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THE OIL INDUSTRY

SPEECH

OF

HON. HUEY P. LONG

OF LOUISIANA

IN THE SENATE OF THE UNITED STATES

March 1, 1934

Mr. LONG. Mr. President, I have risen for the purpose of getting before the Senate, and I hope before some of the boards and departments of the Government operating here in the Capital, the effort of the independent oil people of this country to be heard on the code of fair competition.

It has been announced by General Johnson that he was going to hear any and all persons in interest who wished to appear with regard to the operations of these various codes; and the independent oil people have undertaken to present their case here against the monopoly that has been thrust upon them through the guise and practices of Government administrators. They have been unable to get any hearing whatever and unable even to get the kind of conference that apparently has been granted to everyone else.

I have been handed a letter from W. G. Williams, of Fort Worth, Tex., and I desire to read the letter. It is dated February 28, 1934, and is as follows:

FORT WORTH, TEX., February 28, 1934.

Gen. HUGH S. JOHNSON,
Administrator National Recovery Administration,
Commerce Building, Washington, D.C.

DEAR SIR: Pursuant to your notice of public meetings on administration and improvement of codes of fair competition, I wish first to make the following statement. On Monday, the 26th instant, after being shuttled back and forth from one individual to another in the Petroleum Administrative Board, Mr. C. Fahy, vice chairman, informed me that representations regarding the oil code would not be heard at these public meetings; while Mr. Fahy was definitely ascertaining this for me, I contacted Dr. Compton, who informed me that representations from the oil industry would be heard at these meetings.

These two widely divergent statements left me in a quandary, so I contacted the Honorable Donald R. Richberg, who agreed with Dr. Compton that representations from the oil industry would be welcomed.

Still feeling a sense of insecurity in the matter, I wrote both yourself and Hon. Harold L. Ickes regarding the question of jurisdiction in these hearings, and this morning I am in receipt of a letter from the Honorable Nathan R. Margold, chairman of the Petroleum Administrative Board, reading as follows:

"The Secretary of the Interior has requested me to acknowledge the receipt of your letter of February 26 and to state that the code hearings, beginning on February 28, will not include hearings on complaints under the oil code."

Obviously discretion requires that the wishes of the administrator of the petroleum code be respected, but in view of numerous letters and telegrams, copies of certain of which I attach hereto, I am impelled to ask your indulgence in presenting the attached statement which, I believe, is of such constructive character that the Petroleum Administrative Board cannot take offense at my presenting.

Respectfully,

W. G. WILLIAMS.

242 HOTEL CONTINENTAL,
Washington, D.C.

Mr. President, there is presented and attached here another letter, dated February 28, which sets out some of the conditions I have been complaining about on the floor of the Senate, to which I have not been able to secure attention, or any reasonable effort to correct—the domination

44112—9935

of this industry that has not only been fastened upon these people under private control, but how they have taken charge of the Government boards to a point where they may do nothing whatever except perpetuate Standard Oil control over the oil industry of this country.

I am going to read from the letter of the fair-minded people who have handed me this document.

FEBRUARY 28, 1934.

HON. HUGH S. JOHNSON,
Administrator N.R.A., Washington, D.C.

SIR: Your public notice divides the hearings on the codes of fair competition into five groups, and in accordance with this schedule, in behalf of individuals and associations in the oil industry, whom I represent in this matter, I offer the following suggestions and criticisms.

Employment: Through increased prices to consumers, the income of the oil industry under the code of fair competition, has been increased according to reliable information, in the sum of \$833,000,000 annually, while the pay rolls of the industry have been increased by only \$112,000,000.

That means they have increased the prices around 8 for 1 as compared to what they are paying the labor.

From personal investigation covering the oil refineries in the Houston area, the writer has definitely ascertained that the incomes, under the code, of skilled workers had been decreased approximately 25 percent.

I further found that many violations of the code existed, principally amongst the integrated companies—

I am going to explain in a word what he means by that.

These evasions usually consisting of transferring an hourly pay man to the position of supervisor on a monthly salary and increasing his working hours ad lib.

The oil industry has suffered but little hardship during the depression as reliable statistics show that consumption of petroleum products during the depression years have been but little diminished.

Due to the development of highly efficient refining methods, refinery throughout per man per day has been more than doubled and increasing installations of these modern methods causes labor in the industry to face progressively increasing unemployment. Therefore, it is timely that the working hours of skilled labor in the industry should be reduced to not more than 24 hours per week.

Mr. President, one of the largest oil refineries in the world is in Baton Rouge, La., and they have recently laid off about one half of all their workers because they have installed labor-saving devices which have increased the output of their refinery, but which have decreased the number of their employees about 50 percent. I know that this gentleman in that particular is stating the facts. The letter states:

The Southwest Petroleum Association has circularized Congress and the country with the following statement:

"INCREASE WAGES

"Commodity prices are advancing. Wages must and can be increased at same time. Revise all labor codes at once, thus making increases fair and competitive; \$5 per day minimum will provide new markets and prove profitable investment for all industry. Raw materials and wages alike affect cost of finished products. Five cents per barrel increase in price of crude oil is absorbed by oil industry without comment, because competitive. Five cents per barrel added to pay roll by revision of labor code will do untold good, and, because competitive, will work hardship on no one."

I draw to your attention that the oil code, as originally signed by President Roosevelt, contained a labor clause providing a minimum hourly wage scale and a differential which would restore to skilled labor its 1929 rate of pay. The September 13 revision of the code eliminated the differential clause and substituted therefor a provision that regional committees should have jurisdiction in the matter, and I draw to your attention the fact that these regional committees, so far as I have been able to learn, have given no attention whatsoever to the matter of the wages of skilled labor.

I cite you the case of the Crown Central Petroleum Co., in Houston, Tex., which, under the code, added 40 employees to its pay roll but that the increase in pay roll per month amounted to only \$1,350.

Trade practices, costs, and prices: In my opinion, definite protection against destructive trade practices can only be achieved by prohibition against selling below cost plus a fair profit and by providing and enforcing such severe penalties that everyone will hesitate to commit an infraction of such law.

Protection against excessive prices and monopolistic tendencies can only be assured by rigid and vigorous application of our existing antitrust laws.

In this connection I draw to your attention the practice of certain California gasoline manufacturers who, by unlawful agreement, approved by the oil administrator, are retailing gasoline in the States of Washington and Oregon, 500 miles from the source of production, at 16 cents per gallon, less tax, and at the same time shipping the same character of gasoline through the Panama Canal to the Atlantic seaboard, a distance of over 5,000 miles, and retailing same at 12½ cents per gallon, less tax.

Mr. President, that is what they always have done. They have always been allowed to do it. When they were freezing us out in the State of Louisiana, they were retailing oil down there at a price that was considerably below the cost of production, and shipping the same oil out to the coast, to California, where at the time there was not any such production as there later was, and were selling it out there, after paying the freight charges, above what they were paying then. And here they are today, supposed to be operating under the administration of the United States Government, shipping oil 500 miles and selling it right here in the United States for 16 cents a gallon, and then shipping it 5,000 miles, through the Panama Canal, and selling it at 12½ cents, in order to break down the little independent man who may have a little business which they want to recapture.

They have not changed at all. I knew this was going to happen the minute they began to write an oil code, and when they called in Mr. Walter C. Teagle, the president of the Standard Oil Co., and when they called in the various and sundry other allied henchmen of this Standard Oil monopoly, when they called in the Mellon interests and called in the Rockefeller interests and practically put them in charge of writing a code and prescribing the terms of the operations, I knew that that was not going to change them. You can put the stamp of the United States Government on one of these men if you want to, but it does not change him any more than it would change a leopard to give him a bath. There is the same proposition with the Government signet over them. The only difference is that they are a little bit more rapacious when they have the Government seal backing up their maneuvers than they are at any other time. This statement continues:

Obviously these companies are making an excessive profit on the Pacific coast or are selling at too low a price on the Atlantic coast, yet it is all being done under a code of fair competition.

Obviously they ought not to be selling the gasoline where they had to ship it but four or five hundred miles at 16 cents a gallon and at the same time sell it on the Atlantic coast, after bringing it 5,000 miles through the Panama Canal, at 12½ cents. Why do they do that? Because there is an independent oil industry over in this section of the country which they have not wiped out. Later on they will do the same thing on the other side.

The statement continues:

Through shipper ownership of pipe line transportation facilities, 21 integrated companies dominate and control the production and price of crude oil; through ownership of 85 percent of the retail outlets of the country, these same interests dominate the retail prices of petroleum products.

Control of these transportation and marketing facilities is a violation of the law—

It always is—

but continues under the code of fair competition in the face of President Roosevelt's declaration on April 4, 1933, that the pipe lines should be divorced from shipper ownership.

I have before me, but shall not read, one of the pronouncements issued by the President of the United States in order to prevent a strangle-hold being had on the oil industry and the oil men being frozen out of business. They

had to divorce the pipe lines from the producing and refining companies just as we divorce a railroad from a coal mine; just as we divorce a railroad from a coal company that sells coal. The President of the United States issued a pronouncement on the 14th day of April 1933 commanding that those pipe lines had to be divorced from the oil-producing companies and from the oil-refining companies, and they sent and got Mr. Teagle and brought him here and put him in charge of this business, and they have not paid any more attention to it than if it had never been written.

They went along killing rats the same as they did, except that they have the Government seal and signet behind it and are doing it a little faster. In other words, they have raised their margin seven hundred million more dollars, and they are mulcting the American people more than they were before the code of fair competition and are using the United States Government seal and protection, and sell the oil, where they ship it 500 miles, for 3½ cents more per gallon than where they have to bring it around through the Panama Canal 5,000 miles.

This crowd has done this, Mr. President, every time. We have to regulate the oil industry in order to make it fair. During the war an oil administrator was appointed, a man by the name of Mark W. Requa, who was supposed to come from an independent oil industry on the Pacific coast, from California, and at that very time when Mr. Requa was administrator here in Washington, they began to freeze out the Pine Island field in Louisiana, in which I was personally interested. We came to Mr. Requa to get some help, and Mr. Requa gave us to understand he was closing up his office and was going to leave right away. We found that he was an officer of the Standard Oil Co. of California, and we might just as well have gone to 26 Broadway.

Now, I read a little further from this statement:

Trade practices—competitive relationship: The producing, refining, and marketing costs of the integrated companies are greatly in excess of the costs of the nonintegrated units in the industry, obvious costs being those of national advertising and of free service offered at their filling stations.

Should the independent retailer offering an unadvertised brand of gasoline attempt to pass on to the consuming public part of his lower costs, we find him termed "a chiseler and a cutthroat", guilty of unfair practices, and a threat to national recovery.

Such libelous statements can be considered as coming only from the mouthpiece of monopoly or those suffering under an aberration of monopolistic philosophy.

No code of fair competition can be successfully applied unless it gives honest consideration to differences in costs of production, distribution, and sales, and to deny the consumer any savings which any unit in the oil industry is able to pass to the public is a little short of criminal under the conditions prevailing in this country at the present moment.

Code authority organization: A code administration dominated, or having as its only executive advisors, committees composed almost 100 percent of executives of the predominating financial interests in an industry, is incapable of either formulating or executing a code of fair competition.

The oil industry is today governed not by a disinterested public official but, in the last analysis, by a committee whose controlling thought is to increase the earnings of their companies.

The best evidence of this is their indifference in the matter of wage scales for their employees and of increased prices to the consumers.

While the integrated companies number but little more than a score, independents in the industry number many thousands. Yet this small handful of men dominate the operation of the code of fair competition while the vast majority are compelled to swallow the medicine prescribed by this group of monopolists and await an antidote to be delivered by the Petroleum Advisory Board, if, as, and when the independent operator manages to make his complaint heard.

Financing the code administration is proposed by levying a tax of one tenth cent a barrel on all oil produced and refined. Such a tax should yield an annual revenue of nearly \$2,000,000, and we submit that with such an income the administration of the code can do anything it likes and that neither individuals nor groups can successfully cope with unfair orders, regulations, or decrees.

This tax applies equally upon those who signed the code and those who did not, and in effect, is "taxation without representation." The petroleum industry is already the most excessively taxed business in America, the tax far exceeding the wholesale value of its products.

That additional tax should be imposed to carry out unfair, illegal, and monopolistic rules, regulations, and decrees is certain to breed eventual trouble of a serious nature.

Minorities: The justification for the enactment of unfair rules and regulations is that 85 percent of the industry participated in forming such rules and regulations.

In this supposedly free America, votes are cast by men and not by dollars, and we submit that the governing body under the oil code represents an infinitesimal minority when counted in terms of men instead of in terms of dollars.

That such a small group representing a phase of monopoly which has existed for nearly three quarters of a century is able to dictate to the vast majority of those engaged in the oil industry, is incompatible with our business principles and it is time that our President and his trusted lieutenants opened their eyes to what is being done to American consumers as well as to small businesses in the oil industry.

Star-chamber proceedings: Those formulating the policies to be followed on the oil code of fair competition conduct their discussions and deliberations behind closed doors.

This policy is quite different from the policy announced by Administrator Johnson in his opening speech at the beginning of the N.R.A. conferences. "In addition to all this, there is now a single important action taken by N.R.A. that is not the result of a public hearing. In those hearings every person from communist to conservative, who asserts any interest in the subject matter, is invited to get up and make any criticism, comment, or suggestion that may occur to him and never has anyone been denied, curtailed, or silenced. It all gets in the record and is considered when action is taken."

Attached hereto, and marked "Exhibit A", are copies of communications from members of the oil industry which I desire to be made part of the record. Also attached hereto is copy of a "Memorial to Congress", marked "Exhibit B", which "memorial", based on information of entirely reliable character, shows that the oil industry has been administered to the detriment of American consumers.

Respectfully submitted,

W. G. WILLIAMS,
242 Hotel Continental, Washington, D.C.

EXHIBIT "A"

By all means General Johnson's open hearings should include oil matters. At Washington last week Margold admitted inability and helplessness to enforce the rule against selling below cost and refused to assist in enforcing it. This rule is the heart of the covenant for independent marketers and without it the oil code is favorable to major companies only. We have submitted proposed rules against selling below cost, but oil administration is not acting on this vital subject. We believe open hearings will bring this weakness in the oil code to public attention and we then have some hope of correction. Hence we urge inclusion of oil matters in public hearings; hope you may lend assistance to that end.

L. L. CORYELL & SON,
Lincoln, Nebr.

If no public oil code hearing is held we independents are ruined. Entire code being twisted to fit major companies. General Johnson against price fixing, so are consumers and independents. Unless public hearings held we cannot oppose its subterfuge. The pooling and marketing agreement. WNAX sent petitions bearing 200,000 signatures against price fixing to Senators FRAZIER, DICKINSON, BULOW. Confer and obtain them if they can be of value to you.

THE HOUSE OF GURNEY, INC.,
Yankton, S.Dak.

Wire received. Our association not satisfied of desirability of appearing at Johnson hearings. Have, however, requested information whether hearings have jurisdiction over oil code. Believe point you raise pertinent.

RICHARD F. CLEVELAND,
Baltimore, Md.

Certainly should demand public hearings on oil code and get publicity on fact Ickes and monopoly entirely satisfied with their monopoly controlled code, while Johnson apparently wants to give small business a hearing, and we hope a square deal.

JACK DANCIGER,
Fort Worth, Tex.

Retel I cannot advise you. I am without sound information. So many things in the code, so many things to think about that it makes me dizzy.

H. H. CAMPLIN,
Enid, Okla.

Retel if code hearings under Johnson are as per my understanding, to correct inequalities and any hardships contrary to spirit Industrial Recovery Act. Cannot conceive of any reason why oil code should be excluded, and do not believe this hearing will exclude oil code.

D. W. HOVEY,
Houston, Tex.

Believe our chances better in open hearing before anybody and everybody. Ickes and petroleum administrative board take direction from planning and coordinating committee. Why should oil

industry be singled out and put in a different category than other industries to be crushed by monopoly? If independents are to survive they must have a code of fair competition. We must make Secretary Ickes realize his star-chamber methods only confirm further the independents' suspicion that he is accepting the dictates of monopoly. If Johnson's ideas of open hearing for other industries is right and proper, the oil hearings likewise should be brought into the open.

DANCIGER REFINERIES, INC.,
BOUDREAU, Tulsa, Okla.

I want to read just a line or two now from a memorial which has been presented to the Congress of the United States. I know how busy we are, and I know that perhaps some of us will never read this, and some of us may not know just exactly what it means when we do read it. But I want to read a few lines, which I can pick out from this booklet which has been handed us. There are tables and statistics in this so that we can verify everything the booklet contains, charts and diagrams and everything else. I am going to read just a few of the salient things. One thing that appears here is this:

The real issue of the petroleum industry is one of monopoly.

That is the trouble with the petroleum industry. Monopoly is the one trouble with the petroleum industry. How they manipulate their exports and imports, and pick the season, how they pick the price on the west coast and the price on the east coast, where they will stand a difference maybe of 10 cents a gallon, and the way gasoline is an important link in breaking up an independent producer or refiner, how they will bring oil around perhaps some four or five thousand miles and sell it cheaper than they are selling it at the place where it starts, where the event may justify them doing it.

From this issue arise the causes of all the industry's problems, no one of which is susceptible of solution except through the final and complete elimination of monopolistic practices.

This oil monopoly has been before the Supreme Court of the United States, and countless other courts, time after time, and I do not remember a time when it has not been found that the charges made by States and various sundry independent interests crying out against what has been practiced upon them and upon their independent industry were not substantiated.

This real issue has divided the industry between giant oil corporations (the monopoly) on the one hand and the so-called "independent" (the rank and file of the industry) on the other.

In 1926, Walter C. Teagle, head of the Nation's greatest oil combine, argued splendidly before the Federal Oil Conservation Board to the effect that price should control the productive processes, and against "conservation" American Petroleum Institute.

The American Petroleum Institute was not a thing on earth but a lot of Standard Oil agencies, which had formed themselves into what they called a "petroleum institute", just like the Edison Institute is for the Power Trust—hiding behind a mask every time they can until they are discovered, and then they go out and change the name, and put up some other name. I do not know what name they have now. Probably it is the "code of fair competition" they are trading under now.

Later, before the same Board the Honorable Charles Evans Hughes, then counsel for the monopoly-supported American Petroleum Institute, presented probably the most able legal argument ever briefed against the matter of Federal control of oil production in the different States. Judge Hughes ridiculed, in most effective manner, the idea of Federal control and argued the fallacy of the idea of the exhaustion of our petroleum resources—"exhaustion" being one of the basic arguments for conservation.

It apparently was decided that the most effective means of eliminating the new peril would be to force the closing in of the wells which were the source of competitor's supply.

Then the memorial proceeds to detail and outline the propaganda which eventually led to this code of fair competition we have today. Now what are they going to do?

I state here, Mr. President, I was not able to dispute the statement of the President of the United States that he was going to divorce these various and sundry institutions; that he was going to make that pipe line the same as a railroad;

that he was going to throw that pipe line open to everybody; that he was going to make the producer be one thing; he was going to make the pipe line be another thing; he was going to make the refinery be another thing and the filling station be something else. I was not able to dispute the President's statement, Mr. President, because he said so in writing and gave it out to the world, and we naturally went along feeling that way.

It was on April 3, 1933, President Roosevelt in a letter to the Governors of oil-producing States said—I am now quoting the President's words:

The report of the Independent Petroleum Association Opposed to Monopoly recommends "the enactment of emergency legislation by Congress divorcing oil pipe lines engaged in interstate commerce from other branches of the oil industry." I am of the opinion that this is a reasonable request and that such legislation should be enacted at as early a date as possible.

That is the President's statement. I read further from the memorial:

Following the courageous and categorical statement of the President with respect to the divorcement of pipe lines, the Congress, in the National Industrial Recovery Act, specifically provided for such divorcement in section 9 (b) of that act. In the administration of the act, however, a strange atmosphere of quiet has prevailed regarding the divorcement which met with high Presidential favor and which was provided for by Congress itself.

We not only had the action, Mr. President, of the President of the United States but we put it into the National Recovery Act, in section 9 (b), that they should make the divorcement of these pipe lines from the refineries and from the production, and they have not paid any more attention to that. Instead of that, they called in Mr. Teagle, and they made him the master of the law that was supposed to have regulated and to have curbed him. Why, one might as well have gone out and made Jesse James the administrator to keep robbers from doing business in 1800—some-odd as to have passed a law to put Mr. Teagle into the position in which he was placed—placing him in charge of the enforcement of the law—as the result of which he has come to Washington and has undertaken to do this work and is master of the law that was supposed to have regulated and curbed him. We have here the charts and other proof in corroboration of everything which we have said in this memorial.

The memorial further says:

A thorough understanding of the pipe-line situation would seem sufficient to stimulate action on the part of the Oil Administrator toward the objectives early recommended by the President and already provided for by Congress. The Administrator, as late as November 27, 1933, announced the inception of an investigation by the Petroleum Administrative Board of Pipe Line Operations. His announcement stated that a subcommittee of the planning and coordination committee was being consulted by him for suggestions and recommendations. The difficulty here lies in the fact that monopoly itself dominates the planning and coordination committee.

Of course, it does. There is a footnote at this point, which I will read:

Investigations by Attorney General James V. Alfred, of the State of Texas, revealed the fact that the Independent Petroleum Association of America and the Texas Oil & Gas Conservation

44112—9935

Association, two of the largest reputedly "independent" organizations, whose presidents are members of this committee, have received considerable money for support from major organizations of the monopoly.

The memorial then continues—

This domination appears through two different channels. (1) The direct and well-known representatives of monopoly as members of the committee itself, and (2) the indirect or secret representatives of monopoly in the persons of pseudo-independent members of the committee—those who pose as independents but who, in reality, head associations known, by public records, to be in the pay of monopoly—the "decoys of monopoly."

Mr. President, without reading any further from this book, I want to say that we undertook to divorce these companies in the State of Louisiana. They did try to divorce them in the State of Oklahoma. But, Mr. President, because of the fact that we have never been able to get the United States Government to do one living thing, if we write a law on the books of Congress providing that something is going to be done today, and that law must be administered, one of the very men that is supposed to be regulated is called and put in charge of the law that was passed to curb him; so we have never been able to touch the oil monopoly of this country, and it does not look like we ever shall.

We have here a code of fair competition, and right in the teeth of Congress it is shown to Congress that they are taking oil and selling it for 16 cents a gallon right where they produce it, and that they are hauling the same oil 5,000 railroad- or steamship-miles and selling it for 12½ cents in order to break up the little independent refinery and the little independent producer, and we sit here and say it is under the code of fair competition, and the great Government of the United States is trying to tell somebody that it is trying to protect the people. That is what we are allowing to be done, Mr. President, here in the United States today. Those are the facts. They will not be disputed, cannot be disputed. The record is here before the Congress. They come to Washington and ask to be heard, and they are told that they cannot be heard. There is going to be no hearing. It would not make much difference if they did hear them, Mr. President; I do not think it would do them a bit of good if they did get heard. But that is one right which we thought we had in this country—that they would hear us.

But they do not even afford them that right now. They have even taken from them the right to be heard in the public forum when a discussion of this kind is supposed to occur here in Washington, D.C.

I ask the Members of the Senate, and the Members of the Congress of the United States, who will be supplied with a copy of this memorial, together with the maps and the charts and the information, which nobody can dispute to some evening take a few hours, just 2 or 3 hours, and run through this booklet with its charts and diagrams which prove every statement I have read to you, and say whether or not we are going to permit such monopolies to operate under the codes and through the forms of law we have passed to protect our people, and by providing a code of fair competition to the people of the United States and the oil industry.