

CHAPTER VII

COMPETITION IN MARKETING GASOLINE

Section 1. Basis and scope of the study.

Basis of the study.—The Senate resolution directing this inquiry specifically directed the commission to ascertain whether any agreements or understandings existed among the different companies in the petroleum industry whereby prices of gasoline and other petroleum products were either artificially increased or artificially depressed. The price advances in gasoline which were made in the spring of 1926 were specifically mentioned as a subject of inquiry. State governors in all parts of the country wrote letters to the President, which were referred to the Federal Trade Commission, urging that an inquiry be made into the gasoline price situation.

Scope of the study.—The information covering competitive conditions in the petroleum industry, with special reference to gasoline, was secured largely through interviews, conferences with sales managers and executives of a large number of marketing companies, and the examination of records of petroleum marketing companies and associations. The cooperation of the petroleum industry was generally excellent throughout the entire inquiry. A considerable number of companies and associations refused to permit their correspondence records to be examined, such refusal being within their legal rights under present decisions of the courts, but the companies refusing the examination of such records cooperated with respect to other phases of the inquiry.

All of the so-called Standard Oil Cos., except the Standard Oil Co. (Kentucky), permitted an examination of all records called for, including their correspondence records. Data secured by the Department of Justice covering earlier years were also examined.

Most of the information on competitive conditions relates to the year 1926 and the early part of 1927.

Conditions of competition are discussed chiefly in the refinery or tank-car market and in the tank-wagon (wholesale) sales of gasoline, which are the most important markets, but sales of gasoline in tank steamers, and retail sales from service or filling stations are also discussed.

Tank-car sales.—As already pointed out, independent wholesalers usually have no difficulty in securing adequate supplies of gasoline. A number of the large Standard marketing companies sell gasoline in tank-car quantities to independent wholesalers at margins under the tank-wagon price (wholesale price to retailers) which are generally considered ample to cover marketing expenses and a remunerative margin of profit. The Standard companies not selling to independents are large purchasers themselves. The large independent companies