Jack Anderson and Les Whitten

The White House and Big Oil

President Nixon, beleaguered as he was by Watergate, still shrewdly managed to run out the clock on efforts by Congress to force "Big Oil" to do right by motorists and fuel oil users. As a result:

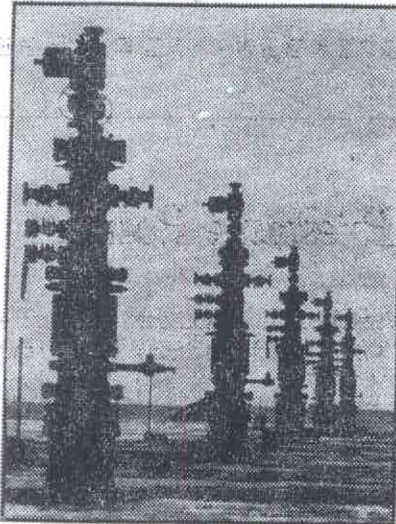
- The profits of major oil companies continue to soar, giving drivers something to ponder as they pay three to five cents extra per gallon for gas. Exxon's profits, for example, totaled over $1 billion in the first half of 1973, a 48 per cent increase over 1972.

- A fuel oil crunch and price hike is inevitable this winter, for the most suspect of reasons. For one, the Cost of Living Council declared that oil companies could raise their prices if the price of their imported oil went up. Exxon promptly allowed its Venezuelan subsidiary to raise its prices. The parent firm then turned around and hiked domestic prices on the grounds that the price of its imported oil had increased.

- Connecticut, Florida, Minnesota and other states have decided they can no longer rely on the White House to protect the independent oil businesses, who alone compete with Big Oil. These states have filed, or are planning to file, anti-trust suits against the "majors."

From confidential administration documents and from talks with White House oil aides, Capitol Hill figures, industry sources, and consumer advocates, we can outline how the White House forestalled controls on Big Oil.

Deluged with thousands of letters and telegrams from independent oil men whose supplies had been reduced or cut off by the "majors," Sen. Thomas McIntyre (D-N.H.), Sen. Thomas Eagleton (D-Mo.) and others



moved early this year to give President Nixon extraordinary powers to order the oil giants to distribute their products fairly among independent refiners and marketers, farmers and government facilities. The President, however, approached this new idea with all the enthusiasm of a youngster sitting down for a piano lesson on a lazy summer afternoon. He left White House policy in the hands of consultant Charles DiBona.

Meanwhile, at the Treasury Department, Deputy Secretary William Simon, able chairman of the administration's Oil Policy Committee, was also sure he had the President's ear. He began putting together a plan for increasing imports and for saving the independents. A confidential Simon document, dated April 3, sets up a complicated plan to charge Big Oil fees of 42 cents per barrel on imported crude oil and 84 cents per barrel on gasoline and fuel oil. The end result would have been to help the independents and cut some of the profit out of gas imports.

So sure was Simon of White House approval that he informally described his plan to independent oil men at a private Treasury Department meeting. But he failed to reckon with Exxon, which had a tiger in the White House tank. Within days, DiBona had reversed Simon and forced a rewrite more along Exxon's lines. President Nixon announced the new plan amidst howls of betrayal from the independents and even some "majors."

Soon the Big Oil boys were refusing to supply independents with gas and oil and were snubbing users in places hard to reach by pipeline or oil truck.

Farmers complained that their tractors were out of gas. Non-brand stations began to close down. Prices zoomed. Under this crescendo, Simon decided that Big Oil must "voluntarily" supply traditional markets or face more controls.

On Capitol Hill, meanwhile, the chairman of the House energy subcommittee, Rep. Torbert Macdonald (D-Mass.), and Sen. Edward Kennedy (D-Mass.) submitted strong bills for mandatory controls. The debate should have ended on July 10 when Simon testified before Congress that the voluntary plan was not working. He solemnly promised that the administration would come up with its own mandatory allocation system within seven days. But Nixon's newly appointed chief assistant and spokesman for energy policy, Colorado's Republican Gov. John Love, began to assume control and Simon's promise fell by the wayside.

To learn what the White House now planned, Macdonald asked Simon, Love and DiBona to appear before his subcommittee. All begged off. Thoroughly disgusted with this White House fandango, Macdonald went to his committee chairman, Rep. Harley Staggers (D-W.Va.), and told him that if the independent oil industry were to be saved, Congress had to act fast. Staggers informed Macdonald that he had White House assurances the administration would soon be out with a plan. In a subsequent floor speech, Macdonald blistered the administration's "lack of resolve" to do anything which was "opposed by the major oil companies." The following day, Love personally telephoned Macdonald to tell him a "decision will be forthcoming" within four days.

Love had finally decided to toss in his lot with Simon in favor of a mandatory allocation program, our sources said. President Nixon, however, asked Treasury Secretary George Shultz and domestic affairs adviser Melvin Laird to review Love's proposal. Both opposed it.

Just days before the congressional recess, Love and DiBona agreed to meet privately with a delegation of New England congressmen. There, as Love recited a litany of excuses for the administration's inaction, he was interrupted by Torbert Macdonald.

"Why don't you just do your job," Macdonald demanded, "instead of consulting with Mel Laird, who doesn't know a damn thing about energy?"

Love slowly slid off his chair, edged toward the door, and left, calling for DiBona to follow him. Love's office insisted to our associate Joseph Spear that Love had not "walked out," but had merely departed to keep an appointment with the eminent scientist, Dr. Edward Teller.

With hours to go before Congress recessed, Macdonald submitted emergency legislation that would force the major oil companies to supply independents. Although the same measure had already passed the Senate, Macdonald's bill died as Congress rushed to adjournment.

With the lawmakers safely scattered in 50 states, John Love finally announced that the White House had come up with a program for mandatory distribution of oil products. He promptly added, however, that the plan was being reserved as a "standby" program. Mr. Nixon's "voluntary" system would remain in force indefinitely, he said.

Now the states are moving to do the White House's job. A few days ago, attorney Martin Lobel, former oil adviser to Sen. William Proxmire (D-Wis.), flew quietly to Minnesota at the request of the state's attorney general, Warren Spannaus. In a long private session, they discussed an anti-trust suit against Standard Oil of Indiana and others. It will probably be filed within two weeks and is expected to be a model for other states. Meanwhile, the independents continue to suffer from the lack of a product to refine or sell. The major oil firms could not have hoped for a better script if they had written it themselves.

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