

## EXTENSIONS OF REMARKS

### THE WHOLESALE MOTOR FUEL FAIRNESS AND COMPETITION RESTORATION ACT

**HON. MIKE THOMPSON**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 17, 2000*

Mr. THOMPSON of California. Mr. Speaker, today I am introducing the "Wholesale Motor Fuel Fairness and Competition Restoration Act," legislation designed to restore fair and competitive practices to the wholesale sale of motor fuel.

Beyond the per barrel price of crude oil, there are a number of other factors that influence the retail pump price Americans pay for gasoline and diesel fuel, including those related to supply, refining, consumer demand and, most important, oil company cost, pricing and marketing practices.

Several cost, pricing and marketing practices employed by the oil companies are unfair and anti-competitive and contribute to the unjustified price Americans pay for fuel. Under the bill I am introducing today, many of them would be expressly prohibited, if not made more difficult. These practices include price zoning, redlining, discriminatory wholesale fuel pricing, and a complex and complicated system of cost allocation the companies use that hide the factors on which wholesale costs are based and published.

Mr. Speaker, for too long, the residents of California's First Congressional District have paid too much for gasoline. For more than a year, they have paid some of the highest pump prices of any region in the country. For more than a year, they have paid well above \$2-a-gallon for regular unleaded gasoline. Many others across the nation face similar unjustified pricing.

Last month, I met with U.S. Energy Secretary Bill Richardson and brought to his attention the unfair situation that confronts the residents of Northern California. I made it clear that I and my constituents were not satisfied with the degree of attention the Department was paying to gas prices in Northern California and I sent both him and the President letters urging them to improve their scrutiny of oil company practices in California.

Nonetheless, it is clear from my discussions with fuel distributors and independent retailers that the wholesale motor fuel market is unfair and anti-competitive. An independent fuel distributor in my district recently related to me that he is charged a price at the terminal facility that is sometimes 30 cents higher than the price charged to company-owned or franchise distributors. Yet, his profit margin on a gallon of gasoline is at times less than one-half a cent!

Another district resident who owns a number of gas stations is also a victim of some of these predatory pricing practices, but in a dif-

ferent way. In his situation, because of pricing discrimination, he buys motor fuel at a high wholesale price and is forced to sell it for less than he paid for it in order to remain competitive.

The bill I am introducing today seeks to stop these unfair and anti-competitive practices.

The "Wholesale Motor Fuel Fairness and Competition Restoration Act" addresses several of the major factors that have been identified by industry experts as contributing to the unfair and unjustified pricing of gasoline, including discriminatory pricing, red-lining, price zoning and company ownership of retail stations.

Discriminatory pricing occurs when terminal facility owners and operators charge different prices for gasoline depending on the type of contractual relationship that the station has with the refinery. In my district for example, motor fuel sold through an oil-company owned station wholesales is sometimes twenty to thirty cents less per gallon than motor fuel being sold to an independent. This is patently unfair and anti-competitive.

Price zoning is a long-standing oil company practice of setting artificially high or low prices in certain areas to either maximize profit or impede competition. If a particular city or even a particular intersection is deemed to be especially profitable, oil companies will artificially inflate the price to gouge consumers or artificially deflate the price to driver competitors out of business. This, too, is unfair.

Redlining is the practice engaged in by a terminal facility of refusing to sell motor fuel to a particular retail outlet that in some cases had previously purchased fuel from that facility in an effort to eliminate or harm competition.

The "Wholesale Motor Fuel Fairness and Competition Restoration Act" uses a two-pronged approach to address these unfair practices. First, it requires full disclosure by oil companies of their wholesale pricing practices. This means that oil companies will be required to reveal their pricing structure, including rebates, refunds, and discounts, so that the American people will finally be able to most fully understand how these companies arrive at the price on the gas station sign. Currently, much of this information is not publicly available nor is collected by the Department of Energy's Information Administration.

Secondly, this bill will make it illegal for companies to discriminate on price. It does this by requiring that the price charged at the terminal facility, where gasoline is loaded on tanker trucks, is the same regardless of who is purchasing it. By eliminating the price discrimination between company-owned stations, franchisees, and independent operators, it will for the first time introduce a level playing field into the motor fuel marketplace.

The third component of this legislation addresses oil company ownership of gas stations by mandating the Federal Trade Commission to undertake a study into the relationship be-

tween ownership of gas stations and the high price of motor fuel.

In Humboldt County, California, pump prices continue to exceed \$2.00 for a gallon of regular (unleaded) gasoline, evidencing the unique position of the major oil companies to exert undue influence on the price of motor fuels. In California, the six major refineries in California control 92% of all oil refining in the state, whereas the top six refineries in Texas control only 60% of that state's gasoline production. This inordinate market domination allows companies to practice discriminatory pricing practices that favor some customers over others. It allows them to target certain markets in order to gain unfair advantage and drive out competitors. It is the kind of market practice that warrants the bill I am proposing today.

Mr. Speaker, the Wholesale Motor Fuel Fairness and Competition Restoration Act will restore fairness and competition to the motor fuel industry, not just in California but across the nation. I urge its prompt consideration.

### TRANSPORTATION RECALL ENHANCEMENT, ACCOUNTABILITY, AND DOCUMENTATION (TREAD) ACT

SPEECH OF

**HON. TOM SAWYER**

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 10, 2000*

Mr. SAWYER. Mr. Speaker, in the course of the last century, Akron, Ohio, has built millions of tires. Although passenger tires have not been built in Akron for more than 20 years, Akron remains the center point in research and development, technology, and command and control for this global industry. We care deeply about safety and we are profoundly distressed over the deaths linked to the Firestone tires. The Akron community strongly supports the much-needed overhaul of tire regulation and oversight authority embodied in the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act.

It is our responsibility to bring tire regulation firmly into the 21st century. The current regulations that make up the Federal Motor Vehicle Safety Standards (FMVSS) Section 109 were written in the mid-1960s, when bias tires still dominated the market. To be fair, National Highway and Transportation Safety Administration (NHTSA) and the tire industry have been working for the last three years to elevate tire standards worldwide.

While we must all work together to demand the safest tire possible, we must also recognize that the industry cannot build a perfect tire. In the early part of the last century, in the days of the Model T, cars carried as many as four spare tires. In the 1950's, there were cars carrying two spares. Today, cars typically

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