

# 'OIL TRUST' TRIAL OPENS TOMORROW

**Case to Be Heard in Madison,  
Wis., Called More Important  
Than Standard Oil Action**

**18 MAJOR CONCERNS OITED**

**Fixing of Price in Restraint of  
Trade Charged—Prosecutors  
From Federal Staff**

**By J. H. CARMICAL**

The joint trial of eighteen major oil companies, six subsidiary oil companies, three trade publications and forty-six individuals charged with conspiracy to fix gasoline prices in violation of the Sherman Anti-Trust Act will be opened tomorrow in Federal court in Madison, Wis. Indictments against these corporations and individuals were returned on July 28, 1936, by a special grand jury in that city.

Because of the number and prominence of the persons involved, most of them being the principal executives of the defendant concerns, the case is considered by some to be the most important in the corporate history of the United States, including the dissolution suit against the Standard Oil Company prosecuted more than a generation ago.

Two of the companies involved in the present proceedings, the Standard Oil Company of Indiana and the Socony-Vacuum Oil Company, Inc., were among the subsidiary companies of the Standard Oil Company emerging as independent concerns in that famous case. The predecessor companies of Socony-Vacuum were the Standard Oil Company of New York and the Vacuum Oil Company.

With the exception of the Standard Oil Company of New Jersey, virtually every major oil company operating east of the Rocky Mountains was indicted with its leading executive officers. It is estimated that this group of companies represents more than half of the total investment of about \$14,000,000,000 in the American oil industry.

**Mellon Company Involved**

The Gulf Oil Corporation, controlled by the Mellon family of Pittsburgh, and the Shell Union Oil Corporation, the operating subsidiary in this country for the powerful Royal Dutch-Shell group, are among the concerns indicted. The Pure Oil Company, dominated by the Dawes family; the Texas Corporation, the Tide Water Associated Oil Company, the Sinclair Refining Company, the Continental Oil Company and the Phillips Petroleum Company also were indicted.

The initial step leading to the indictments was taken by Attorney General Cummings when he caused a special Federal grand jury to be convened in Madison on May 4, 1936. At that time it was announced that the principal purpose of the jury would be to study complaints of independent oil dealers that the major oil companies were squeezing the former out of business. The chief charge was that the oil companies collectively were buying gasoline from independent refiners, thereby fixing the price for that commodity in restraint of trade.

The basis for these charges, it is maintained by oil executives here, grew out of a practice started soon after the adoption of the oil code under the National Industrial Recovery Act, which was among the first bills passed by the Congress following the inception of the Roosevelt Administration. Under the code, quantities of gasoline were bought by the major companies to bring about stabilized prices, which, in turn, also would tend to stabilize crude oil prices.

**Unsettlement in Industry**

At the time of the passage of the National Industrial Recovery Act, the oil industry was unsettled. Because of the development of the prolific East Texas oil field and the erection of small refineries around it, the industry was suffering from serious overproduction. The price of crude oil in the East Texas area had been reduced to 10 cents a barrel and some distress gasoline was reported sold as low as 1 cent a gallon.

In the recovery program launched by the Roosevelt Administration, the oil industry was the first to accept a code. Secretary Ickes of the Department of the Interior was chosen to administer that code. The object was to increase the purchasing power of the country by raising wages and adopting a shorter work week and to stabilize prices. During the operation of the code the oil companies cooperated with Secretary Ickes in an effort to make it the model for other important industries to follow.

Coincident with raising wages and granting other benefits to employees, a pool of the major oil companies was formed to buy the surplus gasoline being produced by independent refineries, in order to bring about price stability. The result was that in the Fall of 1936

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crude oil prices in the Southwest were established around \$1 a barrel and gasoline prices had recovered to around 5 cents a gallon.

The Administration, so far as the oil industry was concerned, had obtained its goal, it was felt. On the surface, at least, everything seemed to be working smoothly. The oil companies, it was held, were making money, the public was getting oil products at fair prices and the employees in the industry were satisfied with their higher wages. Crude oil production was being regulated. Various differentials between the refinery and tank-wagon and service stations were set up for gasoline. The regulations were so rigid that several service station owners were prosecuted by the Department of Justice because they sold gasoline below the price fixed by those administering the code.

The code was administered jointly by the Federal authorities and representatives of the oil companies. A large staff of workers was employed by the government and the Congress subsequently levied a tax on crude oil to defray the cost of administering the code.

Secretary Ickes and other members of the Administration, it was said, considered the operation of oil code so successful that they soon started a movement to make permanent some such control by the Federal Government over the oil industry. A tentative draft of regulations was made and submitted to the Congress. The oil companies were opposed to such permanent regulations, and Secretary Ickes and other members of the Administration received much criticism from some important quarters of the industry for their efforts in this direction.

When the National Industrial Recovery Act was invalidated by the Supreme Court in May, 1935, the oil code also was rendered null and void. Thus the acts of the oil companies under the code which were in conflict with the Sherman Anti-Trust Act became illegal.

## Skeletonized Force Kept

For a period, however, a skeletonized force of employees in the NRA was maintained and an attempt was made to get some stop-gap legislation enacted. President Roosevelt at a press conference expressed the hope that the good effects of the NRA would be continued and that the codes would be lived up to voluntarily, but he pointed out the impracticability of such a hope.

The indictments in the present case contain three counts alleging (1) unlawful agreements by the defendants to fix and restrict gasoline jobber margins, (2) unlawful agreements to maintain uniform jobber contracts and (3) unlawful agreements to adopt uniform policies with respect to jobbers. These agreements are alleged to have been made as early as 1931 and to have continued to the time the companies and individuals were indicted.

The prosecution of the case is being arranged directly by the Attor-

ney General's office in Washington. Four members of Attorney General Cummings's staff have been sent to Madison, and W. P. Crawford, an old-time trial lawyer from Superior, Wis., has been made a special counsel for the case.

Colonel William J. Donovan of New York, former assistant Attorney General in the Coolidge Administration and the Republican candidate for Governor of New York in 1932, is chief of counsel for the defense. In addition, there will be forty-five attorneys representing the various defendants.