Nixon Team Faulted on Oil Gouging

By Jack Anderson

A confidential congressional study accuses the Nixon administration of 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 Rep. John Moss (D-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 also served to boost inflationary pressure and allowed the major oil companies to increase their profits by an average of 71 per cent, right in the middle of the oil crisis.

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 a barrel 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 E. Simon has privately conceded to Moss that no "Treasury or Federal Energy Office papers were presented" at the Cost of Living Council meeting where the decision was made.

• Originally, the Cost of Living Council froze oil prices at $4.25 per 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 per 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 per gallon to 11 cents per 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 10 barrels a day from price controls. While this may have kept some marginal wells in production, it cost the consumers $2.64 billion.

The Moss report concludes by noting a "ripple effect" caused when oil prices "have dragged coal and intra-state natural gas prices up with them."

Since everything from peanuts to power plants 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.

Headlines and Footnotes—Inside informants tell us that the Central Intelligence Agency tipped off the Shah of Iran in August that five of his senior officers, including Gen. Kiumarc Saleh, were plotting to overthrow him. All five were immediately jailed for "misuse of power." It may be merely a coincidence that the American ambassador to Iran, Richard Helms, was a former CIA director. The CIA would not comment on the charge. . . . Government lawyers, digging through the small print in the Foreign Assistance Act, have now found legal justification for ex-President Nixon's gift of a military helicopter last summer to Egypt's President Anwar Sadat.

At the request of Rep. Jack Brooks (D-Tex.), government auditors had questioned Mr. Nixon's authority to give away the helicopter. But the lawyers have now authorized the Agency for International Development to pay the $3 million bill, which also covers spare parts and labor. They cited a provision that authorizes grants "essential to the national interest."