Metcalf Asks Probe of Houston Firm

By Bob Kuttner
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Sen. Lee Metcalf (D-Mont.) wants the Federal Trade Commision to take a closer look at the board of directors of a Houston bank holding company, which reads like a who's who of supposedly competing energy industy conglomerates.

In a letter dated June 28 to FTC Chairman Lewis Engman, Metcalf pointed to the First City Bancorporation of Texas as a classic example of "institutional interlock" between banks and bank clients which doesn't necessarily violate antitrust laws, but frustrates competition nonetheless.

Metcalf's Government Operations Subcommittee on Budgeting, Management and Expanditures is conducting hearings on the cross ownership of America's great banks and industrial corporations.

According to Metcalf, a report filed by First City Bancorporation with the Federal Reserve Board shows "an extraordinary array of affiliation with oil and gas construction, production, transmission, refining, distribution, financial and consulting companies," as well as interlocks with oil and gas supppliers, consumers and law firms.

Members of the First City board include:

- M.A. Wright of Exxon; Morgan J. Davis, formerly of Humble; George F. Kirby, director of Ethyl, and several executives or directors of independent oil producers.
- Directors of ostensibly competing pipeline companies: El Paso Natural Gas, Texas Eastern Transmission, Panhandle Eastern Pipline.
- George R. Brown of Brown and Root, a leading oil construction company, along with representatives of other oil industry suppliers.
- Former Treasury Secretary John B. Connally, who is also a director of now with a leading oil law firm, whio is also a director of Pan Am, a major
- Former Treasury Secretary John B. Connaly, now with a leading oil law firm, who is also a director of Pan Am, a major buyer of aviation fuel and J.A. Elkins, who is also a director of Eastern Airlines.
- Herbert J. Frensley, who serves on the boardsof Brown and Root, Texas Eastern, and Armco Steel.

"When you get people of this calibre sitting down at the same table, you are in a position to determine oil policy for the country," said an aide to Metcalf. "The FTC needs to run down the specifics."

Appearing before Metcalf's subcommittee recently, FTC Chairman Engman disclosed that the commission is investigating the effects of interlocks between banks and business corporations.

Engman did not refer to specific banks, but he testified that interlocks could lead to abuses such as:

- Preferential access to credit.
- Disclosure of provileged information about competitors.
- Collusion or exchange of information between competitors.
- "A stimulus and a source of capital for anti-competitive mergers."

In conducting his investigation of cross ownership and interlocking control, Metcalf has complained that although much information is a matter of public record, it is so widely scattered among diverse agencies that one subcommittee witness likened its collecton and analyss to a "scavenger hunt."

Metcalf wants the government to devise a standardized questionnaire on ownership and control or all regulated corporations and banks, to be publicly available and centrally located.

A spokesman for the FTC would not dicuss whether First City Bancorporation was one of those under investigation.

"We do have a number of investigations in this general area," said James T. Halverson, director of the FTC's bureau of competition. "The question is whether the interlock has an anti-competitive effect."

The FTC would have to prove a negative effect on competition, because interlocks of the kind Metcalf criticized are not necessarily against the law.