our dependence on OPEC," he said. "Nothing should get in the way of this effort. But if oil companies meet their responsibility, then I don't think that we should handicap them. President Carter said recently that he was considering 'punitive' measures against the oil industry. This is a very dangerous frame of mind. If we started legislating just to punish the oil companies, not only would we be admitting defeat, but we would be acting in the most counterproductive way. In trying to punish them, we could end up hurting consumers.

"I think a far better approach is to insist that the oil companies meet their social responsibilities, and if they do, then they should be placed under no special disability. To my way of thinking, the size of the profits that the oil companies have been posting lately creates a very high responsibility to use them wisely to benefit consumers, not just shareholders.

"I am proposing an amendment that I believe would force the oil companies to meet their social obligations. Basically, it says that no major oil producer can make any acquisition of any firm unless in the preceding calendar year it invested in new energy capacity a greater amount than its profits. In simple terms, if an oil company with record profits wants to acquire another company, it would first have to plow back more than its profits in new energy capacity. If an oil company is not willing to meet this responsibility, then it can't make any acquisitions. It's that simple.

"The argument used in support of the Kennedy Oil Merger Bill is that if we want to make the oil companies invest in new energy, it makes sense to block the mergers that would otherwise drain their funds away from energy investment. But as the hearings here have shown, the situation is more complicated than this argument indicates. Historically, the industry has borrowed substantially from outside sources in order to finance its investment activities. The amount of investment capital that the majors obtain from outside sources has been about four or five times greater than the amounts that they have spent on non-energy acquisitions. I think the reasonable conclusion we must draw is that the premises of this legislation are weak as long as non-energy acquisitions remain at historical low levels.

"My amendment would not place punitive handicaps on the oil industry that could prevent it from meeting its responsibilities to produce. For instance, if some reasonable level of merger activity is necessary to allow the oil companies to acquire the capital needed for energy exploration and production, they will be permitted to do this. But if they try to acquire too many companies so that acquisitions interfere with energy exploration and production, my amendment will stop them in their tracks."