

# LABOR PARTY NEWS

JUNE 2005

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## Why Are Prices at the Pump So High?

The average price of a gallon of gasoline climbed to \$2.24 in May; a jump of 23 percent in one year. Since December 2004, gasoline at the pump is up on average 40 cents a gallon. George W. Bush wants us to believe that the price hikes are due to high crude oil prices in the Middle East, burdensome environmental regulations and lack of refining capacity.

And he claims that there is little he can do about it in the short term. His energy policy consists of meeting with Saudi Prince Abdullah, offering to convert military bases into oil refineries and support for an energy bill that would further deregulate the industry while offering Big Oil huge subsidies.

But, of course, the federal government should (and already does) play a huge role in how gasoline prices are set. President Bush is doing something about gasoline prices: through lack of enforcement of anti-trust laws,

mismanagement of the Strategic Petroleum Reserve and subsidies and tax breaks for the oil industry, he is helping the oil industry make record profits.

### *It's the Profit, Stupid*

World crude oil prices are up, rising to more than \$58 a barrel in April. But much of the true cause of higher gasoline prices at the pump is right here at home, and the smoking gun is record-high oil industry profits.

According to the Wall Street Journal, ExxonMobil is "gushing money." In 2004, the company's profit was \$25.3 billion, the world's biggest-ever profit for a single company. In the first quarter of 2005, it boosted its profit 44 percent, to \$7.86 billion, from the first quarter of 2004. ConocoPhillips' profits were up 80 percent, Royal Dutch Shell Group 28 percent and British Petroleum 35 percent from the first quarter a year ago.

### *Merger Mania*

Mergers swept through the oil industry between 1997 and 2002; a total of 34 major oil and gas companies merged into 13 over this period and 15 refining companies shrunk to seven, dramatically consolidating control



President Bush finds a willing scapegoat in Crown Prince Abdullah of Saudi Arabia. OPEC accounts for less than 30 percent of total U.S. crude oil consumption.

JIM WATSON/AP/GETTY IMAGES

over domestic refining and production (see box). These mergers make it easier for a handful of companies to price-gouge consumers. "It is uncompetitive practices—not OPEC or environmental laws—that are to blame for high gasoline prices," said Public Citizen's Tyson Slocum.

In a joint report on industry consolidation, the Consumer Federation of America and Consumers Union charge that "[e]xcessive industry concentration and anti-consumer pricing behavior is the result of lax antitrust law enforcement by both the Clinton and Bush Administrations." George Bush says we must rely on market solutions to regulate gasoline prices. But his actions, along with those of the gasoline industry, rig the market to maximize profits at our expense.

### *Where Have All the Refineries Gone*

Another cause cited for high gasoline prices is the lack of adequate refining capacity. Capacity has diminished in

recent years: refiners have not built a new refinery in the United States since 1976. In the 1990s alone, approximately 50 refineries closed. Since 1995, more than 20 have shut down.

The oil industry claims that environmental regulations make building new refineries too expensive. But a congressional investigation uncovered internal oil company memos that outline successful strategies to maximize profits by forcing independent refineries out of business. From 1995-2002, 97 percent of the lost, or shut-down, capacity was owned by smaller, independent refiners. This consolidation of ownership of refinery capacity allows fewer companies to control the flow of gasoline in the United States. The refineries that remain operate at high rates of utilization, making them more susceptible to accidents.

### *Strategic Petroleum Reserve*

One obvious, short-term "fix" for high gasoline prices is a change in current policy on man-

### Percentage Control by Top Five Oil Companies

	1993	2003*
Global crude oil production	7.7	14.2
Domestic oil production	33.7	48
Domestic refinery capacity	33.4	50.3
Retail gasoline market	27	61.8

\* ExxonMobil, ChevronTexaco, ConocoPhillips, BP and Royal Dutch Shell  
Source: Mergers, Manipulation and Mirages

### Sources of U.S. Crude Oil Consumption

Domestic production:	37%
Non-OPEC* imports:	34%
OPEC:	29%

\* Includes Canada, Mexico, Norway and England

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## LABORPARTY news

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## Step by Step by Step

### War Without End

Two years after George Bush declared an end to “major combat operations” the war in Iraq continues with no end in sight. Despite the fact that the American people are deeply uneasy with the conduct of the war, both major political parties have maintained lock-step support for the continued occupation of Iraq. In May, Congress approved an additional \$82 billion appropriation for the Iraq war by a vote of 368 to 58 and the Senate approved it unanimously.

In our February 2003 Statement, issued before the invasion of Iraq, the Labor Party focused on the “bipartisan” nature of the drive to war: “Both political parties are beholden to the same corporate interests that drive the global policies of the Bush Administration. With this war, they are prepared to sacrifice not only our economic well-being but also our very lives—and the lives of thousands of innocents around the world—to the global corporations who are this policy’s only beneficiaries.”

Not surprisingly, Labor Party activists and affiliates are active in the movement to end the war. Many participated in the founding of U.S. Labor Against the War and have passed anti-war resolutions in their unions. They have addressed the issue of who is doing the fighting and dying and have made a special effort to reach out to the emerging Iraqi trade union movement still hobbled by the U.S. Occupation Authority’s continued enforcement of Hussein-era anti-union laws. Many will be participating in the upcoming tour of Iraqi labor leaders.

### USLAW Organizes Iraqi Labor Leaders Tour

Representatives from two Iraqi labor federations and from

the General Union of Oil Employees will visit approximately 20 cities across the United States. The national tour, sponsored by USLAW, is scheduled for June 10-26. The tour is designed to give “working people, members of Congress, students, scholars, the general public and the media” an opportunity to hear first hand from Iraqi labor leaders about labor conditions in Iraq.

According to USLAW, the oil union has taken a strong stand against the policies of Halliburton’s subsidiaries working in the oil sector and successfully forced U.S. envoy Paul Bremer to increase wages for oil workers dramatically. The union is working to stop plans for privatization and foreign domination of the oil sector.

USLAW participated in an international labor delegation to Iraq in 2003 and has since provided material support to Iraqi unions and is advocating implementation in Iraq of the United Nations’ International Labor Organization conventions on labor rights.

### USW Local 2-1 Anti-War Resolution

In February, USW (formerly PACE) Local 2-1 passed a resolution to end the war and support our troops and veterans. Representing 650 oil workers at Sunoco’s Philadelphia refinery, this resolution was “the culmination of an intense year-long conversation within the Local,” said Jim Savage, Local 2-1’s Grievance and Negotiations Chair.

“As oil workers,” said Savage, “we have a special responsibility to make our voice heard regarding this war and the impact it has on working families. After all, there would be no war in Iraq if there was ice cream, rather than crude oil,

under that particular portion of the earth. We also understand that the decades-long decline of the labor movement has been helped along by a misguided tendency to look no further than our particular plant gates when identifying and resolving problems.”

The Local also will sponsor the Philadelphia visit of representatives of the Iraqi oil workers in late June.

### In Vermont, “The War Is Local”

The Iraqi trade union tour will also visit Vermont. “Iraq’s union folks are the single most important force fighting for a democratic, multi-ethnic Iraq,” says LP member Dawn Stanger, a Teamster and an activist in the Vermont Workers Center. By focusing on the connections between the war in Iraq and the war against working people in Vermont, Stanger and other activists have helped organize numerous unions and community organizations, including the Vermont State AFL-CIO, into taking a stand against the war.

“Vermont’s soldiers are our co-workers, neighbors, friends, relatives and our children,” said Stanger at an early April rally against the war and budget cuts. “Most are economic draftees looking for a better life. ... And to those who say this is not a local issue, I say this: ‘We pay for the war here; we’re buried here, and we’ll all live with Vermont vets and any ghosts that they bring home.’”

**Labor Party Resolution  
Against War in Iraq**

www.thelaborparty.org

**Iraqi Labor Tour  
U.S. Labor Against War**

www.uslaboragainstawar.org

agement of the nation's Strategic Petroleum Reserve (SPR). The SPR's purpose is to "store petroleum to reduce the adverse economic impact of a major petroleum supply interruption to the United States." The supply may be tapped in cases of domestic price spikes like the one we are experiencing now.

But the Bush Administration not only refuses to tap the reserve, it buys 100,000 barrels of oil every day—at current high prices—from the domestic market to continue filling the reserve. Previous administrations have increased the reserve's stores only when oil prices were low and domestic supplies in surplus. "Moving so much oil out of an expensive, tight market has made oil even more expensive here at home—a boon for oil company profits but a bust for consumers. As a result, Bush's policy is actually undermining the goals of the SPR," says Public Citizen's Slocum.

Would tapping the reserve lower gasoline prices? When the Senate passed a non-binding resolution in 2004 calling on President Bush merely to stop filling the SPR, Wall Street speculators drove down the price of crude oil 1.6 percent.



## Another Enron?

In response to the Enron scandal, Congress passed broad finance and accounting industry regulations but did nothing to regulate energy markets. A 2003 U.S. Senate report found that "the trading markets that set oil prices are severely underregulated, opening the door to Enron-style manipulation of crude oil markets."

For an excellent refresher course and in-depth analysis of the scandal, go see the highly-entertaining new film, **Enron: The Smartest Guys in the Room**. The film underscores the danger and human cost [including lives lost in the California energy crisis, lost jobs and retirement benefits for 20,000 Enron workers] of unregulated utility markets.

[www.enronmovie.com](http://www.enronmovie.com)

## Gut Environmental Protections

Price increases at the pump could serve another useful purpose for the Bush Administration. Demand for lower gas prices could help soften public commitment to environmental protections. Bush is relentlessly pushing the need to drill for oil in the Arctic National Wildlife Refuge although there is only enough oil in the entire refuge to supply the United States with 800 days of fuel.

## Oil Lobbyist Protection Act of 2005

The president's popularity in the polls suffers each time gasoline prices rise. So when asked what he will do about high gas prices, he points to his energy legislation which has been stalled in Congress for several years. The "Energy Policy Act of 2005" as passed in April of this year by the House of Representatives contains more than \$22 billion in subsidies and tax breaks for his friends and campaign contributors in the oil and gas industries on the theory that they need taxpayer help to boost production of energy supplies. The bill would also repeal the Public Utility Holding

Company Act (PUHCA), which would allow oil companies to acquire electric and natural gas utilities, further consolidating control over domestic energy markets. These measures would boost the industry's profits with subsidies, access to oil supplies on public lands and further deregulation, but they would not increase production substantially or lower prices at the pump.

There is a political lesson here. Twenty-five years ago, Congress approved a windfall profits tax on the oil industry. Today, despite record-breaking profits, such a tax is not even on the table. Instead, Congress is likely to give the industry huge subsidies. The current gasoline price crisis underscores just how successful the right wing has been in setting the political terms of debate. The only hope for avoiding such crises in the future is to fight to assert government's role in regulating these essential utilities and all vital public goods. LP

## Resources

**Mergers, Manipulation and Mirages: How Oil Companies Keep Gasoline Prices High, and Why the Energy Bill Doesn't Help**

Public Citizen, March 2004  
[www.citizen.org](http://www.citizen.org)

**Fueling Profits: Industry Consolidation, Excess Profits & Federal Neglect—Domestic Causes of Recent Gasoline and Natural Gas Price Shocks**

Mark Cooper, Consumer Federation of America and Consumers Union  
May 2004  
[www.consumerfed.org](http://www.consumerfed.org)

**Over a Barrel: Why Aren't Oil Companies Using Ethanol to Lower Gasoline Prices?**

Mark Cooper, Consumer Federation of America, May 2005  
[www.consumerfed.org](http://www.consumerfed.org)

This betrayal of the airline workers may well be as significant for the labor movement as Reagan's firing of the PATCO workers nearly 25 years ago. It is a signal to corporate America that it is okay to overturn union contracts and trash workers' hard-won benefits. The fact that organized labor is either unable or unwilling to aggressively respond to this assault says a whole lot about the debates currently raging over the future of the AFL-CIO.

Our opponents certainly understand that their well-being is tied to a web of conscious political decisions that benefit those on the top.

*It explains why not a single national politician of either party has taken a stand against the massive oil company profiteering as gas prices spin out of control.*

In a recent series on social mobility, the *Wall Street Journal* hit the nail on the head: "Technology, globalization and unfettered markets tend to erode wages at the bottom and lift wages at the top. But Americans have elected politicians who oppose using the muscle of government to restrain the forces of widening inequality."

This is true despite the fact that Americans overwhelmingly believe corporations have too much power and that the government ought to do something about it. The time is long past for the labor movement to stop participating in this con game and to start promoting a politics that sees the economic security of ordinary workers as the greatest social good.

# Economic Security: The Greatest Social Good?

Mark Dudzic, National Organizer

Friday, the 13th of May was the last day of work at the General Motors (GM) assembly plant in Baltimore. For 70 years, this plant was part of a vibrant working-class community surrounding the port of Baltimore. Working for GM was never a whole lot of fun but, over the years, GM workers built a strong union that won decent wages and benefits and some basic job security. "I always felt safe there," Robert Fitch, a 60-year-old UAW member with 39 years on the job told the *Washington Post*.

Under the union contract, Fitch will receive up to two years of full pay and benefits. His retirement package provides a decent pension and lifetime medical benefits. But Fitch is plenty worried. His wife needs a lung transplant. Less than two years ago he watched as Bethlehem Steel eliminated "guaranteed" lifetime benefits for more than 20,000 retirees in the Baltimore area. Word is that GM is looking for a way to default on its own "legacy" obligations.

*But the basic assumption that government has no right or capacity to control corporate behavior in ways that would benefit the vast majority of Americans who work for a living has spread far beyond the band of right wing nut jobs dictating the Bush agenda.*

It used to be that when a human tragedy such as a major plant closing struck a community certain rituals were followed. A parade of politicians would visit the plant site and promise to do everything they could for the workers (that was usually the last you saw of them, but that's another story). The press would publish a few heart rending stories about the loss of good-paying jobs and the dislocations that the community would endure. The laid-off workers would have at least as much claim for public sympathy as a community devastated by flood or drought.

Not anymore. These days the press and many politicians are positively gleeful about the plight of GM workers. "GM Creaks Under Weight of Its Old Ways" trumpeted the *Washington Post* headline to the article about the plant closing which blamed GM's problems on "(t)he cost of supporting [!] workers like Fitch."

"People like to think of employers as social welfare organizations, but they're not," crowed Sylvester Scheiber, a member of Bush's Social Security Commission in the *Los Angeles Times*. "In an increasingly competitive world, they don't have room to do much else but focus on the competition."

This response shows just how far the debate has shifted away from us. And it shows just how isolated and vulnerable the labor movement has become. The race-to-the-bottom logic of globalization and unrestricted corporate power has become the norm.

The employer-based system of benefits and security, established through the sweat, blood and sacrifice of generations of unionists, is now portrayed as an impediment to real economic progress. "Individuals should assume primary responsibility for their own financial security," says the American Benefit Council, chief benefit lobbyist for corporate America.

This is the stuff of George Bush's "ownership society" — a world where working people assume all the risk and transnational corporations reap all the profits. But the basic assumption that government has no right or capacity to control corporate behavior in ways that would benefit the vast majority of Americans who work for a living has spread far beyond the band of right wing nut jobs dictating the Bush agenda.

You see it at work in the bipartisan support for the bankruptcy bill. It explains why not a single national politician of either party has taken a stand against the massive oil company profiteering as gas prices spin out of control. And it is the only possible reason why there has been no massive national response to the recent court decision that allows United Airlines to jettison all of its negotiated pension plans.



WORKADAY

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## No Comment

"I find he and I have a lot in common in the way we see the problems that we're going to have to deal with in order to have a 21<sup>st</sup>-century health care system ... At our first meeting, when we were agreeing so much with each other, I think people thought 'the end is near.'"

— Democratic Senator Hillary Clinton, on joining forces with Newt Gingrich, former Speaker of the House and author of the Republican 'Contract with America,' to promote legislation to modernize medical record-keeping. *Washington Post* 5/12/05

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