Merry-Go-Round

SFChronicle OCT 7 1974

Nixon Blamed for Soaring Oil Prices

NIXAD

Jack Anderson

A CONFIDENTIAL congressional study blames the Nixon Administration for permitting the oil companies to gouge almost $9 billion out of motorists and other consumers in the last year. Four dubious and perhaps illegal White House decisions were responsible for the $9 billion loss, according to a study ordered by consumer watchdog Representative John Moss (Dem.-Calif.). In addition, the report reveals that Congress itself directly caused a $2.6 billion ripoff.

These five pro-industry edicts not only gobbled up the consumers' pocket money at the pump, but they also allowed the major oil companies to increase their profits by an average of 71 per cent.

* * *

HERE ARE the five rapacious rulings as detailed in the Library of Congress Economics Division study prepared for Moss, chairman of the House Commerce and Finance subcommittee:

- The Cost of Living Council allowed the oil companies to increase "old oil" from existing wells from $4.25 to $5.25, even though "this is oil that cost, roughly, less than $1 to produce." The consumer was stuck with $1.9 billion in excess oil bills. The administration had claimed the Treasury Department had documents to justify the increase. But now, Treasury Secretary William Simon has privately conceded that no "Treasury or Federal Energy Office papers were presented" at the Cost of Living meeting.

- Originally, the Cost of Living Council froze oil prices at $4.25 a barrel in 1972, a price some 30 per cent higher than previous levels. Then, in August, 1973, the council freed prices on newly discovered oil to encourage exploration. This allowed the price to zoom to $10.50 a barrel, even though costs to the oil firms were seldom more than $2 a barrel. The consumer costs: $3.25 billion.

- For every barrel of new oil produced, the council let Big Oil take the price lid off one barrel of old oil. This was also designed to encourage exploration. This questionable boondoggle cost consumers $2.23 billion.

- The Federal Energy Office let retailers raise their profit margin from 7.25 cents a gallon to 11 cents a gallon because of gasoline shortages. But now the pumps are full and the motorists' wallets are still being tapped by the high margins. The cost to oil and gasoline users: $2.89 billion.

- Congress is to blame, the Moss study notes, for exempting oil wells producing less than ten barrels a day from price controls. It cost the consumers $2.64 billion.

Since many things are produced or fueled by oil, coal or natural gas, this has meant that every price rise can, in part, be tied to the oil price increases. The cozened consumer, therefore, has been tapped twice: Once with the $11.5 billion loss and once with the higher general prices this rise has brought on.