Reps. Larson and SLAUGHTER INTRODUCE Legislation to Curb Rising Gas Prices

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Bill Will End Zone-Pricing by Opening the Retail Gasoline Market to Real Competition;

Also send letter to GAO to requesting further unbiased investigation into zone pricing

WASHINGTON, DC ï¿½ Rep. John Larson (D-CT-1), Vice Chair of the House Democratic Caucus, joined Rep. Louise M. Slaughter (D-NY-28), Chairwoman of the House Rules Committee, to introduce the Eliminate Gas Price Discrimination Act, which grants gas station owners the ability to shop around for the cheapest wholesaler of their brand of gasoline. This flexibility would allow them to pass the savings on to the consumer.

ï¿½People across America are feeling the pinch at the pump as the price of gas has gotten out of controlï¿½in Connecticut a gallon of gas is upwards of $3.15 a gallon,ï¿½ said Rep. Larson. ï¿½Working families should not have to choose between a bag of groceries and a gallon of gas when oil companies are making record profits. We canï¿½t address outrageous gas prices without addressing the manipulative way in which oil companies set their prices. Congress must put an end to zone pricing, a regressive practice that helps big oil companies not consumers. Dealers should be free to shop around for the lowest costing supplyï¿½savings that would be passed on to the consumer.ï¿½

ï¿½Weï¿½ve got a situation where American workers are having to pay more and more at the pump at the same time that the worldï¿½s biggest oil companies are making record profits,ï¿½ Rep. Slaughter said. ï¿½Itï¿½s bad enough to shrug our shoulders when average people pay for increases in gas prices caused by situations they have no control over, but to just sit back and watch rich companies profit from market manipulation is just wrong. Congress must step in to end zone pricing to help ease the burden of costly gasoline ï¿½ a burden that is sometimes unbearable for our working families.ï¿½

As a result of recent action taken in the Connecticut General Assembly, Reps. Larson and Slaughter sent a letter to the Government Accountability Office requesting an unbiased investigation into zone pricing and the role of the Federal Trade Commission. A recent zone pricing study by an outside organization has painted a clouded picture of the situation.

BACKGROUND:

Zone-pricing hinges on the power of oil companies to control purchases by the gasoline dealers. In gasoline dealers (or retailers) franchise agreements, the oil companies will include a sole source provision stipulating that the retailer must buy from a specific branded wholesaler. That wholesaler, in turn, sells gasoline at a specific price for different mapped out zones.

Zone-pricing falls under antitrust jurisdiction ï¿½ not price gouging. Unfortunately, several courts have found that zone pricing does not break antitrust laws because the zone prices are not static, but constantly changing.

In 1978, Congress recognized that gasoline retailers were in a weak bargaining position with major oil companies over the terms of their franchise agreements. Consequently, they passed the Petroleum Marketing Prices Act (PMPA) to provide national standards for gasoline franchise agreements regarding the termination and non-renewal of those agreements. But while recognizing that retailers were in a weak bargaining position with oil companies, Congress failed to provide specific protection against unfair franchise provisions.

The Eliminate Gas Price Discrimination Act will end zone-pricing by amending the PMPA to prohibit sole-source provisions in gasoline dealer franchise agreements. The bill simply opens up the retail gasoline market to real competition. Under the Eliminate Gas Price Discrimination Act, gas station owners will still have to purchase gas from one of their brandï¿½s wholesalers ï¿½ but they will be free to shop around for the cheapest wholesaler of that brand, allowing them to pass the savings on to the consumer. An open retail gasoline market will allow for true competition and lower the price of gasoline for our constituents.

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