

April 21, 2006 - Slaughter Calls for Immediate Hearings on Legislation to Reduce Gas Prices

FOR IMMEDIATE RELEASE

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Slaughter Calls for Immediate Hearings on Legislation to Reduce Gas Prices
Two Bills Designed to Eliminate Zone-Pricing and Stabilize Gasoline Prices

Washington, DC - Rep. Louise M. Slaughter (D-Fairport), Ranking Member of the House Rules Committee, recently sent a letter to Chairman Joe Barton and Ranking Member John Dingell of the House Committee on Energy and Commerce calling for immediate hearings on legislation she introduced to reduce gas prices nation wide.

"At a time when major oil companies are bringing in the largest profits in American history, working Americans are struggling to afford the morning drive to work," Rep. Slaughter said. "Price gouging and arbitrary increases in the price of gasoline can't be tolerated any more. Ordinary Americans shouldn't have to suffer to subsidize record earnings for Exxon-Mobil."

The Congresswoman has introduced two bills that will lower gas prices: the Eliminate Gas Price Discrimination Act and the Emergency Petroleum Allocation Act.

The Eliminate Gas Price Discrimination Act is designed to eliminate a practice commonly employed by major oil producers known as "zone-pricing," whereby oil companies map out geographical areas and then charge gasoline stations different wholesale prices according to arbitrary formulas. Rather than permitting market forces to determine the price of gasoline, oil companies employ zone-pricing to artificially increase profits in multiple zones across the country.

The Emergency Petroleum Allocation Act would direct the government to establish controls on gas prices during fuel emergencies. At the current time, the bill would limit gas prices at \$2.50 per gallon, which was the national price average before Hurricane Katrina hit the Gulf coast.

Under the Act, Congress could also direct the President to take a variety of other actions to reign in oil prices, such as ordering refineries to modify their output, and controlling the accumulation of oil by importers, producers, refiners, marketers or distributors.

The complete text of Rep. Slaughter's letter can be found below.

April 19, 2006

The Honorable Joe Barton

Chairman

House Committee on Energy and Commerce

2125 Rayburn House Office Building

Washington, DC 20515

The Honorable John Dingell

Ranking Member

House Committee on Energy and Commerce

2322 Rayburn House Office Building

Washington, DC 20515

Dear Chairman Barton and Ranking Member Dingell,

Escalating crude oil and gasoline prices threaten to have a rippling effect on every industry and market in the U.S. economy. Earlier this week, the average price for regular unleaded gasoline increased to \$2.79 and crude oil prices soared past \$70 a barrel. Motorists in Western New York are paying at least 40 cents more per gallon than they were just last month. I, therefore, urge you to hold hearings on the Eliminate Gas Price Discrimination Act and the Emergency Petroleum Allocation Act, which I believe will help Congress respond to skyrocketing gas prices.

Although there are a number of factors contributing to higher prices at the pump, it is clear that oil companies continue to employ discriminatory pricing techniques at the expense of the consumer. Accordingly, I respectfully request that your Committee investigate zone-pricing in the gasoline industry, and consider temporary measures that would further stabilize gasoline prices in the time of fuel emergencies.

Zone-pricing is the process by which oil companies' map out geographical areas and then charge gasoline stations different wholesale prices according to arbitrary formulas. Rather than letting market forces determine the price of gasoline, oil companies employ zone-pricing to artificially increase profits in multiple zones across the country.

The ability to impose zone pricing is based on the power of the oil companies to control the wholesale purchases of gasoline stations. As a condition of their franchise agreements, gasoline station owners must agree to purchase gasoline from specific wholesalers. Such agreements render gasoline station owners powerless to shop for a cheaper supply of gasoline.

Congress has recognized that gasoline stations are in a tough negotiating position with the oil companies, and in 1978 passed the Petroleum Marketing Practices Act (PMPA) to provide national standards for gasoline franchise agreements. Unfortunately, the PMPA did not include anti-competitive protections for gasoline stations. For this reason, I have introduced H.R. 3964, the Eliminate Gas Price Discrimination Act. This legislation amends the PMPA to prohibit anti-competitive provisions in gasoline franchise agreements that dictate the wholesale supply of gasoline.

Under my bill, Exxon gas station owners will still have to honor their franchise agreements by purchasing gas from an Exxon wholesaler - but they will be free to make the purchase from the Exxon wholesaler of their choice, and pass their savings on to the consumer.

In addition to ending zone-pricing, Congress should consider the establishment of temporary measures that stabilize the price and allocation of gasoline. In 1973, Congress passed legislation that established controls on gas prices during fuel emergencies. Congress also directed the President to take a variety of other actions to reign in oil prices, such as ordering the refineries to modify their output and controlling the accumulation of oil by importers, producers, refiners, marketers or distributors.

Unfortunately, these regulations were phased-out by 1981. With today's high oil prices, it is time once again for Congress to consider temporary fuel allocations. For this reason, I have introduced H.R. 3722, the Emergency Petroleum Allocation Act. The Emergency Petroleum Allocation Act is not a long-term solution for our country's energy problems, but it will stabilize gasoline prices and protect the American economy until we can develop a comprehensive plan to limit our dependence on foreign sources of oil.

Congress has the responsibility to do all it can to ease the burden of high gasoline prices. I respectfully request that your Committee examine the practice of zone-pricing in the oil industry, and review the efficacy of designing temporary gasoline allocations during fuel emergencies. I appreciate your attention into this request. Please contact Alan Snyder of my staff at 5-3615 should you have any additional questions.

Sincerely,

Louise M. Slaughter

Member of Congress

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