

OIL PRICES

Standard's Methods of Maintenance Monopoly Expounded.

SECOND SECTION OF REPORT

Commissioner Knox Smith Makes Startling Charges.

FOREIGNER IS MOST FAVORED

Pennsylvania Gets Huge Advantage Over Competitors.

PUBLIC IS BIGGEST LOSER

Combination Uses Power Unfairly Gained to Oppress Through Wholly Extortionate Prices.

WASHINGTON, AUG. 11.—The second part of the report of Herbert Knox Smith, commissioner of corporations of the Department of Commerce and Labor, made public today, on the petroleum industry in the United States, contains a volume of information directly interesting to the American consumer.

The former portions of the report dealt with the margin between the price of crude oil and the finished product, showing the effect of the Standard Oil company's monopolization of the refined and pipeline facilities of the country.

The report now issued deals directly with the methods of the Standard Oil company in fixing its prices to consumers, showing how prices have fluctuated in different cities and states and in different sections of the same state, solely to meet local conditions, without reference to the original cost of the oil, freight rates or other considerations except the whims of the monopoly.

Another section of the report reveals also contains striking data showing how the American consumers have been compelled to pay a higher price for oil than is charged by the Standard for the same product delivered to its nations in France, England, Germany and other foreign countries.

Another section of the report reveals the discrimination practiced by the Standard against certain railroads in the sale of lubricants. The summary of the report, furnished by Commissioner Smith, is as follows:

In the business of selling petroleum products in the United States the price policy of the Standard Oil company has apparently been to sacrifice the interests of the American consumer for the purpose of securing the Standard's foreign business, which is a very important one.

The relative movement of oil prices as distinguished from their absolute level has shown for the last eight years a startling disparity between the United States and foreign markets, particularly from 1902 to 1905.

The American price steadily advanced from 1897 to 1902. The American and foreign prices advanced much less up to 1903, declining in 1904 and the Hamburg (Germany) price shows practically the same movement as the New York export price, while the London price shows a steady decline from 1901 to 1904 and a very important drop during 1905.

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Still more remarkable is the comparison of the absolute level of prices as distinguished from their movement of the United States and foreign markets. The statistics obtained for these computations were secured by a representative of the bureau, who visited the more important European oil-consuming countries and secured accurate and representative quotations.

Meeting Foreign Comparison. It should be noted in comparing absolute prices of America with foreign markets that a difference of about 1 cent per gallon must be allowed for on account of the difference in the quality of oil sold in the two markets, water white oil being the basis of the American prices and standard white oil is worth about 1 cent more than standard white.

Therefore, 1 cent per gallon should be deducted from the difference between American prices and foreign prices. The following summary statement shows the average of the monthly prices for the periods specified after deducting transport costs and duties:

| | |
|---|------|
| Average United States price (September, 1905)..... | 10.2 |
| Average German price (June, 1905, to August, 1905)..... | 7.2 |
| Excess of United States price (less 1 cent)..... | 2.0 |
| Average United States price (January, 1902, to August, 1905)..... | 10.6 |
| Average United States price (September, 1905)..... | 7.2 |
| Excess of United States price (less 1 cent)..... | 2.3 |
| Average United States price (October, 1903, to August, 1905)..... | 9.4 |
| Average Danish price (October, 1903, to August, 1905)..... | 7.3 |

A still more important and extraordinary state of affairs appears in the conditions of prices in the United States. A study of the Standard's price policy has brought to light, as shown in this report, a very remarkable system of discriminations in prices for the same products in different localities throughout this country. It is evident that the Standard charges a price which is proportionate to the extent of its monopoly in a given place, and reduces prices in proportion to the degree of competition which it may meet.

The significance of the extraordinary differences in prices charged in many different sections of the country or in different towns can be appreciated only in the light of the fact that a very small amount per gallon constitutes a fair margin of profit on the investment in refining and marketing of petroleum products. A difference of about 7 mills per gallon in the price of illuminating oil may mean a difference between a profit of 10 per cent on investment and no profit at all.

But the actual differences between the Standard's prices among competitive and noncompetitive towns and areas, after making all allowances for differences in cost of production and distributing, often amount to several cents per gallon. A combination which can command the profits that these figures imply, over large areas, and whose figure obviously a tremendous weapon when it enters an aggressive position against independent competitors.

The most accurate and complete data were obtained by the bureau on this subject directly from the records of the Waters-Pierce Oil company (a Standard concern). The territory of that company includes Arkansas, Oklahoma, Indian Territory, Texas and part of Missouri and Louisiana, as reported in these records into seven divisions by the company. In 1900 the profits varied from 83 cent in the St. Louis division to 4 cents per gallon in the north Texas division; St. Louis division, 68 cent per gallon; east Texas and Louisiana, 18 cents; Missouri, 18 cents; Arkansas, 28 cents; south Texas, 33 cents; central Texas, 35 cents; north Texas, 44 cents, showing an extreme range of profits and, of course, a corresponding extreme range of net prices. Similar inequalities in local prices appear in the gasoline business of this company.

Due Solely to Monopoly. In fact, even as between cities or states most widely separated, only a small fraction of the difference in price, after deducting freight, can be explained by differences in cost either of marketing or of refining. The rest is due to a consistent and wholly unjustifiable policy of price discrimination against noncompetitive localities.

Even in towns in the same state or same vicinity these wide discrepancies occur. In the case of a corresponding division of the Waters-Pierce Oil company in August.

These remarkable discriminations in favor

CONDITION OF THE WEATHER

| | |
|----------------------------------|------|
| Temperatures at Omaha yesterday: | |
| Hour. | Deg. |
| 5 a. m. | 78 |
| 7 a. m. | 75 |
| 9 a. m. | 72 |
| 11 a. m. | 67 |
| 1 p. m. | 64 |
| 3 p. m. | 60 |
| 5 p. m. | 57 |
| 7 p. m. | 54 |
| 9 p. m. | 51 |
| 11 p. m. | 48 |

of foreign markets at the expense of the American consumer have naturally called forth excuses from the apologists of the Standard. They have attempted to create the impression that the recent decline in prices was the result of an over-abundance of supply. They have also claimed that there has been severe competition against the American product from the oils of Russia and other foreign countries, and that the reductions in export and foreign prices were necessary to retain the American export trade.

Numerous of these arguments is well founded. There was no over-supply of illuminating oil during the years 1904 and 1905, at which time foreign prices were being severely cut. The exports from the United States during 1904 were less than in 1903 and 1902. The exports from the five important oil-producing countries combined show little more than a normal increase.

The world's production in 1905 was less than in 1904. The exports from the five principal countries combined in 1905 were more than 6 per cent less than in 1904. There was an actual decline in the total imports into the United Kingdom during 1904 as compared with the two preceding years, and a still more conspicuous decline during 1905. Notwithstanding this, the price in England fell enormously. The imports into Germany during 1904 were almost the same as during 1903, and the imports during 1905 fell off considerably. But the German prices declined very materially in both years.

The conditions of supply therefore do not excuse the extraordinary decline in foreign prices in 1905 and the resulting discrimination against the American consumer. This decline was not necessitated by any over-abundance of oil. In fact, the movement of prices was precisely the opposite of that which would have been expected from the change in supply.

The falsity of the Standard's arguments is further demonstrated by the fact that during 1904 and 1905, a period when the Standard claims that an over-supply existed, that company actually took large quantities of oil in Russia to supply its trade in Europe and Asia.

During 1904 it shipped from Russia over a million and a half barrels of illuminating oil for distribution in European and Asiatic countries. It has secured large crude production in Roumania and has established refineries there and in other countries for refining foreign crudes. It is perfectly evident that the Standard has not always been concerned with maintaining the export trade in illuminating oil, but has been solely interested in maintaining its own domination in the market of the world, frequently at the expense of the United States.

It is true that during 1904 and 1905 the Standard met new competition in foreign markets, but its new competitors were a group of concerns which drew a considerable part of their supply from the United States.

Having a monopoly at home, it has charged such prices as it could thereby exact, and the American consumer is led to pay these prices. Meeting competition abroad, it has given the foreign consumer enormously low prices, and it has used the profits made at home to maintain its position abroad, so that the American consumer has been severely discriminated against for the purpose of maintaining, not the dominance of American export trade, but the dominance of a particular combination which has used its power frequently and conspicuously to the disadvantage of the American public.

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HARRIMAN IN OMAHA

Will Build Headquarters When He Gets the Money.

MORE MOTOR CARS ALL THE TIME

Proposes to Improve Facilities of the Local Shops.

WANTS PEOPLE TO STUDY ROADS

Closer Mutual Relations Essential to Satisfactory Results.

PREDICTS SHORTAGE OF COAL

Defends Transportation Companies Against Car Congestion Charges—Attends Church and Goes West with Party.

"I am going to build the Union Pacific headquarters in Omaha when I get the money, but beyond that I have nothing to say on the subject. We are building more motor cars and propose to continue to build them. They have demonstrated all doubt their value and general utility and their use in the transportation world is fixed; so we will proceed with the construction of these cars in Omaha, but just what special extension is to be made for this work I am not prepared to announce.

This statement was made by E. H. Harriman in Omaha yesterday. He and his party on their pleasure trip west had just stepped from one of the McKeen motors which had taken them for a spin to Gilmore and back.

Mr. Harriman is enthusiastic over the motor cars, far more enthusiastic, it appears, than he is over the Union Pacific headquarters. He said he had stepped from the motor at the Union station by newspaper men and he greeted them with this expression: "Well, I have just made a safe trip on the old Union Pacific and it is still all right." And when they asked him when he was going to build the headquarters he only smiled and said when he got the money. He didn't say he was not going to build it.

Defends Chicago Interview. "Before we start out," said Mr. Harriman, "let me ask you newspaper men to do me a favor. I noticed in the morning papers where I am quoted in a press dispatch from Chicago as having said certain things there to a reporter yesterday. Now, there was nothing in that interview to which I object or that I might not have said, nor is there anything in it that I did say. The fact is I never saw a reporter in Chicago, nor did I see a reporter from any other place who said he was here. I don't know where you saw that plain. I cannot see why newspaper men will make me say things which I do not. I generally meet the boys when they come where I am."

He declined to comment on the fine imposed by Judge Landis on the Standard railroad men as it could thereby excite, and the American consumer is led to pay these prices. Meeting competition abroad, it has given the foreign consumer enormously low prices, and it has used the profits made at home to maintain its position abroad, so that the American consumer has been severely discriminated against for the purpose of maintaining, not the dominance of American export trade, but the dominance of a particular combination which has used its power frequently and conspicuously to the disadvantage of the American public.

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NOTICE TO OUR READERS

The pending strike of the telegraph operators threatens to interfere more or less with The Bee's news facilities. Under these conditions the indulgence of our readers is asked until the disturbed means of transmitting our dispatches become adjusted.

To Bee Correspondents: If unable to get wire connection, use long-distance telephone for transmission of telegraphic matter.

Relations with the People. Mr. Harriman has been charged with being a difficult man for the people or the press to get to and a sphinx after they got to him. But he denies the allegation. "Whatever I did believe on that subject my views now are different," said he. And then he repeated his famous utterance: "There has got to be co-operation on the part of the railroads on the one hand and the public and government on the other. It is the only way in which matters can be worked out. We have tried the other method; we have left it to our lawyers and their use in the transportation world is fixed; so we will proceed with the construction of these cars in Omaha, but just what special extension is to be made for this work I am not prepared to announce."

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STRIKE IS TO SPREAD

Secretary Russell Says It Will Be Universal in Twenty-Four Hours.

NO WORK WITH NONUNION MEN

Officers Try to Hold Men in Check, but Find it Impossible.

NO MORE EFFORT IN THIS LINE

Railway Telegraphers to Stand with Commercial Brothers.

FINANCIAL AID IS PROMISED

Western Cities Generally Out Now, but Men in Eastern Places Decide to Delay Matters for a Few Days.

CHICAGO, Aug. 11.—The strike of the Union Commercial telegraph operators will be universal throughout the United States and Canada within twenty-four hours, according to National Secretary Russell of the telegraphers organization. This statement was made by Mr. Russell, after he had been informed of the action taken by the men in New York, who at a meeting there today decided to hold a walkout in abeyance until the latter part of the week.

"This strike movement," said Russell, "has come at the point where there can be no backing down. The telegraphers have been trodden on long enough by the companies, and now that we have the opportunity we are going to use all our strength to enforce our demands. For several weeks President Small and myself have been holding the telegraphers back against the companies, so that they have taken matters in their own hands and we are going to stand by them. No union man will be allowed to work with anyone not belonging to our organization, and this means that tomorrow morning, when the business of the week begins, the strike will become universal. We can't go half way in this matter now. The strike has been precipitated by the men themselves without the sanction of the national officers, but we are now all working in unison and anything that the officials of the various unions throughout the country have done in calling strikes meets with our hearty co-operation."