Evolution of Mobil's Public Affairs Programs 1970-81

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How to Use This Volume

After the Introduction, this volume is divided into three main categories. To retrace energy, economic, and political developments since 1970, and to see how Mobil's Public Affairs activities paralleled these national and world events, turn to Part I, Chronology. To see what these Mobil activities accomplished with various publics -- media, investors, and various other groups -- turn to Part II, Programs & Publics. And to see samples of actual printed materials on various themes, turn to Part III, Strategies & Themes.

Some major topics may be treated in several sections, but illustrative materials are included only once. Thus, the materials on Divestiture, for example, are attached to Part II, Section C, Federal and State Officials, though Divestiture is also discussed in the Chronology. Cross-references are provided.

Cross-references are of two types. If an attachment immediately follows the section in which it is mentioned, the reference says only "Attachment A," for example. If an attachment or discussion is elsewhere in the volume, it will be described in more detail: "See II-C/Attachment A."

To aid use of references, each page number designates complete location: Part, Section, and specific page. Thus, for example, page I-A/2 designates the first part, Chronology (I), first section (A) of that first part and the page (2). Pages are numbered consecutively only within each section. Attachments follow each section and are numbered similarly: "II-B/Attachment 3" means the third attachment to the second (B) section of Part II, Programs & Publics.

Evolution of Mobil's Public Affairs Programs, 1970-81

INTRODUCTION

Mobil's Public Affairs programs have evolved around three basic premises as outlined by Rawleigh Warner, Jr., in 1970:

(1) build our reputation as an outspoken responsible company concerned about our energy future and major social issues;

(2) initiate debate on major public issues that concern us;

(3) broaden the spectrum of information and viewpoints available to the American people, to help them reach the conclusions necessary for sound public policy in a democratic society.

(Excerpts from statements by Mr. Warner more fully setting forth his original Public Affairs concept for Mobil, and outlining some major activities, follow immediately after this introductory section.)

Taken together with support for public television and other cultural institutions, these underlying themes of social responsibility and determined advocacy have given Mobil a unique position in America's social consciousness. The purpose of this volume is to provide an overview of how Mobil's Public Affairs programs have evolved -- becoming a part of American culture itself as well as part of the American dialogue on major public issues involving our company.

In this volume's review of more than a decade of Mobil's Public Affairs programs, we will survey the major directions, activities, and objectives. Some of these may be familiar to you, particularly the more prominent national programs. But some may be fresh and

noteworthy, especially if you have not had the opportunity to directly experience all the years of all these programs, for we have included representative samples of some local or specialized areas.

Since we will be dealing with some long out-of-date events from a dozen years that involved major dislocations in supply, hostile Federal Administrations, and a climate in which politicians inflamed public doubts about our industry and company, we begin by recapitulating with a chronology since 1970. We break the entire period into five time frames -- before, during and after the 1973-74 oil embargo, the Iranian crisis, and since. Individual chronology sections may include materials documenting some points of the time periods, but most supporting material is elsewhere in the volume, and is cross-referenced. Together, the sections review what happened in the world and nation, and what Mobil Public Affairs attempted and accomplished in response to these events, or frequently in anticipation of them.

The second part of this volume organizes our activities by the publics we address -- opinion leaders (the media, federal and state officials, and others), the general public, the investment community, our own employees, and foreign governments. Here we consider not the year-by-year programs, but the overall impact they have had -- and this is substantial. Where possible we include polls, surveys, and other systematic assessments of our effectiveness -- for example, the survey showing that "Observations" readers have been influenced toward Mobil's opinions on several important energy issues where non-readers have continued to hold views less favorable to us. Of necessity, other materials are

descriptive -- a study, for instance, correlating the substantial change in The New York Times editorials over the years toward the very positions we have argued (though, of course, we can't prove a direct relationship since so many other factors affect an editorial writer). Some materials are narrative, such as a case study of how Mobil's Government Relations and Public Relations led the industry fight against divestiture proposals in the mid-1970s -- a signal success. Still other materials are examples -- for example, what the media actually said about Mobil, or what views are held by other opinion leaders. And some materials are simply anecdotal, yet illustrative -- to mention one example not cited elsewhere, the Mobil executive who had three separate seat companions on a recent trip to Indonesia; all three volunteered complimentary remarks about our Op-Ed ads, and wondered why other oil companies weren't doing the same. In the wide variety of materials, you will find even cartoons, presented as illustrative of the thesis that "Mobil" has become synonymous with "corporate good works".

The third and final portion of this volume describes and presents some of the main themes we have argued over the years.

Throughout, of course, you'll find some of the high points -- for example, in 1975, Advertising Age, the "bible" of the ad industry, named Mr. Warner as "Adman of the Year." Said Ad Age:

> "Mr. Warner was selected as representative of a company whose shoot-from-the-hip, gutsy !idea' advertising has added a new dimension to corporate advertising during a period of unprecedented attacks by government, the media and consumer advocates

not only on the oil industry, but on American business in general."

In fairness, we also have included some of our less-successful campaigns. Example: The 1978 series of ads like Op-Eds intended for various labor publications; these were designed to strike a common theme for labor and business in promoting policies toward economic growth. The series might have worked with the readers, but some of the publications' editors rejected the idea of filling their labor-union pages with so prominent a management voice as Mobil's.

For all of the voluminous content of this briefing book, we have touched only the outlines and a tiny portion of the relevant details of all that we have attempted and done. To limit the bulk, we have eliminated duplication of explanation and example wherever possible, relying instead on cross-references where necessary; still, there simply isn't room for a thorough-going condensation of the 220 file drawers of material from 12 years of our Public Affairs programs through 1981. This volume merely sets the stage, and even that limited attempt might not succeed since so much has been excluded.

But what emerges nonetheless is a picture of some of the facets of Mobil's corporate personality:

-- Reasoning, intellectual, sensible, and attractive to many intelligent people.

-- Demonstrating a well-defined economic philosophy, and a thoroughly expert awareness of our business and of the world's energy realities.

-- Showing social concern and sensitivity to environmental issues.

-- Concerned with culture and other institutions of our broad society.

-- Not just blindly trying to make a profit at any and all cost -- damn the consequences -- but certainly not operating to be loved.

-- Willing and able to defend ourselves against misunderstandings or attacks, whether from malevolence or simple ignorance.

-- And successful in presenting our belief in abundant energy and economic growth as the way to solve social problems.

The nation may not always agree, but it definitely does respect our opinions. In summary then:

-- Mobil's image has greatly improved since the Sixties among the general public and with key target groups, including journalists and government officials.

-- Mobil is now recognized as an outspoken, responsible company with a high level of visibility and, very importantly, high credibility.

-- Mobil has succeeded in reaching and influencing opinion leaders.

-- Mobil has sparked public debate on many issues important to us.

-- And Mobil has provided the public with an alternative source of information on major national issues.

# # #

Excerpts from remarks by
RAWLEIGH WARNER, JR.
Chairman,
Mobil Oil Corporation

(1)
before
ECONOMIC CLUB OF DETROIT
Detroit, Michigan
March 5, 1973

(2)
42nd Annual Convention
of the
EDISON ELECTRIC INSTITUTE
New York, N.Y.
June 3, 1974

(3)
Upon receiving the
Alumni Association Award
Graduate School of Business
COLUMBIA UNIVERSITY
New York, N.Y.
April 26, 1978

(1)

As you hardly need reminding, American industry and indeed all of our institutions including especially government have grown larger and more complex in recent years. News sources have become more prolific, communications have become instantaneous, and issues have become more public. One result of all this is to make it increasingly difficult for the average citizen to understand issues of public policy in any great depth. This seems to be particularly true when technology or economics is involved, and even truer when both are involved.

If we in business are to retain our franchises, we had better recognize that this situation places a special obligation on us to share our particular knowledge with the public so that it may understand these complex issues.

The issues swirling around the oil industry today with respect to adequacy, security, and cost of supply seem to be of just such a nature. They are caused largely by the fact that this country is passing from a watershed characterized by ample, cheap, and seemingly endless energy supplies to one characterized by expensive and limited supply and actual shortages. The transition has been accelerated by the growth in demand, which has often been quite sharp and, of course, on a larger base each year.

As we move from the old era to the new, our conduct both within our boundaries and among our worldwide trading partners must change to reflect the changing conditions. It is difficult enough for the average person to see and comprehend the changes taking place. It is especially difficult to see and understand these forces at a time when emotional issues mask the greater issues forcing the change....

[As to what Mobil Oil is doing to explain complex subjects and help people make the decisions that will best serve the country as a whole...] we are carrying to the American people issues of public policy relating to our business of supplying energy. I am under no delusion that Mobil is the only company, or even the only oil company, engaging in such a dialogue. Nor do I maintain that we are necessarily doing a better job of it than anyone else. Mobil's program started because about two years ago some of us in the company decided we had views on some topical subjects that we should communicate to the public.

How do we go about it?

We make speeches, which we sometimes print and distribute. We try to engage politicians, reporters, editors, and publishers in dialogues, and we meet with people in television and radio. We distribute a number of television film clips each year, running about a minute to a minute and a half each, to 100 TV stations across the country, and we reach several hundred radio stations every month with recorded interviews of about three minutes each. We also use spot advertisements on radio.

One of the most effective ways we have found, however -- at least in New York and, I suspect, elsewhere as well -- is to buy advertising space. We have found it totally ineffective to rely on letters to the editor to rebut even the most misinformed reporting. No letter can compete in timeliness or impact with an adverse headline, no matter the retraction later made. Even news releases are of limited effectiveness.

Specifically, we publish a quarter-page advertisement every Thursday, year-round, on the page opposite the editorial page of The New York Times -- called, as you might surmise, the op-ed page. The space the Times has made available to advertisers in that part of the paper is the only advertisement appearing on those two facing pages. Thus it has high visibility. The space is large enough for essay-type ads and is an integral part of an editorial section that is "must" reading for opinion leaders, policy-makers, educators, journalists, legislators, business executives, and intellectuals. Our messages there are often more in the nature of paid editorials than advertisements....

We have taken the offensive -- but tried not to be offensive in doing it -- on such subjects as the energy crisis, the need to conserve energy and ways to do it, the role of profits, the need for public transportation, capital formation, the need for national energy policies, business as a catalyst of change, and...the costs

of controlling automotive emissions. We are relying on facts and persuasive presentation to give people a true picture of some of the options open to them and the order of magnitude of the costs involved. Some of these ads, too, have been published in other papers as well.

I am glad to say the response has been strong and generally favorable, though we do get denounced for some of them in letters to the editor -- which at least shows people are reading them. We have distributed thousands of reprints, and will be glad to give copies to any of you who request them.

I would be considerably less than honest if I did not say that we have our differences of opinion with the editorial policies of The New York Times. At the same time, however, that paper has made a forum available in the form of paid space in which we can express our opinions. And the Times' readership encompasses some important publics.

I would urge that you and businessmen across the country try to persuade your local newspapers to make similar space available -- and, whenever they do, that you utilize that space to try to give the American people the sort of information they need if they are to make intelligent choices in the realm of public policy. In my view, we in business must reach the opinion leaders in our communities before we can hope to have appreciable impact on the general public....

You will not, of course, achieve believability overnight or automatically. I myself like to think that Mobil began to change -- and to improve -- the public's impression of it seven or eight years ago, when we changed our logotype and spent a great deal of money to devise what we believe is a more attractive service station, and, among other things, conducted a nationwide advertising campaign on safety with the theme "We Want You to Live." I suppose I could catalog other activities, such as our support for public broadcasting. The point I am making is that in the last analysis a company will be judged by its actions, the persuasiveness of its ads and other communications, its willingness to listen to both sides of questions, and the extent to which it involves itself in the mainstream of life.

In Mobil's case, the response we have been getting leads us to conclude that that segment of the public which exerts impact on decision-making is increasingly reading what we have to say and judging us both on our logic and on our record, with generally favorable results....

One reason we think our advertisements, along with those of other oil companies, may be having some effect is that several Congressmen and Senators have recently tried to inhibit us. We believe

The Wall Street Journal was close to the target when it said, "Indeed, the reason their critics are rushing to have them gagged is that the oil companies have been making legitimate arguments worthy of being heard."

...That brings me to the biggest roadblock we have encountered -- the refusal of national television networks to sell us time in which to state our viewpoints on matters of great public import.

When the energy crisis hit full-blown last October, there were very few reporters in any media anywhere in the country, outside of oil-producing areas and the oil trade press, who knew much about oil. This was particularly true of commercial television, and seems still to be true. As a result, we have a very difficult communications problem, and we recognize that. The energy crisis is complex, both in its origins and in its manifestations. The TV networks, by their very nature, seldom seem able to do justice to such a complex issue.... While we are not accusing the networks of bias in their reporting, we nevertheless feel that their structural deficiences [limited air time, costs that restrict TV news' responsiveness, the "star" system as part of the quest for ratings, lack of specialist reporters for business or energy, and the nature of television as visual entertainment] have combined to make much of their coverage of oil news inaccurate and misleading.... [So] Mobil has sought to buy air time for commercials that would convey our point of view -- commercials that would deal in ideas rather than in products. But networks have refused to sell us time for many of the commercials we have submitted. Their position was pretty well summed up in a letter of February 27, 1973, from the law department of the Columbia Broadcasting System to a vice president of Mobil, from which I quote: "...it is the general policy of CBS to sell time only for the promotion of goods and services, not for the presentation of points of view on controversial issues of public importance. CBS has adopted this policy because it believes that the public will best be served if important public issues are presented in formats determined by broadcast journalists...."

I have these comments to make on that.

First, this country was founded in controversy -- hard, openly expressed controversy -- and it has remained free and democratic through the continuing clash of opinion and of value patterns.

Second, if the networks dedicate themselves almost exclusively to merchandising products, via the entertainment route, they may raise serious questions as to whether what they merchandise as news is actually just entertainment.

Third, today's energy crisis is controversial largely because the media have helped make it controversial by printing and broadcasting material so inaccurate that anyone with any knowledge of our industry would have to disagree with it.

When as powerful and pervasive a medium as television will not sell time for controversial issues, it seems to me our country has reached a rather critical juncture. How can a democracy operate effectively without broad public access to clashing points of view?

It is worth recalling what the U.S. Supreme Court said in 1969, in what is known as the Red Lion case: "It is the right of viewers and listeners, not the right of the broadcasters, which is paramount. It is the purpose of the First Amendment to preserve an uninhibited marketplace of ideas in which truth will ultimately prevail, rather than to countenance the monopolization of that market, whether it be by the Government itself or by a private licensee. It is the right of the public to receive suitable access to social, political, esthetic, moral, and other ideas and experiences which is crucial here."

The real issue seems to be whether the commercial networks should have total control over what is broadcast to the American people. Since network broadcasting is among the most concentrated of U.S. profit-making industries, it would appear that our country may be facing a danger of monopoly censorship.

I hope you realize how reluctant we in Mobil are to adopt any posture that would appear to place us in an adversary position. We would much rather just live and let live. But we have concluded that we have no alternative to standing up for what we believe to be right. It is a dreadful set of circumstances at which we have arrived. What we're battling for is something at least approaching fair treatment in a medium that seems to be the main source of news for the vast majority of the public, yet one that seemingly has decided that in order to be successful, it must concentrate more heavily on showmanship than on presenting news in any depth....

I hope nothing I have said here will be construed as ignorance or insensitivity on my part toward the contributions a free press has made throughout our country's history. Quite the contrary. We could not have remained a free people without it. Freedom of the press is clearly an essential ingredient of a democratic society -- essential not only to the press itself, but to all of us. I submit, however, that it is inseparably linked to freedom of speech, and that both are in turn linked to a free economy.

Unlike some politicians, I am urging not less but more free speech, and for everyone -- including most importantly those whose views some of us may find totally abhorrent. I would hope that those who write and speak the most about freedom of the press will come to comprehend that if they help to destroy our free economy, no matter how unwittingly, it could be only a matter of time before they lost their own freedom. I do not know which of our freedoms might be the first to go, but I do know that once we lose any one of them -- whether free speech, free press, or our free economy -- the others are apt soon to follow.

(3)

Corporations, like people, tend to develop their own individualities over the years. Mobil has long felt that it should contribute to appropriate causes and should endeavor to be a good citizen, in every sense of the word, in the communities in which it operates....

...Our company has felt it right and proper to support more aggressively what are loosely called cultural activities.... It seems to me that as any society grows more mature -- and ours is more than 200 years old -- the populace becomes increasingly interested in cultural activities, both as direct participants and as spectators. Thus what we in Mobil have done in this respect in recent years has constituted a recognition of this growing interest on the part of the public.

While we lend support to art and to artists, as well as to museums and other entities, the cultural activity with which we seem to be most closely identified among the populace is our support of public broadcasting -- most particularly, Masterpiece Theatre. Certainly this has brought us more mail from all across the nation, and more laudatory mail, than anything else in which we are engaged.

In this connection, I might mention that Mobil has from the outset of this effort been committed to building and strengthening public television. As I think the record will show, we have sought not only to underwrite programs of the first order of quality, such as Upstairs, Downstairs, but also to utilize our own corporate resources and skills to build a wider audience for public broadcasting. The promotion we put behind such series supports public television as an institution and, we think, increases contributions to that medium from other sources, including individuals....

In sketching what we do to strengthen both education and cultural activities, I would not want to give the impression that it represents unalloyed altruism. Rather, and I do not want to make too fine a point of this, it reflects our recognition of the fact that as a private business we enjoy no divine right of existence. We exist within a society, and our very right to exist stems from our value and utility to that society. To the extent that we are able to enrich our society and to preserve and enhance the best of its values, we help create a better environment in which to do business.

We believe people today want to know more about a company than just the quality of its goods and services. Mobil interfaces with people in a large number of ways -- as a prospective and actual employer, as a purchaser of many goods and services, as a supplier, as an investment, as a force in American society -- and we are convinced that people want to know something of the beliefs and value patterns of the individuals who run large businesses. We in Mobil have striven to present our own beliefs and value patterns not only in what we do with respect to such spheres as education and cultural activities, but also in what we say in paid advertisements that are sometimes called advocacy advertising....

As anyone knows who has followed our advocacy advertising and our other external communications, we enjoy being an active participant in many arenas, and these two -- education and cultural activities -- are important to us and in many ways are as rewarding as any in which we have involved ourselves.

I might add, with further reference to our advocacy advertising, that we believe our outspoken support of the American system of democratic capitalism is all of a piece with our support of higher education and cultural programs. I am convinced that if our economic system is destroyed or fatally weakened by the relatively small but highly articulate elitists who seem bent on doing just that, whether from ignorance or for whatever reason, then our democratic society and our cultural institutions -- including higher education -- will be imperiled.

# # #

This chronology breaks the period since 1970 into five time frames -- A.) before the 1973-74 oil embargo, B.) during the embargo, C.) the post-embargo period, D.) the Iranian crisis, and E.) since then. Attachments follow some individual sections, while cross-references lead to further supporting materials elsewhere in the volume. Together, these sections review energy, economic and political happenings in the world and nation, and Mobil Public Affairs' response to, or anticipation of, these events.

I. INTERPRETIVE CHRONOLOGY

A.) Before the Arab Oil Embargo, 1970-73

Background

As the decade of the 1970s opened, the U.S. was little concerned for its future energy supplies. Throughout the '60s, oil imports equaled about 20% of demand, and the overriding concern was the threat of a flood of cheap oil. Oil imports were restricted by a mandatory program, while prorationing in Texas and other states maintained spare production capacity and a higher U.S. price.

Natural gas prices remained regulated by the Federal Power Commission in the interstate market at levels far below the energy equivalent of domestic or imported oil prices. Yet the national pipeline network continued to grow and expand while gas distribution companies aggressively sought new customers.

The decline in coal's contribution to U.S. energy was accelerating in response to a new national concern with air quality, but nuclear power held the clear promise for the long-term future, and in the interim low-sulfur oil filled the gap for electric utilities.

The memory was still fresh that America could protect itself and aid its allies when oil supplies were disrupted, as during the June 1967 Arab-Israeli war. The real concern was how production from the 1968 discovery of oil on the Alaskan North Slope could be absorbed into the American market.

Then came 1970, a bad year for the U.S. petroleum industry. A slowdown in leasing resulting from public and media reaction to the Santa Barbara oil spill of January 1969 began to have its impact. Tax reform eliminated most percentage depletion tax allowances for oil. The first of many lengthy regulatory and court proceedings blocked construction of the Alaskan Pipeline. Construction of all sorts of energy facilities became bogged down in lengthy "environmental impact" statements and proceedings, which also compounded the now mushrooming licensing difficulties of the nuclear industry. Amendments to the Clean Air Act became law, setting the stage for added gasoline demand -- a result of the temporary and inefficient redesign imposed on automobile producers and a prelude to the longer-term switch to lead-free gasoline.

In 1971, the federal government imposed emergency price freezes and controls on the entire U.S. economy, effectively limiting the U.S. petroleum industry's ability to develop new supplies -- ironically just months after the first signal that OPEC had come of age. In February, the Teheran Agreement imposed posted price increases on Persian Gulf oils of up to 25%, bringing most to over $2 a barrel; in April, the Tripoli Agreement secured almost another dollar per barrel for Libya.

By the winter of 1972-73, a substantial gap emerged between controlled interstate natural gas prices and free-market intrastate gas, reinforcing the shift of supplies away from transcontinental pipelines and creating sporadic shortages in several areas of the U.S.

As 1973 unfolded, most producing nations were climbing aboard the bandwagon started by Libya's initial acquisition of ownership in its oil-producing concessions. By June, facing strongly increasing oil demands (U.S. oil imports increased by a fifth in 1972 and another third in 1973, raising the import percentage to 36% of supply), OPEC was able to impose yet another price increase, despite the fact that the Teheran Agreement was supposed to last five years. Meanwhile, U.S. price controls on domestic oil became more and more complex. In an attempt to yield to pressures for more domestic incentive, the concepts of "old" and "new" oil were created. And the U.S. replaced mandatory ceilings on the volume of imported oil with a fee on imports.

On the eve of the embargo, national energy policy was in total disarray and largely counterproductive. With few exceptions, the public, government, and the media did not have the basic understanding necessary to interpret what was happening and what would be happening.

Mobil response

By 1970, Mobil was well aware that the U.S. was heading for a severe energy crunch, but was unable to get this message across in the newspapers and on television. Lack of understanding of energy issues was made worse by the overall hostile attitude of the media to business in general and oil companies in particular.

The Op-Ed program was Mobil's prime response for dealing with emerging issues in a way that would assure control of the context

of the message. At about the same time as Op-Eds began (sporadically in 1970-71, weekly beginning in 1972), Mobil also made the decision to provide large-scale funding for quality programs on public television, starting with a $1 million contribution (at that time the largest from any company) and providing a new dimension of quality on the airwaves. These two efforts worked together: Op-Ed ads were sometimes used to promote television programs (see III-S), and the television programs created a climate of greater receptivity for the Op-Eds.

In addition, Mobil set about improving its public image by promoting selected philanthropies such as the United Negro College Fund and the Urban Coalition, and by supporting vocational education, jobs for veterans, and similar causes (see III-R). After these and other, primarily low-key themes in the early days, the Op-Ed voice grew stronger, sharper when necessary, but still stylish, in 1972. Op-Eds in the pre-embargo period were primarily concerned with these themes:

Mass transit: Our initial ad (Attachment 1), in the fall of 1970 was designed to draw attention to Mobil through advocacy of a cause which an oil company would not be expected to support. Mobil took the lead among oil companies in calling for a National Master Transportation Program. Such a program not only would provide for the highways the country needs, but it would also make possible adequate public transportation. This was an unusual view for an oil company but, as we pointed out when we announced our position in that first ad, "we don't believe the gasoline consumed by

a car idling in a traffic jam...is the best possible use of America's limited petroleum resources."

The energy situation: Ads (see III-I) dealt with the need for coherent U.S. energy planning, the loss of incentives for discovery of new natural gas due to unrealistic pricing and the dangers of over-use that resulted from these prices, the need to get Alaskan oil to U.S. markets, and the need for additional offshore drilling -- all clear responses to issues already impending, though scarcely perceived. These made 1972 a year of Op-Ed firsts: calling for a national energy policy, warning of a natural gas shortage, and linking economic and energy growth to solve social problems.

Growth: We addressed the need for continued economic growth, for which more energy would be needed, as the only way to provide higher living standards for poor people, both in the U.S. and around the world (see III-J). We believed this emphasis was extremely important in a decade when thought patterns were unduly influenced by the Club of Rome's Limits to Growth-type thinking.

Environment: As part of our effort to get greater U.S. energy growth, we took issue with the extremists of the environmental movement who insisted that cleaning up the environment was an absolute priority, without considering the need for energy/environment tradeoffs (see III-F).

Conservation: Knowing that the U.S. had a serious energy problem, we ran several ads urging greater conservation of energy, particularly gasoline (see III-G).

Capitalism: Our ads drew attention to the value of the free enterprise system in promoting economic growth. In a period of skepticism about business, we explained the role of profits in generating this growth (see III-K, L, M).

One Op-Ed that deserves special mention was "The U.S. Stake in Middle East Peace" which in June 1973 argued the need for a peaceful settlement of outstanding Middle East issues (see III-Q/Attachment 1). This resulted in a huge volume of anti-Mobil mail, demanding that we spell out what we thought was an "equitable" solution of the Middle Eastern situation. Sheik Yamani, however, was so impressed with the ad that he showed it to King Faisal, who asked Yamani to convey his personal thanks to the Mobil Board. The ad demonstrated Mobil's courage and, in this case, foresight, since war and the resulting embargo of Arab oil to the United States occurred soon afterward. Read today in the light of what has happened in the Middle East in the intervening years, the ad seems extraordinarily moderate and even-handed.

In all of these ads, we concentrated on reaching opinion leaders in government, the media, and elsewhere, as the key to changing public opinion as rapidly as possible.

© Mobil Oil Corp...

During the pre-embargo period, our Government Relations people in Washington focused on a variety of issues, including natural gas pricing, import controls, environmental restrictions, and taxation. The company continued to argue against further concessions under the Import Controls program, particularly for small refiners which already enjoyed advantages over the majors. But the Administration was sympathetic to the oil industry, and oil industry representatives generally had plenty of opportunity to communicate with officials and members of Congress. Some issues were resolved without rancor.

This comparative calm was felt in Mobil's media relations programs, where a small press relations staff handled routine queries. One major issue at the time was Mobil's operations in South Africa, where we were criticized by church groups, but the company mounted a vigorous defense through exploratory meetings with church leaders and a special report to all stockholders on our operations in that country.

© Mobil Oil Corp...

America has the world's best highways And the world's worst mass transit.

We hope this ad moves people...

In recent years the United States has developed a really superb highway system. It's been built with tax revenues earmarked specifically for road building.

But the highway construction boom has been accompanied by a mass transit bust. Train and bus travel in this country, with few exceptions, is decrepit. The air traveler suffers increasing indignities despite bigger, faster planes.

Greater New York is a typical example. You can depend on commuting to and from Manhattan—but only to be undependable and slow. On public transport, the 25 miles to Westfield, N.J. takes 75 minutes at an average speed of 20 miles per hour. The 33 miles to Stamford, Conn. takes 60 minutes at 33 mph. The 26 miles to Hicksville, L.I. takes 55 minutes at 28 mph. When you're on time.

You have to be a stoic with stamina to use public ground transportation for a trip beyond the commuting range. Fly to a nearby city? You can hardly get at our congested air terminals, either by land or air. The ride to or from the airport often takes longer than the flight.

Mass transit seems to work better abroad. Americans are agreeably impressed by the fast, comfortable, and attractive subways in foreign cities. Intercity trains in other countries make ours look pitiful. Japan's high-speed Tokaido line carries more than 200,000 passengers a day. Clean, comfortable French, German, Italian, and British trains regularly attain speeds over 100 mph. European railroads are already planning or building expresses that will do better than 150 mph.

Yet, in the United States, new mass transit systems are for the most part still in the wild blue yonder.

Providing for our future transportation needs will require very large expenditures. We believe there's an urgent need for legislators to reexamine the procedures used to generate and expend transportation revenues. Such a review may yield the conclusion that special earmarked funds are no longer the best approach.

In weighing priorities, no decision-maker can ignore the increasing congestion on those fine highways of ours, especially in and around the great urban centers. But more and better mass transit could stop traffic jams before they start. Just one rail line has triple the people-moving capacity of a three-lane superhighway.

It costs less—in energy consumption and in money—to move people via mass transit than on highways. Thus mass transit means less air pollution.

It also means conservation. Whether the energy comes from gasoline for cars, or fuel oil, natural gas, or coal for electric power plants, it's derived from a diminishing natural resource. So we think *all* forms of transportation should be brought into a national plan for safe, rapid, economical ways of moving people—consistent with the wisest use of our energy resources.

While Mobil sells fuels and lubricants, we don't believe the gasoline consumed by a car idling in a traffic jam (carrying a single passenger, probably) is the best possible use of America's limited petroleum resources. Our products ought to help more people get where they want to go.

To us, that means a green light for mass transit . . . soon.

Mobil®

This ad appeared in the New York Times on October 19, 1970

© Mobil Oil Corporation

B.) The Embargo, 1973-74

On October 8, 1973, war broke out between Israel and several of its Arab neighbors, and the U.S. rushed additional military aid to Israel. Arab oil-producing nations retaliated by placing an embargo on shipments to the U.S. and several other nations, and OPEC unilaterally raised posted prices nearly 70% (to over $5 a barrel). The exporters, sensing the companies' ability to rearrange supplies, quickly shifted to curtailing production, so that nearly 10% of the free world's oil supplies were removed from international trade during the winter of 1973-74. By year-end, posted prices were increased again, to more than $9 per barrel. By March 1974, the embargo was lifted and production restored. But the era of ample low-cost energy had ended, and a permanent change in how nations manage energy supply and consumption had been wrought. The effects would continue to be felt for a long time, and throughout the economic systems of the western world. Actions taken in the U.S. in the heat of the moment persisted for years. Permanent damage was done to the credibility of the energy industries because of the lack of understanding of the issues by the media and government staffs.

Specific actions started with the Administration's hastily contrived "Project Independence," an attempt to totally end imports by 1980. It was proposed in November 1973, the month when the Emergency Petroleum Allocation Act was signed into law -- a law that plagued the industry with price and allocation controls at all levels until its expiration (and amendments to it) in

September 1981. Government attempts to reduce consumption by cutting speed limits, eliminating Sunday sales of gasoline, allocating shipments, and pressuring major oil companies into husbanding inventories exacerbated the hysteria and the shortage, even though (in retrospect) petroleum supplies would have been adequate for demand for that length of curtailment.

Mobil response

In this situation, Mobil ads

-- Continued to stress the need for improved U.S. energy production and for additional conservation (see III-G and I).
-- Increased the emphasis on the need for profits, at a time when the industry was accused of making "obscene profits" during the embargo, and spoke out against accusations that Mobil was cheating its customers (see III-M, N).
-- Explained some reasons for the shortages (e.g. that motorists were carrying much more gasoline around in their tanks, thus contributing to the difficulty of getting more).

One useful new ad format was successfully used for the first time. This was "Musings of an oil person," which enabled us to address a number of topics in one ad, in a chatty readable style (Attachment 1).

During the immediate embargo period, however, Mobil Public Affairs was essentially on the defensive, as members of Congress and the press accused the oil companies of rigging the shortage, and Senator Henry Jackson castigated the heads of the seven largest oil companies who appeared before his Permanent Subcommittee on

Investigations and insulted them on national television, while labeling oil industry profits "obscene".

Our response was to accelerate reorganization of the Public Affairs effort. This included appointing a Vice Chairman for Public Affairs, and a policy coordinator whose responsibility it was to see that the company spoke with a single voice on all issues. The company also further geared up for an expanded Media Relations effort, with visits by top executives to newspapers in key cities, coordinated with the American Petroleum Institute media program. Efforts were made to get company executives on television programs across the country, combating the negative image of the oil companies portrayed by that medium.

On the cultural front, the highlight of this period was Mobil's introduction in January 1974 of the Bellamy family to the American public on Upstairs, Downstairs, perhaps the best remembered of all Mobil's television productions. The show was eventually to add seven Emmy awards to those "Masterpiece Theatre" had already reaped (see III-S).

Mobil

© 1974 Mobil Oil Corporation.

Musings of an oil person...

Wonder if oil company advertising isn't risking indecent overexposure these days. There's so much oil on the tube and in print. Gulf, Shell and Texaco all ran full-pagers on the same day last week in the Times. Mobil's on the Op-Ed page every Thursday. Why do we all do it? Some critics think the ads show the companies are conspiring to brainwash the public. Others think the advertising deluge proves we can't do anything right, not even conspire. But an oil company has to find some way of speaking its mind and letting the public know what's going on, especially now when oil companies are accused of being secretive. Have to take risk of moving Tom Wicker to nausea over the "...pious, self-serving, devious, mealy-mouthed, self-exculpating, holier-than-thou, positively sickening oil company advertisements in which these international behemoths depict themselves as poverty-stricken paragons of virtue embattled against a greedy and ignorant world." Tom turns a nice phrase, but doesn't he know we're frustrated in trying to get information to the public? Try to buy time on TV to say something substantive and the networks clobber you with the fairness doctrine. Same with radio. Several congressmen want the FTC to require a company to substantiate its idea advertising, just as if an idea were like a new toothpaste. Why don't they exhume Madison and make him substantiate the Bill of Rights? Sure, we can stick to print media to tell our story. But newspapers and magazines frequently don't understand the complexities of our industry. Only a few have oil specialists. And how many deadly news releases can we send them before they scream for mercy? Much better to use TV to try to reach the millions whose opinions about oil are swayed by what Cronkite, Chancellor and Reasoner say every evening. Briefly! In 30 seconds they can suggest enough wrongdoing that a year of full-page explanations by us won't set straight. Hate to be on the defensive all the time. Arm our top management people with facts and get them on TV panels and talk shows. They still look drab next to a politician making some wild allegation against us because he's running for something. Does he have to run on our backs? Sure he does--as long as there are gas lines. What do we tell the guy who's boiling mad at us--in our station or some other company's--after waiting two hours for the privilege of paying $1.10 for two gallons of gas? Are we going to tell him he's been wasting energy for years? No way. Tell him to lay off those jackrabbit starts? He'll find that out for himself. That Detroit's naughty for building big cars, that we shouldn't have built all those superhighways, that we're sorry we gave away all that glassware? Forget it. Should we remind him we've been warning for years that the energy crisis was coming? He'll mow down the pumps and who would blame him. No, have to focus on the positive things we can do. Tell him we're recycling the money he pays at the pump right back into oil-finding offshore, Alaska, anywhere. Into more refinery capacity. Into oil shale, synthetic fuels from coal, tar sands, far-out processes in the lab. Dammit, we're a can-do company in a can-do country. Give us a few years and we'll make gas lines just a quaint recollection of the mid-70s. In the meantime, try to reason with Washington against counter-productive laws and regulations. Fight the two-times-two-equals-five logicians who think the same outfit that brings you the U.S. Mail can find oil three miles under the ocean bottom. Give people the facts. Give them genuine information. Speak out. Persuade them to listen. Never bore them. If at first we don't succeed, bust a gut trying again. No other way. Or we all end up working for the government.

Mobil®

This ad appeared in the New York Times on February 28, 1974.

C.) Between Crises, 1974-78

The shortages, as perceived by the public, ended as abruptly as they started when the President appealed to oil companies to release their inventories to the maximum extent possible. Clearly, government had intensified the shortage but the companies got the resentment for the inconvenience suffered by the public and were unjustly maligned by the inaccurate and sensational news reporting -- reporting that included accusations of "contriving" the shortage for profit and accounts of phantom fleets of tankers and barges cruising offshore waiting for prices to rise. This resentment made good political fodder; an estimated 4,000 bills were introduced in Congress to break up, tax and otherwise penalize the oil companies.

Just after the embargo ended, the generalized price controls imposed on all industries were terminated. But petroleum remained under controls due to the legislation enacted during the crisis. And these controls then became even more unmanageable; layer upon layer of schemes began to be created to take care of each new problem as it arose. In November 1974, the "Entitlements Program" went into effect, to share access to cheap domestic crude among refiners. And, of course, the vested interest groups began to nibble away at the program, intent on getting more than a fair share. February 1975 brought the imposition of an additional oil import fee of $1 per barrel for crude and a 60¢ fee per barrel of imported products.

Fanned by politicians, hostility toward the industry continued to mount in the U.S. Percentage depletion allowances were entirely eliminated for all but the smallest producers. The fungibility of the foreign tax credit among the various foreign functions of U.S. companies was severely curtailed, but only for oil companies. On October 4, 1975, the U.S. Senate narrowly defeated a measure to break up the U.S. petroleum companies. And in December of 1975, the Energy Policy and Conservation Act became law, giving the President some flexibility in setting crude prices, cementing the concept of "new" and "old", and most importantly keeping the price of domestic crude below the cost of imports. With this new legislation in effect, the $2 a barrel crude import fee was removed at year's end. An attempt to deregulate new natural gas prices passed the Senate but was defeated in the House by a vote of 205 to 201 in February 1976, despite the fact that U.S. gas production had been declining since 1973 and oil imports were continuing to skyrocket (they reached their maximum level at 48% of U.S. oil supplies in 1977).

At the beginning of the 1976-1977 winter, the FPC announced that gas curtailments would exceed those of the previous winter and reach 25% of total requirements. In its last major action before its demise, the FPC nearly tripled the allowed price for the latest finds of natural gas prices from 52¢ to $1.42/MCF and indicated that in future rulings it would begin using the equivalent oil price as its standard in setting gas price ceilings. A January 1977 survey by the FPC claimed that gas curtailments had caused layoffs of nearly one-half million workers in 7,000 closed factories.

But by February, the Administration declared the gas crisis over. Accusations of withholding natural gas supplies in the Gulf of Mexico began to make headlines.

Despite counterproductive actions in many areas, the glimmerings of sense in national energy policy began to show. In January 1977, the ban on development of oil and gas in the Santa Barbara channel was lifted. In June, the first oil started flowing through the Alaskan Pipeline. And in July, the first oil began to flow into the nation's Strategic Petroleum Reserve.

But these positive developments were far outweighed by the announcement of President Carter's National Energy Plan (NEP). The plan included continued price controls on crude oil; extension of price controls to intrastate gas; a tax on domestic crude oil to equate its price to foreign; an excise tax on automobiles that varied inversely with fuel efficiency; a tax on industrial users of oil and natural gas; and a standby gasoline tax. The emphasis was all on conservation, with nothing for new supplies. Even coal was further hobbled when President Carter signed the Clean Air Act Amendments of 1977, which mandated the use of expensive scrubbers with all coals regardless of quality and need for cleaning.

In August 1977, the Department of Energy was established, inefficiently combining regulatory, administrative, and policy functions in one agency -- and thus completing the transition of energy policy formulation and regulation from a small group of several dozen people operating out of the White House Office of Emergency

Preparedness in 1970 into a gigantic bureaucracy with many thousands of regulators.

Adding insult to the NEP and DOE injuries, President Carter on October 13, 1977, accused oil companies of "seeking to profiteer and grab money from the U.S. consumer."

By the summer of 1978, Congress had approved essentially all the items asked for by President Carter a year and a half earlier, including the Natural Gas Policy Act. While this act was presented as a move towards decontrol, it actually established more than 20 gas price control categories, brought intrastate gas under price controls for the first time and delayed any significant deregulation until 1985 or later.

As the end of 1978 approached, the U.S. government had done little to encourage any form of new domestic energy supply. It had not created a Strategic Petroleum Reserve of any significance, despite two years of ample international supplies that would have permitted acquisition without disturbing the international market. It had emphasized conservation only to find energy and oil demands higher than when the embargo began. By the ultimate measure, oil imports, the nation was nearly three times as badly off as in 1970. The figures tell the story -- oil imports: 1.2 billion barrels in 1970; 2.3 billion in 1973; 3 billion in 1978, despite the fact that Alaskan oil had begun to flow in quantity. The fact that for most of the period from 1975-1978 the real price of imported crude oil

had been stable or declining has been ignored, and the opportunity to take advantage of this breathing spell was lost.

Mobil response

During this period, Mobil's total Public Affairs effort was geared to counter hostile sentiment in Washington and in the media. In addition to continuing our Op-Ed program with continuing emphasis on the need for growth in energy and the economy (see III-I, J), we were called upon to respond to a variety of new attacks.

Of these, the greatest threat was the series of moves in Congress to break up the 18 largest oil companies into separate exploration and producing, marketing and refining, and transportation units. In an emotional anti-oil company atmosphere, Mobil took a prominent part, both on its own initiative and in cooperation with the API, in beating back this threat.

In the crucial hearings before the Senate Judiciary Committee's Subcommittee on Antitrust and Monopoly, Mobil played a key role in lining up witnesses to show in Congress and the media that divestiture could not reduce oil prices, but on the contrary would cause serious economic, political, and strategic problems for the United States. One of these witnesses was Mr. Tavoulareas, for whom Public Affairs prepared testimony and briefing material. His testimony was reprinted by Public Affairs and widely distributed in a booklet entitled "Why Divestiture Won't Work" (see Attachment 1). Public Affairs also produced a briefing paper, rebutting charges against the oil companies in detail, which was used by Senators opposed to divestiture.

We also helped produce testimony for Mr. Massad before the House Judiciary Committee on the joint venture aspect of divestiture, with the result that committee staff members asked for a meeting with Mobil, where we explained how prohibition of joint ventures would seriously impact on our operations, particularly in the Middle East. The same staff members also asked to meet with Mobil on the whole divestiture issue. Those discussions helped contribute to a report by the House committee on horizontal divestiture favorable to the oil industry.

Mobil also backed up its efforts in Washington with a strong public relations effort to convince the public that vertical divestiture made no sense. The effort included Op-Ed ads (see II-C/Attachments 1a to 1i), "Observations" columns, tours in which top executives visited 21 cities in 18 states, special TV appearances by Mr. Schmertz, 160 talks given by the Speakers' Program by volunteer employees, and the placement of by-lined articles in newspapers and magazines. Gradually it became clear that divestiture was indeed a non-solution to the problem of increasing energy prices, and the issue was left to simmer on a back burner where it still sits.

Mobil Public Affairs also played a prominent role, both independently and in close collaboration with API, in defeating the equally ill-advised proposals to prevent oil companies from diversifying into other enery source development, or to make them give up their existing holdings. Mr. Schmidt and later Mr. Schmertz, chaired the Public Affairs Task Force of the Committee on Industrial Organization of the API, which coordinated

the oil industry's effort to turn back Congressional pressure for horizontal divestiture. This issue, too, died in Congress as it became clear that prohibiting oil companies from investing in other energy sources would deprive the coal and other industries of needed financial and technical resources.

Mobil also engaged in dialogue with others who proposed a variety of inadequate solutions to the nation's energy problems. Prominent among these was our criticism of the Ford Foundation's energy study, A Time to Choose, that urged conservation as the primary thrust of energy policy, and attacked the oil industry for allegedly gaining all kinds of subsidies at the consumers' and taxpayers' expense. That study's strongly pro-conservation stance led to a change in our own Op-Ed statements, to argue now that "conservation isn't enough" (see III-G).

Similarly, we criticized a proposal that OPEC nations should be encouraged to break their "cartel" by being asked to submit sealed bids for imports into the U.S. energy market -- a proposal which was obviously impractical in a period when the U.S. was greatly dependent on OPEC for a large proportion of its imports.

The emergence of soft energy technology as a major issue in this period led to Mobil efforts to put the energy issue in perspective, by explaining that solar and some other technologies would not make a major addition to U.S. energy supplies, at least not in the near term.

During this period, we also tried to reach out to organized labor with a series of ads stressing the point that business and labor shared a vested interest in continued economic growth, and that labor should therefore favor greater U.S. energy development. These ads, however, ran into difficulties when labor publication editors balked at subjecting union members to advocacy advertising by a leading company.

Also, Congress's anti-business mood led to enactment of measures to combat the Arab boycott of goods produced by companies viewed as favorable to Israel. A good deal of misinformation led to the writing of bills in Congress that would indeed have prohibited imports of Arab oil into the U.S. at all. By drawing attention to this issue (see III-Q), and by making our views known in Washington, we were instrumental in getting a less onerous, although still unsatisfactory, bill that was passed into law.

In our print communications, this period was characterized by the introduction of innovative techniques to get our messages across. The year 1975 was proclaimed by Mobil as the "Year of Energy Action," (YEA), with Op-Ed ads, magazine ads, accompanying booklets, and special publications all spelling out the theme (Attachment 2). During this time, we ran several series of Op-Eds, urging the formation of a coherent national energy policy (Attachments 3 and 4). In an attempt to freshen our basic energy messages, we fashioned some novel campaigns -- fables in 1976 (Attachments 5a-d) and "Energy Mysteries" in 1977 (Attachment 6). (In 1980, TV commercials based

on these fables and a later series attracted a great deal of attention, much controversy, and two "Clio" awards.)

This period also saw an intensified battle between Mobil and television on the whole question of a company's right of access to the airwaves. Television's biased reporting of events during the Arab embargo, including failure to permit oil-company executives to explain what was really happening, led to a Mobil campaign to get paid ads on television. But, despite even an offer by Mobil's president to pay for rebuttal ads if Mobil could get across its own message, the networks insisted that their own journalists should determine what views would be presented (see II-B/Attachment 6).

Mobil did successfully counteract some biased TV reporting by taking out full-page ads in the print media to dissect TV correspondents' inaccurate reporting. Perhaps as a result of this tactic, irresponsible TV reporting of energy news on TV has considerably diminished.

In this regard, the Op-Ed program was reinforced by the start of the "Observations" column (Attachment 7), appearing in newspaper Sunday supplements. In a relaxed way, these columns got across Mobil's major themes, not only the need for energy but the need for less regulation (gaining much of the initial publicity in the U.S. for Murray Weidenbaum). The program was gradually expanded to reach close to half the households in America.

In all, considerable progress was made. The New York Times, in particular, began to recognize that Mobil had a position worth

evaluating on some energy issues, and some ads caused newspapers to clarify their views, making them more in alignment with Mobil's. On occasion, there were actual dialogues between newspaper editorials and our Op-Eds (see III-B).

Mobil's efforts to get across the company's messages in Washington and to opinion leaders through the print media were supported by a major program of media "blitzes" in which top executives crisscrossed the country, appearing on television and meeting with the press, with heavy backup support from Public Relations. For example, three blitzes were conducted between 1975 and 1977, on Mobil's proposals for a National Energy Plan, on the divestiture issue, and on the topic "Is America Running Out of Oil and Gas?" This last involved 23 senior Mobil managers, who visited 29 cities in 21 states, calling on 30 newspapers and appearing on 69 television shows and on 68 radio programs. The first two blitzes included visits to 90 newspapers and 450 radio and TV news shows.

Also in this period, Mobil began to produce on a regular basis Public Service Announcements in which third-party commentators spoke on issues important to Mobil such as profits, gasoline prices, offshore drilling, federal lands, and environmental protection (see II-B). About 175 stations regularly carried the messages (without charge to Mobil), reaching about 20 million people. The company also produced two-minute news clips in which Mobil people discussed important issues, and these were picked up by many stations across the country.

Press relations were also greatly expanded during this period. Mobil put special emphasis on getting adequate responses to any inquiry as fast as possible, with top executives being aware that our credibility depended on giving quick, full, and honest answers.

Mobil also set up a Speakers Program, in which company executives around the nation were encouraged to speak out. They were supported by pattern speeches written on important topics by the Public Relations department, and by a bi-weekly newsletter with information on energy issues and backup materials. Some 250 executives received these materials, and used them to good advantage in addressing Kiwanis, Rotary, and other civic organizations. New speakers received professional speech training.

Mobil initiated a new program to make its own employees more aware of the issues, and to supply them with information needed to enable them to respond to criticisms of oil companies. This program included:

-- Executive Forums, in which top company executives were invited to respond to questions from employees. In crisis periods, the company conducted as many as 10 of these a year. Highlights of executives' responses were videotaped and made available at company headquarters, in the field, and in some cases overseas. Also, special programs of interest, on such topics as Mobil's operations in the Middle East, profits, and the gasoline shortage, were videotaped and shown to wide audiences.

-- A wall poster program, in which information on company activities and events of interest was regularly maintained. Topics have included divestiture, profits, the need to get rid of excessive government regulation, and the role of alternate energy sources.

-- The company's regular employee publication, Mobil World, has since 1976 included a feature known as "Playback," in which a selection of anonymous employee inquiries and management responses are printed. These are only a few of the 1,000 or so questions a year handled in the full-scale "Playback" program of Employee Relations.

-- Distribution of news releases and other materials in the headquarters lobby, and a program of mass mailings to the field to alert employees to imminent problems, so that they can express their views to their Congressman and Senators if they wish. A publication, Making Your Voice Heard in Washington, was developed to aid them in their letter writing.

Investor relations were also greatly upgraded during this period, with Mobil taking the initiative to establish far greater personal contacts with key analysts and portfolio managers. Whereas during 1960-75 the company scheduled only occasional meetings with the financial community, from 1976 onward company representatives met with various analysts and portfolio managers on a frequent and increasing basis. Activities have included a regular luncheon program, in which senior executives meet with key analysts in New York, and regular visits to selected analysts and portfolio managers around the United States and in Europe. As a result, Mobil

is perceived as a company which keeps up its contacts with the investor community in both good times and bad, as contrasted with some companies which are thought of as communicating only when the company is doing well. A variety of articles in the business press, such as Finance Magazine (Attachment 8), also attest to Mobil's improved relations with the financial community.

This heightened effort to get across Mobil's viewpoints on major issues was supported by a great expansion of the company's cultural programs, both at home and abroad. Besides continuing to support Masterpiece Theatre and putting together an informal network to show quality drama on commercial television (see III-S), Mobil also increased its sponsorship of art exhibits, catalogues, and community projects, in which Public Affairs wrote or produced backup art and culture ads and promotion. The company supported museums through its popular Summergarden program at the Museum of Modern Art and other efforts, essentially using Mobil funds to keep museums open additional hours. A noteworthy development, in this period of oil-company unpopularity around the country, was that in 1975 cultural events were sponsored and promoted in many scattered locations where Mobil was represented: Torrance, California, Anchorage, Alaska; Philadelphia...not just New York and Washington (Attachment 9a-e).

These cultural activities were extended overseas with booklets and filmstrips designed to buttress Mobil's operations abroad. Thus in a period when Mobil was concerned with increasing its access to incremental supplies of Saudi Arabian crude oil, Mobil produced a

major book, The Genius of Arab Civilization, which attracted much favorable attention in the Arab world, and supported the founding of a Committee to Honor the Fourteenth Centennial of Islam and the development of a Middle East "outreach" program that now includes approximately 50 colleges and universities in the U.S. Our quality intellectual/cultural magazine designed for overseas audiences, Pegasus, continued to be in demand by affiliates. Additional books were produced on Nigerian art, the "living treasures" of Japan, and "famous living Austrians".

Within the United States, Public Affairs cooperated with Mobil Foundation in determining what programs in the field should receive company financial support. Under this effort, some 60 managers in the field are encouraged to forward nominations for the support of cultural activities. Besides being good citizenship, this program helped improve Mobil's image in periods when we were under serious attack.

Outside its regular Public Affairs activities, Mobil also strengthened relations with influential "think tanks," which began to issue an increasing volume of materials questioning the "left-of-center" wisdom of the time. These institutions included the American Enterprise Institute, the Hoover Institution, and the Heritage Foundation. By so doing, Mobil indirectly participated in changing the national climate of opinion, which manifested itself in the 1980 election. These activities also paid off by giving Government Relations staff early access to several key

executives in the present Administration, since they were drawn from these organizations.

(I-C/Attachment 2)

Year of Energy Action

YEA
'75
YEA
'75
YEA
'75

D.) The Iranian Crunch, 1978-80

One month after Congress approved a law extending price ceilings to intrastate natural gas, a strike by Iran's oil workers began to affect that country's exports of crude. But this was largely obscured in the public's perception of energy by reports of unrelated spot shortages of some grades of gasoline (due to the workings of the allocation mechanism) and claims by the Department of Energy that oil refiners had been overcharging for home heating oil since price controls loosened two years earlier. The stage was set for Ayatollah Khomeini. In December of 1978, OPEC announced a plan to increase by April 1979 the price of marker crude by about $2 to $14.50/barrel, sensing strong worldwide demand and trouble in Iran.

By January, Iranian oil exports had fallen to zero, depriving the western world of 5 million barrels/day. By late February, the Iranian cutoff began to affect U.S. refiners. Gasoline lines began to spring up again in some areas of the country, while other areas had a surplus of gasoline shipped there under the mandates of the allocation program -- a situation that was to prevail through June.

From New Year's Day 1979 to New Year's Day 1980, the price of world crude oil doubled. This time price increases had a tremendous impact on demand and as demand fell other nations (especially Saudi Arabia) increased production. The U.S. shortage's hysteria of the spring of 1979 quickly faded; indeed, it is difficult to determine just how much of a shortage occurred in the U.S. during that period -- especially since the inconvenience felt by the public

and costly and the countries of the less-developed part of the world have been the least able to cope. The price escalation surrounding the Iranian supply curtailments seem to have created new recessionary and conservation effects at the very time the longer term conservation effects of the 1973-74 price increases were beginning to become apparent. The result has been a sharp curtailment in the free world's demand for crude oil, a curtailment which focused entirely upon OPEC.

Mobil Response

Although the Iranian crisis led eventually to government measures to decontrol oil prices, it was also a period of new and in some ways unprecedented attacks on oil companies.

-- Mobil's major effort in this period was directed at obtaining changes in the proposed Windfall Profits Tax legislation, which in its original form consisted almost entirely of punitive tax on oil companies without any incentives for increased exploration and production. In this effort, Mobil parted company with the rest of the oil industry by urging that oil still to be discovered should not be subject to such a tax and should be free of price controls and that, if the U.S. government agreed to this, we would be willing to forego decontrol of existing reserves beyond increases for inflation.

-- Public Affairs backed up this Mobil policy by explaining the company position to many who thought we simply favored controls, and by a campaign urging employees and annuitants to write to their Congressman and the House and Senate leadership.

While developing these themes, we continued to urge a return to a free enterprise economy, and to discuss what energy prospects would be if a free market were to be restored.

The company maneuvered around the TV network boycott of advocacy ads in 1980 when we arranged to have our issue-oriented "Fable" commercials aired on 54 independent stations and network affiliates in the top 50 markets comprising what we called the "Mobil Showcase Network". The messages reached about 22 million people and were the subject of a Time magazine story because of the uniqueness of the approach.

Also in this period, Mobil took out full-page ads criticizing CBS's coverage of our third quarter 1979 profits (Attachment 1). To help improve coverage of our fourth quarter and year-end earnings, we distributed to the media a detailed background paper called "Earnings in Perspective," and invited television people to interview company executives. The company also issued a nine-page press release describing our earnings. These efforts paid off with generally improved press coverage, and ABC-TV network news and Channels 5 and 11 in New York ran objective stories.

In this way, Mobil was able to draw on the credibility established in the years since the 1973-74 embargo to gain much more understanding from the media in the new Iranian crisis. Other programs in place, like the employee communications program and the Speakers Bureau, were also valuable in getting across Mobil's messages and combatting new unfounded attacks on the oil companies.

(I-D/Attachment 1)

How CBS on October 24, 1979, prefabricated the news.

October 24 was the day we announced Mobil's third-quarter earnings. We did so in a 10-page news release explaining most of the information printed on the page opposite.

But it was all a total waste of time—as far as CBS News was concerned. Because CBS had prefabricated most of its report—and all of its thesis—about our earnings well before we announced them. So our effort to convey useful information to the public on our earnings—about how and where they were made—didn't stand a chance. The actual news didn't fit the scenario CBS had constructed—and the fact that their scenario didn't have the slightest relation to our earnings didn't seem to bother CBS at all.

Here now is the story of some manufactured news:

What the Public Saw and Heard

Transcript as taken from taping of CBS-TV Evening News, October 24, 1979

WALTER CRONKITE: Good evening. Five more oil companies today reported huge profit increases for the third quarter, among them the giant Mobil, whose July-August-September profits were 131% higher than the same quarter last year. SOHIO reported a 191% gain, Sun was up 65%, CITGO up 64% and Marathon up 58%. Ray Brady reports.

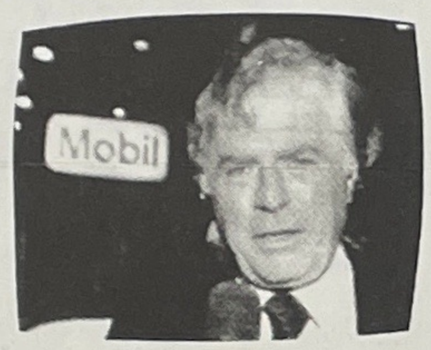
RAY BRADY: Mobil, like other international oil companies, says the big profits were not made here, but in foreign markets; which would mean that foreign consumers were the ones getting hit. Abroad though, a top analyst of the world oil industry says that is not necessarily so.

MARTIN BEUDELL, "British Oil Analyst": They are a great scapegoat in the U.S., the oil industry, the energy industry. So, you are inclined to do that, to de-emphasize your home profits and stress what you make overseas.

RAY BRADY: American critics charge that it is simply a matter of bookkeeping, to earn a foreign profit from an American consumer.

EDWIN ROTHSCHILD, "Energy Action Educaticnal Foundation": Every time he goes and buys a gallon of gasoline for a dollar a gallon, some of that profit is made in the United States, but the rest of the profit these companies earn is spread around their foreign subsidiaries.

RAY BRADY: Roughly 40% of our oil comes from abroad, about 1/5 of it already refined. The oil companies say there are limits on what they can charge, but critics say for $18 they can buy a barrel of oil in Saudi Arabia, then it might make the long trip to a refinery in the Caribbean, where they can sell it to their own subsidiary or another company for $25. After costs, the difference of $7 is profit --a foreign profit earned abroad. Once the oil is refined, it could go to the U.S., the critics go on, sold to a marketing firm for a price of, say, $35. After costs, the difference of $10 is more foreign profit. The oil companies argue that many of their profits go to their stockholders as dividends. The government would like to put a windfall profits tax on some of those profits earned in this country, but oil company critics say that would simply result in the oil companies coming up with more foreign profits. Ray Brady, CBS News, New York.



What the Public Wasn't Told

• **The CBS Build-up.** We should have seen this curveball coming, but we didn't. Even before we had the final third-quarter numbers from our accountants, CBS-TV reporter Ray Brady was on the Evening News October 23rd telling viewers that Mobil Oil's "profit report" was due on the following day and that "oil analysts say they expect the company's increase in profits will be spectacular."

The following morning—again before our news release was cleared by Mobil management—CBS followed up "spectacular" with "tremendous"—this time using Bob Schieffer on the October 24th CBS Morning News to report that: "Mobil is scheduled to announce its third-quarter earnings today, and the company's profit increase is expected to be tremendous...."

CBS News knew about the film they had ready to roll. We didn't.

• **The Third Strike.** On October 24th we kept getting phone calls from CBS reporter Ray Brady's researcher, asking for the news release on our earnings. We said we hoped to get the numbers approved and our release issued during the afternoon. We got it out at 4:45 p.m.—and quickly dispatched messengers with the 10-page release to the newspapers, the wire services, and network news departments—including CBS. (CBS signed for it at 5:30 p.m., an hour and a half before they went on the air.)

At 5:20 p.m., we called the CBS researcher to offer an oral summary of the more important statistics and the reasons for them. This was our first inkling that somebody was laying for us—because CBS didn't want the detail, wasn't interested in the sources of our improved earnings. All the researcher wanted was the earnings themselves, for third-quarter and nine months of 1979, and the comparable figures for 1978. The researcher took the figures on Mobil's worldwide petroleum earnings per gallon sold but declined figures describing rates of return.

We thought then that we knew what was coming. We figured CBS would stress our third-quarter gain of 131 percent in comparison with third-quarter 1978—and they did. We figured they wouldn't say a word about the analysis and perspective on our earnings, although these were in our news release. And they didn't.

But we never suspected that CBS was merely going to plug our numbers into a prefabricated story that really had nothing to do with them—the worst, the most unfair, report on Mobil earnings that we've ever seen!

What the Public Should Know

Take another look at the way Ray Brady explained how oil companies "earn a foreign profit from an American consumer"—and finished his story posed in front of the Mobil sign. Once such an irresponsible flight of fantasy is launched, it is impossible for the target to avert it. The damage is done.

But we can put the facts before the public today, and let the public decide on their merits. And here, in specific detail, is how CBS News played fast and loose with the truth on October 24th:

1. The thesis developed by CBS News about foreign earnings bore absolutely no relationship to the earnings the viewer was led to believe were under discussion: namely, Mobil's.

Brady's report implied that U.S. energy profits are being hidden abroad, in foreign subsidiaries, by using phony bookkeeping prices. But the announcement that we issued on October 24—and that CBS ignored—went into great detail on the sources of our foreign earnings, and made it obvious that they could in no way fit the pattern described by CBS. (You can see in Facts 1 to 5 on the opposite page, the key information CBS ignored). If CBS had bothered to check, they could have learned easily that U.S. tax law and price control regulations forbid the scam they describe. Mobil does not engage in such practices—and after countless investigations of our activities by the U.S. Congress and the Department of Energy, and after regular and thorough audits by the Internal Revenue Service, nobody has ever suggested that we've even tried to do it. We pay U.S. taxes on our U.S. profits—and the Internal Revenue Service makes sure all our U.S. profits are included.

Brady dismissed the industry case with the comment, "oil companies argue that many of their profits go to shareholders as dividends." Why didn't he say that an amount in excess of our profits is being invested in finding and producing more energy, especially here in the United States? This is the point we have made time and again that he chose to ignore.

2. The thesis developed by CBS News about our earnings was developed even before the earnings—and their sources—were announced.

The "British oil analyst" clearly was interviewed before Mobil's earnings were announced and before we had given any information on the source of these earnings. We suspect that his sandwiched 17-second "interview" on the program was part of a much larger interview which might have put his remarks in quite a different context than the scenario Brady unfurled. But when we asked CBS to let us look at the full tape of this interview, and even to tell us how lengthy it was, we were refused. We also asked CBS to tell us who else was interviewed but not aired (perhaps because they were at odds with Brady's thesis). This request, too, was denied.

The American "expert" interviewed was from the Washington-based Energy Action Educational Foundation, a virulent anti-oil group that can often be found, as here, quoting fantasy as fact. What is Energy Action? Who are the private individuals who provide its funds? What kind of changes are they really trying to bring about in America through their repeated attacks on our country's energy industry? These are answers Brady owed his viewers before presenting an Energy Action spokesman as a seeming authority.

Worse: the viewer was given the distinct impression that Energy Action's charges, with their implications of illegality, applied to Mobil—which they most emphatically did not.

CBS asked us nothing about any relationship we might have to the scenario of its "exposé." We could have told them this:

• Mobil bills all our Saudi oil to our U.S. and worldwide operations at the official Saudi prices (plus freight, which results in nothing like the $7 a barrel "profit" Brady put forward). If the Saudi charge for a barrel of oil is $18, that plus freight is the charge paid by any Mobil refinery. And what we charge U.S. refineries is the same cost that goes into our U.S. pricing calculations—which are monitored by the U.S. Government. This same procedure also applies to oil from other sources.

• The Internal Revenue Service won't permit hiding profits abroad. The Department of Energy requires that transfer prices represent fair market value—not artificially kited prices produced through some internal shell game. Earnings made abroad, whether they be from production abroad, refining abroad, inventory profits, or currency conversions, are foreign earnings. Earnings from U.S. operations are U.S. earnings—and they are reported and taxed as U.S. earnings.

• Mobil allocates crude oil to its worldwide facilities and customers based on historical demand patterns, not based on the whimsical scheme Brady projects.

3. When we questioned CBS about its prefabrication, we were told that its reporter simply used a news technique called "hunching the story."

CBS thought that Mobil's earnings abroad would be large—and prepared a story in advance about the sources of those foreign earnings: a story they must have known was wrong when they received our announcement. In utter disregard of the easily ascertained facts—the true sources of foreign earnings, our pricing of Saudi oil at the official Saudi prices, U.S. laws against the scheme they described—they recklessly proceeded with their "hunch" and put it on the air beside the Mobil sign.

4. Even when we told CBS News of its mistake, the network refused to give us an opportunity to correct the erroneous impression its broadcast had created.

We followed our oral request for clarification with a written request for an opportunity to present our response to their grossly misdirected "hunch." CBS News refused.

What the Public Should Understand

Much of the intemperate and inflammatory rhetoric about oil company earnings published during the last few days is the result of this sort of biased and careless presentation of energy news. Such shoddy TV journalism is inflaming a public that would have understood the facts, honestly presented. We hear Governor Byrne of New Jersey charging that the oil companies have been "taking advantage of oil shortages and making a profit on long gas lines." President Carter says some oil company profits are "unearned" and threatens legislation "which could be quite punitive to the oil industry." Many other public figures have been violent in their condemnation of oil industry earnings.

No wonder—if they think, as CBS News suggested, that foreign profits are made by selling Saudi crude from one to another of our own subsidiaries and raising the price steeply with each transaction.

It isn't happening. We don't do it—and we don't know of any company that does. And it would have been easy for CBS News to discover the truth.

Based on the foregoing, it is clear that an injustice was done not only to Mobil and the rest of the oil industry, but to the American public's need to know the facts. If our nation is to develop sound energy policy it is critically important that the public and our national leaders receive forthright and accurate information.

Mobil®

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19 dull and unsensational facts about our profits the TV networks didn't tell you—and won't allow us to tell you

When Mobil reported its third-quarter earnings on October 24, the TV networks gave you only one fact. They told you our third-quarter earnings were up 131% over the third quarter a year ago.

Here are 19 facts the networks didn't tell you. Many of them were in the 10-page news release we sent out that Wednesday afternoon, which the networks ignored. The others are available from information we've published before and would have been happy to give the networks again if they'd asked us. But they weren't interested.

On top of this, they won't—for their own reasons—even sell us the time to give you these facts on TV. Our only recourse in the interest of objective information is to use this newspaper space to bring the facts to you.

The facts the networks left out

Basically, these facts fall into four areas. Taken together, they place our third-quarter earnings of $595 million in an intelligent perspective. We hope you will review these facts and then consider whether the public and public officials have been deceived by TV's simplistic sensationalism.

- **The great bulk of our third-quarter earnings increase came from foreign sources, and a very significant part of that was book profits on inventories.**
- **The increase in U.S. energy earnings was modest at best.**
- **Mobil's worldwide expenditures for exploration and production of new oil and natural gas and other energy investments greatly exceeded our profits.**
- **By any financial index, the amount of money Mobil earns on its nearly $24 billion of assets representing previous investments is not excessive.**

We repeat

The great bulk of our third-quarter earnings increase came from foreign sources, and a very significant part of that was book profits on inventories.

Fact 1. Of the increase in Mobil's worldwide energy earnings for the third quarter, 85%, or $285 million, came from foreign energy operations.

Fact 2. Of our foreign energy increase, 39%, or $110 million, was in the form of inventory "profits" on oil purchased before price increases by the producing countries. We must pay foreign taxes on these "profits," and at the same time replace these inventories at the new higher prices. The result is that inventory profits actually result in a "cash" loss.

Fact 3. A change this year in the United Kingdom tax legislation on inventory valuation had the effect of reducing our deferred taxes on previous years' income by $51 million.

Fact 4. Comparing a current year's quarterly earnings with the corresponding quarter a year ago can be very misleading. The increase in our foreign energy earnings in third-quarter 1979 was in part a function of two major operating problems that reduced foreign earnings in the three comparable months of 1978: a well blowout and three-month fire at the Arun natural gas field in Indonesia and serious mechanical problems on the producing platform in the Beryl field in the North Sea. These events resulted in substantial profit-reducing losses of production from both fields last year. In third-quarter 1979, by contrast, profits from both fields now reflect our hundreds of millions of dollars in investment there.

Fact 5. In the third quarter of this year, we were producing natural gas for liquefaction and shipment to Japan from the Arun field in Indonesia. This operation was not yet on stream in the third quarter of last year.

We repeat

The increase in U.S. energy earnings was modest at best.

Fact 6. In the U.S., our energy earnings increased just 32%, or $49 million, over the third quarter a year ago.

Fact 7. Tempering the rise in third-quarter U.S. energy earnings was an actual decline in those earnings the previous quarter of this year. During that quarter, we were purchasing very high-priced foreign crude oil and products to help meet domestic shortages.

Fact 8. The third-quarter increase in our U.S. energy earnings needs also to be viewed in the light of many years in which our U.S. marketing-refining business operated at very low return levels. With improved product prices, these operations are now approaching rate-of-return levels that begin to justify the large amounts we have invested in them over the years.

Fact 9. Our profit per gallon on U.S. petroleum sales in the third quarter of 1979 was 9/10ths of a cent higher than the 3.3 cents earned in third-quarter 1978.

We repeat

Mobil's worldwide expenditures for exploration and production of new oil and natural gas and other energy investments greatly exceeded our profits.

Fact 10. In the third quarter this year, we made worldwide capital and exploration expenditures for energy of $1.3 billion, including our acquisition of the oil and gas operations of General Crude Oil Company. Those expenditures were slightly more than twice our profits in the third quarter.

Fact 11. In the first nine months of this year, these energy expenditures amounted to $2 billion, double the outlays for the same period a year ago. (By contrast, our worldwide earnings for the first nine months this year were $1.436 billion.)

Fact 12. Mobil expects its 1979 capital and exploration expenditures for energy to reach $2.8 billion, an increase of 80% over 1978.

Fact 13. While we earned almost twice as much from foreign energy operations as from U.S. energy in the first nine months ($959 million foreign vs. $488 million U.S.), our expenditures in the U.S. accounted for 70% of our worldwide outlays. Of the U.S. amount, 93% went for seeking and developing new U.S. sources of energy.

Fact 14. For every dollar we have earned in the past five years from all our diversified U.S. operations, we spent $1.16 on exploration and development of oil and gas in this country.

We repeat

By any financial index, the amount of money Mobil earns on its nearly $24 billion of assets representing previous investments is not excessive.

Fact 15. For the 12 months ending with the third quarter of 1979, Mobil's worldwide profit per gallon of petroleum sold was 3.4 cents.

Fact 16. Mobil's worldwide profit in the same period per dollar of revenue was 4 cents.

Fact 17. Mobil's return on average shareholders' equity was 19.2%.

Fact 18. Mobil's return on average capital employed was 14.9%.

Fact 19. The one place where everybody likes profits is Wall Street. The Friday after "the street" digested Mobil's earnings announcement, our stock was selling at less than six times earnings. That is lower than our average price-earnings ratio in each of the last three years.

You be the judge

Now that you have the facts, we leave it to you to judge whether the rhetoric currently being aimed at the oil companies is justified or not. But what saddens us is not the rhetoric; it's the fact that television, where the rhetoric flies thickest, won't give you this information. It's no wonder, in view of the structure of TV news broadcasts. Every day the network news departments condense a mass of material into a severely limited format, with strong emphasis on sensationalism and dramatic confrontations. The inevitable result is a lack of the depth and the careful analysis needed for sound public judgments.

When TV news omits or distorts important facts, neither we nor anyone else is able to set the record straight, as we often can in the press with letters to the editor or signed articles. The TV networks, moreover, have refused to sell us air time to present our point of view, even when we offered to buy additional time so that those who differed with us could reply at our expense.

The casualty in all this has been the public's understanding of important issues.

To bring the facts out, Mobil has taken this means of responding to CBS' "reporting" of our third-quarter earnings. But ads like this cannot possibly have the impact of network news broadcasts. Television's information blackout is, we suggest, the real "rip-off" of the American people.

Mobil®

This ad appeared in The New York Times on November 5, 1979.

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E.) The Emerging Glut, 1980-today

Since 1981, a major change in the world oil position has again taken place. Price-induced conservation (after the shock of the near tripling of prices since the Iranian revolution) and recession have cut demand all over the Free World. Production had increased rapidly outside OPEC, especially in the North Sea and Mexico; even in the U.S. the downtrend in crude output has been halted, at least temporarily. Inventory change also alters the balance of supply and demand: after the crisis cooled in mid-1979, the expectation of continued price increase and short supply provided a powerful incentive to build and hold inventories which delayed through much of 1981 the appearance of glut. Now with prices weak and interest rates high, the incentive has reversed, possibly prolonging the glut. There are only limited data on Free World inventories, largely those held by major oil companies and governments; there are almost none for inventories held by end-users of petroleum products. Yet, the fact is clear: OPEC production has been cut back by more than a third in the past 2½ years.

These then are the uncertainties that must be faced by policy makers and planners. How much does price reduce the usage of oil? How much is it due to deepening recession? Can OPEC become a real cartel enforcing production curtailment? How much incentive should be given to non-OPEC energy production? How much, at what price, and who will pay for strategic inventories? Should we develop plans to manage another crisis, and how can we do so? How much

attention should be paid to the long term when resources, such as oil, will become scarce through depletion instead of politics?

One answer was given by the Reagan Administration at the start of its term: It is better to err on the side of oversupply. In January 1981, crude oil and products were decontrolled. For a brief instant prices rose and allegations of profiteering, manipulation, and gouging again arose. Soon, with excess refinery capacity and world crude oil in oversupply, competition began forcing prices down -- vindication for the free market. This, however, is a lesson that even the Reagan Administration is not yet ready to put fully into practice, and one that those who oppose expansion of domestic energy by private enterprise still largely ignore. For example, approaches to speeding decontrol of natural gas have been delayed or aborted by partisan election politics.

Many other issues of national energy policy and security remain unresolved -- hampered not only by fundamental political problems but also by a still too low level of understanding of energy supply/demand dynamics by the public at large, the media, and policy makers. Dismantle the DOE? Yes, but the how of it stymies efforts to make both policy formulation and regulation more effective. With falling world crude-prices, proposals abound to impose an import fee, motivated more by the need to raise tax revenues than by consideration of domestic supply, equity, or effectiveness.

Similarly, the program to fill the Strategic Petroleum Reserve is threatened by questions of cost and need for it, with little

recollection of the opportunity lost just prior to the Iranian cut-off. On the other side, how and when to release oil from it in an emergency, is questioned by those who would use it as an instrument of control of the private sector and those who seek to carve out special privileges for themselves. This is an issue that has had greater prominence as "Emergency Preparedness" legislation: After a year's debate Congress passed the legislation recently vetoed by the President who claimed he has enough authority already. But is the U.S. really better able to handle the next emergency since gasoline rationing is not on the books any longer?

A host of other key issues, some valid and some contrived to take political advantage of anti-industry sentiment, are on the current agenda. Of the former, regulatory reform and constructive changes in the Clean Air Act, which is up for renewal, are important to domestic energy supply development. Of the latter, attempts to legislate divorcement of oil company marketing functions and "open supply" for branded service stations, are indicative of unconstructive, but politically productive, schemes.

On a more general level, the question of relations with the key foreign suppliers -- including Mexico, Canada, and Saudi Arabia -- is not handled consistently or with adequate regard for supply security; the excessively emotional debate over the AWACs sale is one example. Canada complains about the U.S. burning too much coal while it acts against expansion of its oil production.

Imports of natural gas from Mexico become hostage to arguments over emigration and nationalism.

On an even more general level, the whole issue of the measurement, adequacy (or as some still say: excessiveness), and role of profits in the development of new energy supplies remains a subjective, rather than objective, dilemma for national policy. Activists who believe company profits are excessive still protest in front of oil company headquarters and get good coverage on the evening TV news.

On the most general level, that of the national economy, oil producers and consumers have become attractive targets for new taxes in a time of recession and unacceptable federal deficits. Such ideas need careful examination not only for potential revenue, but also for the impact on demand and supply incentive. Also, the foreign tax credit is again under assault -- this time in the guise of a "minimum corporate tax" -- despite its effects on the position of U.S. companies in an extremely competitive foreign market and the role these foreign operations play in U.S. supply security.

Looking back to pre-embargo 1973, many of the issues of emerging national policy and the state of public attitudes look much the same. Most distressingly, oil imports as a share of domestic supply are also about the same: 36%. How will resurgent energy demand be met when the U.S. economy emerges from recession, as well as in the 1990s? With what security, cost effectiveness, environmental impact, and by what kind of institutions?

Mobil Response

In a radically different political climate, Mobil has begun to realign its public affairs efforts so as to address many new problems, as the world enters a new energy era.

One new major emphasis has been our efforts to strengthen the hand of the Administration as it has made determined strides towards a free market in energy and in the economy generally (see III-E). So we welcomed this new regime, and highlighted the beneficial effects of crude oil decontrol on U.S. oil production. During the ongoing controversy over the proposed budget deficit, we urged constructive steps to minimize the deficit by delaying tax reductions and some defense expenditures, and imposing a tax on decontrolled natural gas, but not on gas yet to be found.

In this period, in which Mobil has made two major attempts to improve its crude oil self-sufficiency through purchase of other oil companies, we have forcefully presented our views in Washington while exhausting legal and financial remedies. Advocacy advertising was sparingly used in this effort, since success essentially hinged on legal interpretations rather than public opinion. We did, however, use in ads and a letter to shareholders a W. P. Tavoulareas article in The New York Times (Attachment 1), in which we noted after the Conoco/Marathon failures that the interests of company shareholders have been shortchanged in the maneuvering by company executives to avoid takeover of their companies and enrich themselves.

We have continued to speak out in favor of constructive moves towards peace in the Middle East.

We have forcefully presented our views on some issues that are unresolved. For example, we have urged changes in the Clean Air Act Amendments, which we believe would be cost-effective without endangering environmental progress already made. We made another effort to explain the basics of the foreign tax credit, which is still imperfectly understood by the news media.

Our Government Relations efforts moved into several new fields. The company expended considerable effort (including an Op-Ed ad) to support the Administration's efforts to achieve passage of the controversial AWACs legislation so that these planes could be sold to Saudi Arabia, and this effort was acknowledged by senior Administration officials to the general manager of Government Relations. GR arranged meetings for top Mobil executives with members of the Canadian embassy and the ambassador to discuss aspects of Canada's National Energy Plan which seriously impact on Mobil. GR has also taken part in efforts to adjust the status of aliens of exceptional ability, when the company would benefit from their presence in the U.S.

In Investor Relations, special emphasis has been given in early 1982 both to appraising the financial community of the severity of market conditions prevailing during this period of crude supply imbalance (so that investors will not be unduly surprised by financial results when issued), and to re-emphasizing Mobil's underlying

strengths, both upstream and downstream (so that investors do not underestimate our longer-term strengths).

This year, Investor Relations has set up meetings for Messrs. Warner and Tavoulareas with investment officer groups of several large institutions in New York, and for Messrs. Massad and Murray with oil analysts in Boston and New York. The Investor Relations group has also met with institutional investors in 12 major cities. Special brochures on our upstream and downstream strengths are being prepared for distribution to analysts and investors throughout the U.S. and Europe. (See II-E)

In its cultural activities, Mobil undertook a significant venture in 1981 by supporting amateur athletics (see III-T). In a period of rising costs, and when American athletes were deprived of the opportunity to appear in the Olympic Games in Moscow, Mobil is underwriting the USA/Mobil Indoor Track and Field Championships, held at Madison Square Garden in New York. Mobil's sponsorship of these events has generated a great deal of favorable press coverage.

Continuing its support of Masterpiece Theatre, Mobil sponsored such dramas as A Town Like Alice and a major documentary on evolution, Life on Earth.

We hope to increase our corporate giving in areas where the poor directly benefit, responding to the President's appeal to business to help in areas where Federal aid has been reduced or eliminated.

This will be a very selective process in which we will seek out the effective, visible and imaginative.

As other new issues are formulated, in a period of chronic economic and political difficulty around the world, we will continue to address our various publics in a provocative and, we hope, useful way. We will increase our activity at the state and regional levels, to which some of the energy action is now shifting, to insure that Mobil is fairly treated. We will continue to present Mobil to the investment community as a company of improving potential, aggressively seeking to improve its crude oil position and diversify into alternate energy development as this is economically justifiable. We will continue to keep shareholders and employees especially well informed on public affairs matters, recognizing the value of their support.

# # #

Reprinted from

The New York Times

MOBIL ON MARATHON

The Real Losers Were Stockholders

By WILLIAM P. TAVOULAREAS

IN recent weeks, much has been made of Mobil's inability to acquire the Marathon Oil Company. This was the second time in six months that a Mobil bid for an oil company failed. The first attempt was for Conoco, which went to Du Pont.

In both instances, Mobil's offer was superior to those of the winning companies—Du Pont in the Conoco situation and U.S. Steel in the Marathon case. But in both cases, laws designed to protect shareholders' rights were used to accomplish just the opposite.

It was also distressing that much of the media concentrated on emotional issues and snippets of gossip to the exclusion of the rights of stockholders to sell their shares in the free market.

In each case, legal procedure, not legal substance denied shareholders the opportunity to accept the more lucrative Mobil offers. No court ever rendered a final judgment on whether an antitrust problem existed. In each instance, we sought clarification in the courts, but were denied decisions making clear what actions would be appropriate and inappropriate under antitrust laws. We continue to seek this definition. Once the rules are made clear, we will abide by them.

In the Conoco case, the Justice Department's Antitrust Division gave victory to Du Pont by simply sending Mobil, but not Du Pont, a "second request" for information. Under the statute that requires premerger notification of the Justice Department, Du Pont was thus able to buy while Mobil was delayed at least another 15 days.

An ironic aspect of the matter was that Mobil's second request was accompanied by a Government press release (an unusual action in such cases) specifically disclaiming any inference that the Justice Department had concluded that the Mobil acquisition would be a violation of law.

Meanwhile, provisions of another Federal statute designed to insure fairness in tender offers—the Williams Act—had the effect of making it impossible for Conoco shareholders to await the outcome of the antitrust case against Mobil before deciding which offer to accept.

I doubt that Congress intended to pass two statutes at different times for different purposes and to thereby enable a Government official, by use of selective requests for information, to deprive stockholders of the highest offer. We wonder whether the hue and cry for change would not now be loud in both the media and Congress if the situation had not involved a big oil company.

The first-round result of the Marathon affair was produced by another nonsubstantive legal device which, again, was exactly contrary to its ostensible purpose. The legal rationale of the preliminary injunction, which Marathon sought and the District Court in Cleveland granted, was to preserve the status quo pending a determination of the merits of the controversy at a full trial.

In this case, the combination of that injunction against Mobil and the provisions of the Williams Act again made it impossible for the Marathon shareholders to await the outcome of that determination before deciding which offer to accept.

These two incidents highlight other troublesome underlying issues. How far should management be permitted to go in these takeover situations in placing self-preservation above the stockholders' interests in securing the highest price for their shares?

Management of both Conoco and Marathon appeared to place a high priority on self-preservation, by giving preferential treatment to the selected friendly bidder. Should they, rather, have moved in the opposite direction and tried to promote an open auction? Is it in the public interest that important energy companies become controlled by managements unfamiliar with the energy business and facing severe financial constraints as a result of the acquisition costs?

THE other major issue barely referred to by the media was the midnight legislation passed by the House of Representatives to prohibit for six months the top nine oil companies from acquiring more than 5 percent of the top 40 oil companies.

The passage of HR 5274, just minutes before adjournment on Dec. 16, without hearings, proper debate and under a procedure contrary to House rules, was simply a disgraceful and abusive use of Congressional power. While the bill did not mention Mobil, it was uniformly referred to in the floor debate as the "Stop Mobil Bill."

Two highly unlikely political bedfellows, ultraliberal John Dingell, Democrat of Michigan, and heretofore conservative, free-market defender, Clarence J. Brown, Republican of Ohio, joined forces in an unholy alliance to railroad the bill through.

United Press International

William P. Tavoulareas, president of Mobil

Mr. Dingell, a long-time foe of the oil industry, Mobil and the free market, joined with Mr. Brown who was representing both Marathon's interests and his own new political aspirations to become Governor of Ohio. They jointly delivered the votes of liberal Democrats, who have a long standing dislike of Mobil as a result of Mobil's outspoken position on a wide variety of issues, and many Republicans, who capitulated to Mr. Brown's pleading that without passage of this legislation, his bid to become Governor of Ohio could be doomed.

The proponents of the bill really didn't care about the consequences of such legislation on the workings of a free market, the rights of shareholders to receive the highest market price for their shares, or the orderly operation of capital markets.

Vindictiveness and political opportunism ran rampant over what should have been the paramount rights of shareholders to be able to market their securities to the highest bidder. Moreover, the attempt to enact legislation blocking Mobil showed a fear that the existing antitrust laws would allow Mobil to proceed.

The move by Congressmen Dingell and Brown for the six-month moratorium was nothing more than an attempted legislative preliminary injunction to stop Mobil, while allowing U.S. Steel to buy the Marathon shares at a price lower than the Mobil bid. Former Congressman Otis Pike, writing in Newsday on Jan. 10, decribed this sordid scene as follows: "The procedure was an outrage."

It is inconceivable that our society can survive if laws are enacted that destroy the rights of innocent bystanders solely because some legislators dislike the political views of a corporation or because of a desire to move to higher political office.

Equally unacceptable is the concept that antitrust and financial disclosure laws, while designed to prevent illegal acquisitions, should operate to deny a company the opportunity to complete an acquisition if it can ultimately establish its legality.

Our economic system depends upon the efficient workings of the capital markets. If the Government is going to limit the right to buy and sell shares in the stock market to the highest bidder, it is essential that such intrusion be based on a clearly demonstrated public interest.

In both the Conoco and Marathon cases, just the opposite occurred and caused shareholders of those two companies to lose substantial amounts of money as a consequence. ■

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Part II organizes Mobil's Public Affairs activities by the publics addressed -- A.) opinion leaders in general, B.) the media, C.) federal and state officials, D.) the general public, E.) the investment community, F.) Mobil's own employees, and G.) foreign governments. The focus is on the overall impact that our programs have had on these publics; where appropriate, a description of current or recent activities is included. Attachments generally follow each section, with some cross-references to other sections.

Impact on Opinion Leaders

Since Mobil began its various expanded Public Affairs programs in 1970, the views of the majority of the American people on certain basic issues -- like the role which government should play in our society, or the best way of assuring the nation of an adequate energy supply -- have changed drastically. This change has come about largely because "opinion leaders" -- those people and institutions that influence the thoughts and actions of others -- have changed their perceptions of national needs.

In helping change these perceptions, Mobil can claim to have played a significant role. Our Op-Ed program and our support for "Masterpiece Theatre," in particular, have enabled the company to become part of the "collective unconscious" of the nation, as the changed views of opinion leaders have gradually molded general public opinion.

Who are the nation's opinion leaders? They include members of government, at the national, state, and local levels. The nation's powerful news media -- print, radio, and most of all television -- are among the most influential opinion leaders. So are members of the academic community and the "think tanks" that generate new ideas which may eventually become part of a national consensus. And so are concerned businessmen who speak up on issues they know about -- as well as representatives of church groups, consumer groups, environmental groups, and others who have opposed business interests.

The impact which Mobil's Public Affairs programs have had on two main groups of opinion leaders -- government and the media -- are documented in greater detail in subsequent sections. But some indication of that impact is afforded by some highlights excerpted here:

° Intensive efforts by Mobil through the Government Relations Department, in conjunction with other companies and the American Petroleum Institute, succeeded in beating back attempts to break up major oil companies in the wake of the Arab embargo, and also to turn back later attempts to prevent the companies from diversifying into alternate energy development.

° Senator Russell Long, then the powerful chairman of the Senate Finance Committee, thought so highly of a full-page Mobil ad criticizing President Carter's energy plan that he distributed copies to every member of the Senate.

° Surveys have shown that newspapers, magazines, and television editors give Mobil higher credibility ratings than they do other oil companies, and that they regard Mobil more favorably than these companies. The surveys show that Mobil materials receive more direct attention from editorial writers, and that they are read, circulated, and used as reference sources.

° Columnists and others with viewpoints from right to left have enthusiastically (or in some cases reluctantly)

expressed support for Mobil views (or at least admiration for the company's outspokenness). (See Attachment 1 a-e for details.)

° Cartoonists, whose stock-in-trade is presenting humorously social and cultural developments of which the public is sometimes only dimly aware, attest to the extent of Mobil's impact by poking fun at our cultural programs and stances on the issues (See Attachment 2 a-c).

But media and government representatives are not the only opinion leaders with which Mobil is concerned. Other companies and leading banks have recognized the value of our materials and the validity of our messages by asking for reprints. Even in small towns, there are opinion leaders -- the local banker, farm-equipment dealer, broadcaster, and more -- and these local leaders were specifically targeted with a 1978 series of ads in publications of service clubs such as Kiwanis and Rotary, as well as in the widely distributed "Observations" column. Over the whole second half of the decade, the interest of such powerful local opinion leaders was directly engaged by Mobil's Speaker Program, in which company executives addressed these service organizations and other local groups. The extent of this effort -- numbers of talks given and the extent of Public Relations backup in the form of pattern speeches -- is summarized in the table on page II-A/4.

SPEAKER PROGRAM

COMPARATIVE FIGURES - 1976-1981

	1976	1977	1978	1979	1980	1981
Total Speeches Given	1,005	1,148	1,155	1,844	1,817	1,488
Radio/TV Interviews	32	25	22	106	69	-
Newspaper Clippings	185	290	320	318	312	354
Total Audience Size	-	60,174	63,250	68,671	-	64,967
Average Audience Size	-	52	55	66	-	44

SPEAKERS PROGRAM PATTERN TALKS

Divestiture Speech - August 1976

"Needed: A National Energy Policy" - December 1976

"Why Look Offshore?" - January 1977 (updated July 1978)

"Energy Problems and the National Energy Policy" - June 1977

"Of Regulations, Revolutionaries, Radicals, and Reactionaries" - May 1978

"Making Sense Out of the Gasoline Problem" - June 1979 (updated August 1979)

"Energy for the '80s" - 1980

"Oil Industry Earnings, Profits vs. Profitability" - August 1980

"Energy & Environment - Tradeoffs for the '80s" - October 1980

"Energy at the Crossroads" - January 1981 (updated April 1981)

"A Clean Air Policy for the '80s" - September 1981

Besides speaking out on the issues, Mobil executives in Public Affairs have been called on to serve, in effect, as management consultants to other companies and organizations on how to run an effective advocacy or cultural campaign. In the past year, we have received invitations from such diverse groups as the National Center for Business and Economic Communication, The Public Utilities Communicators Association and the California Savings and Loan League Management Conference. We have been forced to turn down many requests because of lack of our executives' time.

Members of the academic community continue to request reprints of publications and speeches about our Public Affairs programs, as well as copies of our ads themselves. In 1981, for example, authors, publishers, and colleges (including Princeton University, Baruch College, the University of Iowa, and the University of Missouri) asked permission to use Mobil ads as models in forthcoming textbooks; in addition, an untabulated number of requests were received from graduate students preparing theses and dissertations. Also in the academic community, requests for materials for use in classes, and increased willingness to request and hear company speakers, indicate that Mobil is reaching this powerful set of opinion leaders -- and future leaders -- in a way unimaginable a decade ago.

By its impact on such influential segments of the public, Mobil Public Affairs has been a factor in bringing about a much more

rational discussion of the issues that affect us, particularly that of energy.

# # #

(II-A/Attachment 1a)

Opinion leaders in media and elsewhere discuss
Mobil's Public Affairs/Public Relations

New York Times -- July 17, 1981 -- Leslie Wayne

"The Mobil Oil Corporation has made its mark in the advertising world as a tough media street fighter that has pioneered an aggressive style of advertising in explaining oil industry profits, pricing and policy decisions. Public relations experts have generally given Mobil high marks for its techniques."

Graham H. Phillips -- managing director at Ogilvy & Mather --

"I'm an admirer of Mobil as a whole. They've taken a courageous stance on key issues facing us, and as far as I know they've been effective. Before Mobil's public issues campaign, oil companies took a lot of grief from the press. Our research into the attitudes toward the company shows they've had some success with the managerial segment that reads their ads."

George Will, syndicated columnist, Washington Post -- Sept. 11, 1977

"My dying words -- like those of, I hope, millions of Americans -- will request that the hearse bearing my remains to burial be powered by Mobil gasoline, as thanks for Mobil's support of Masterpiece Theatre on public television."

ABC-TV -- "20/20," Feb. 12, 1981

HUGH DOWNS: So, how much progess is Mobil making, especially in view of the facts that TV networks have turned them down?

TOM JARRIEL: Hugh, they're breaking down old barriers every day. The networks are constantly reevaluating their policies. Most local stations will run the controversial Mobil ads. Some ads are being modified and reaching groups of TV stations. And the Mobil Showcase Network, as it's called, will reach the 50 top market TV stations this year.

HUGH DOWNS: Well, success in this could mean a trend, for companies to sell not only their products, but also to market their ideas as well.

TOM JARRIEL: We've talked to several other oil companies and you know that many other big corporations are looking on with silent admiration at what Mobil is doing. If there's no major public backlash, looking on with silent admiration at what Mobil many firms may soon adopt the Mobil style of public relations.

Speaking of Mobil's Op-Ed ads in the Times, Tom Jarriel said:

"Here, Mobil speaks out in bold and persuasive editorial advertisements. Each and every week on this page and in 10 other top newspapers, Mobil pleads its case before our nation's leaders who routinely turn here for opinions. In these ads, Mobil is not selling oil, it is pushing its point of view on almost every major issue.

Harvard Business Review, March-April 1978, Louis Banks:

"In the past decade, Mobil management has said what it thought and felt about public policy on oil companies, energy, profits, government regulation in general, and other people's business. These messages were conveyed consistently and periodically in short, well-crafted editorial advertisements that came to run in most of the key metropolitan newspapers as close to the editorial pages as possible. When Mobil management believed media reports to be wrong, it bought space to name names and answer back with factual tartness. Mobil's chairman and chief executive officer, Rawleigh Warner, Jr., Schmertz, and others in the company met with editorial boards of principal newspapers and magazines to debate the issues affecting the company and the industry.

"Subtle shifts in editorial points of view are all but impossible to measure, if only because they usually are shrouded in claims of consistency, but I myself believe that the tone of many columnists and editorialists changed under the factual barrage. In discussions of energy matters, the bellwether New York Times, for one, revealed its awareness of the terse, newsy arguments in the small Mobil advertisements tucked into the corner of its op-ed page."

Across the Board -- Randall Poe, September 1980 -- "Masters of the Advertorial: Mobil's extraordinary advocacy advertising campaign is still making tall waves":

"If British TV developed the docudrama (part documentary, part drama) and if Truman Capote confected the nonfiction novel, Mobil is mastering the modern advertorial, a combination sandwich featuring subtle advertising and lusty editorial comment.

"The company's nervy advertising campaign, propelling Mobil's views to the world each week, is heading into its (can it be?) tenth year. Few campaigns, corporate or otherwise, have provoked such applause. And such attack. But Mobil says it's on the battlefield to stay, even if some critics are shooting at its ads as if they were enemy planes.

"Mobil's calculated campaign underlines a major turning point in corporate communications strategy -- the discovery that the media are not vague, alien irritants but vital power sources, to be used."

Marvin Kitman, syndicated columnist, Newsday -- Nov. 20, 1977

"At the risk of being a sell out, today I would like to thank the oil companies. As a special Thanksgiving 1977 tribute, I offer my thanks for past favors and future bounties. May the contributions multiply. I will be buying an extra cup of gas, driving the extra mile this holiday weekend in honor of the oil companies who gave.

"The Honor Roll (in order of contributions to American culture):

1. Mobil
2. Exxon
3. Arco
4. Gulf
5. Texaco"

Marvin Kitman, Newsday, February 28, 1982, "Mobil's and other ways to clear the air":

"Mobil is a zany, off-the-wall, wild and crazy oil company when it comes to TV. It does idiosyncratic things, like running long commercials. In this 30-second age, anything longer seems like a special. Mobil does two-and-a-half-minute commercials that play like mini-series. It is the company that did those fables about economics and the oil supply situation, which drove many up the wall. Yet it hired fine dance companies and artists who never work in TV. Which makes it a true patron of the arts.

"Mobil is the one, also, which does those ersatz newscasts that fake you into thinking you're watching an NBC or CBS newsbreak at 8. The people at Mobil sure are the most creative thinkers about advertising in the field today: Bright, innovative, and sometimes surprising -- call it showmanship. When it comes to basic showmanship, Madison Avenue is Dumbsville."

Christian Science Monitor -- August 1, 1978 --

> "Mobil has made its name synonymous with the best in drama. Their communications people are tops at identifying what image to promote to what audience, and public TV is part of that system. If there were 10 companies in America with the communications sophistication of Mobil, our problems would be solved."

Boston Globe -- April 2, 1980

> "Most big multinational companies, the IBM's and ITT's and Xeroxes, advertise only for 'institutional' visibility, that is, to maintain a good public image.... Mobil has made the biggest name with 'Mystery,' 'Masterpiece Theatre,' 'Edward the King,' 'Edward and Mrs. Simpson,' 'Ten Who Dared,' and other ventures, even though it reportedly spends only about $20 million a year on television, a fifteenth of what Procter and Gamble does."

Nicholas Van Hoffman, syndicated columnist, Washington Post -- November 18, 1977

> "Mobil Oil is picking up the tab for the Public Broadcasting Service's presentation of Robert Graves' 'I, Claudius'. The series is so much finer than any of the dull dramatizations of harsh fiction on commercial TV, you do yourself a disservice if you don't tune in....
>
> "It appears that what PBS has become is a very inexpensive way to do institutional advertising to a group with premium demographics: high income, high status, high educational types who've been burned by commercial TV too often to watch it anymore."

Dallas Times Herald -- Tom Jory -- 1981

> "Mobil has, in fact, spent about $16 million on the Showcase Network, with notable success. 'Edward the King,' broadcast last year by about 50 stations, many of them network affiliates, did well in the ratings. That had to rankle CBS, which originally held rights to the British made series.
>
> "There's no question the link with public TV has not hurt Mobil's image.... There has been little adverse reaction to Mobil's excessive underwriting on public TV, though PBS has been needled as the Petroleum Broadcasting Service for its reliance on support from oil companies like Mobil, Gulf and Exxon."

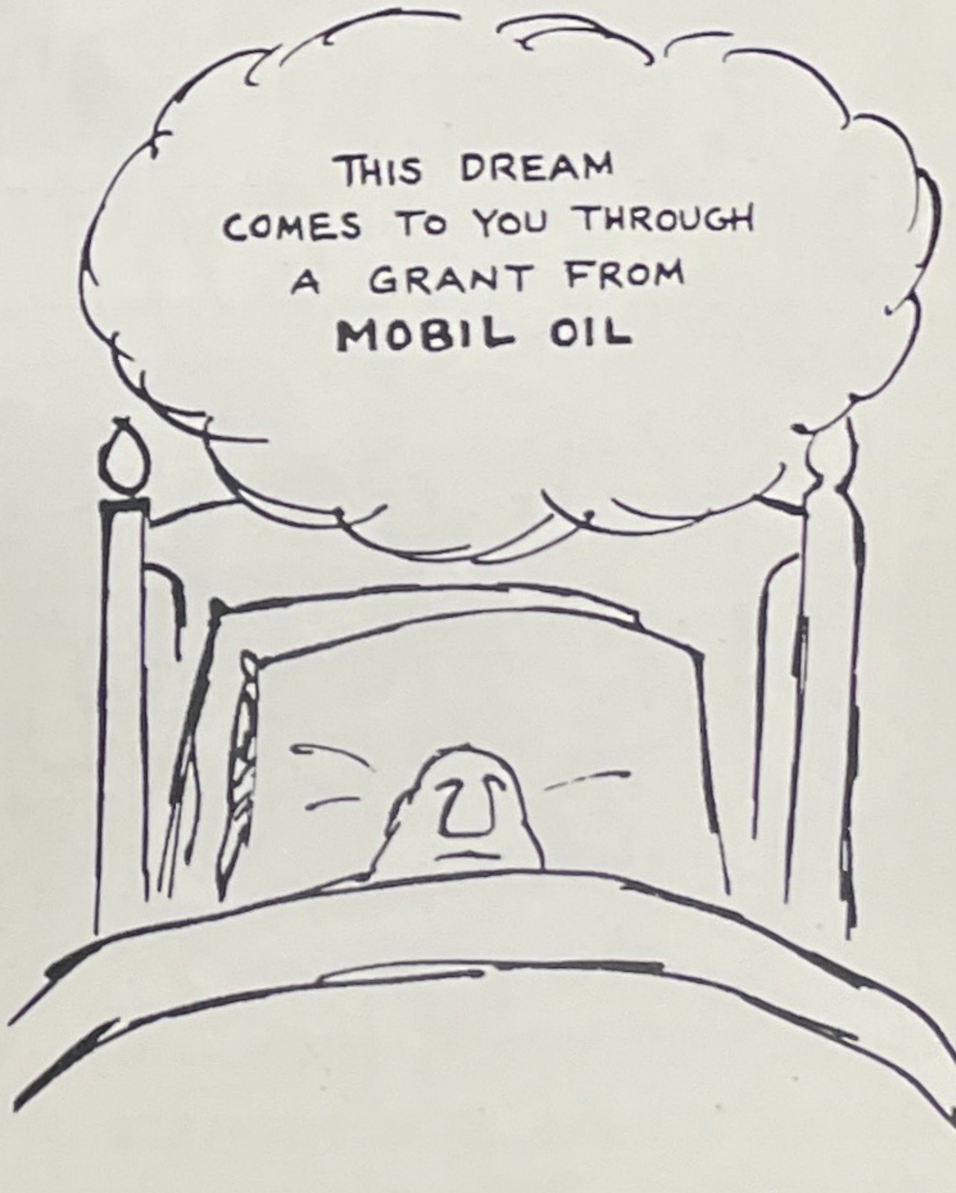
Madison Avenue Magazine, January, 1976:

"The facts are well known. Mobil foresaw the energy crisis. Given the long-term problem of petroleum shortages, the company decided it was inappropriate to go on promoting more and more consumption of gasoline -- even with a highly successful 'Mr. Dirt' advertising campaign running on TV and radio. Pro- claiming that the American public must develop 'A new national ethic' about using energy, Mobil announced on July 21, 1973 that it was discontinuing its gasoline advertising. This was more than three months before the events of the October War and subsequent embargo dramatized the problem, and the fact that the industrial nations no longer were in control of the situation.

"Cancelling its product advertising, Mobil did not fall back into a mute, inglorious silence. Intensifying the aggressive public-affairs stance which the company began in 1971, it has literally poured dollars into an exceptionally coordinated range of activities -- designed simultaneously to inform and influence a wide gamut of audiences and to position the company as a benevolent cultural force in American society.

"The spare Mobil graphics adopted by the company in 1966 have been more visible, rather than less. If any company 'owns' the Op-Ed position in The New York Times, it is Mobil -- running there every Thursday. Humorists have had fun with the way Mobil virtually pre-empted underwriting of public TV.... Commercial sponsorships...have garnered praise for their quality, while carrying the omnipresent but always low-key Mobil identity. Perhaps less consciously recognized is the enormous amount of public relations support which merchandises all these Mobil programs, and positions, to the country."

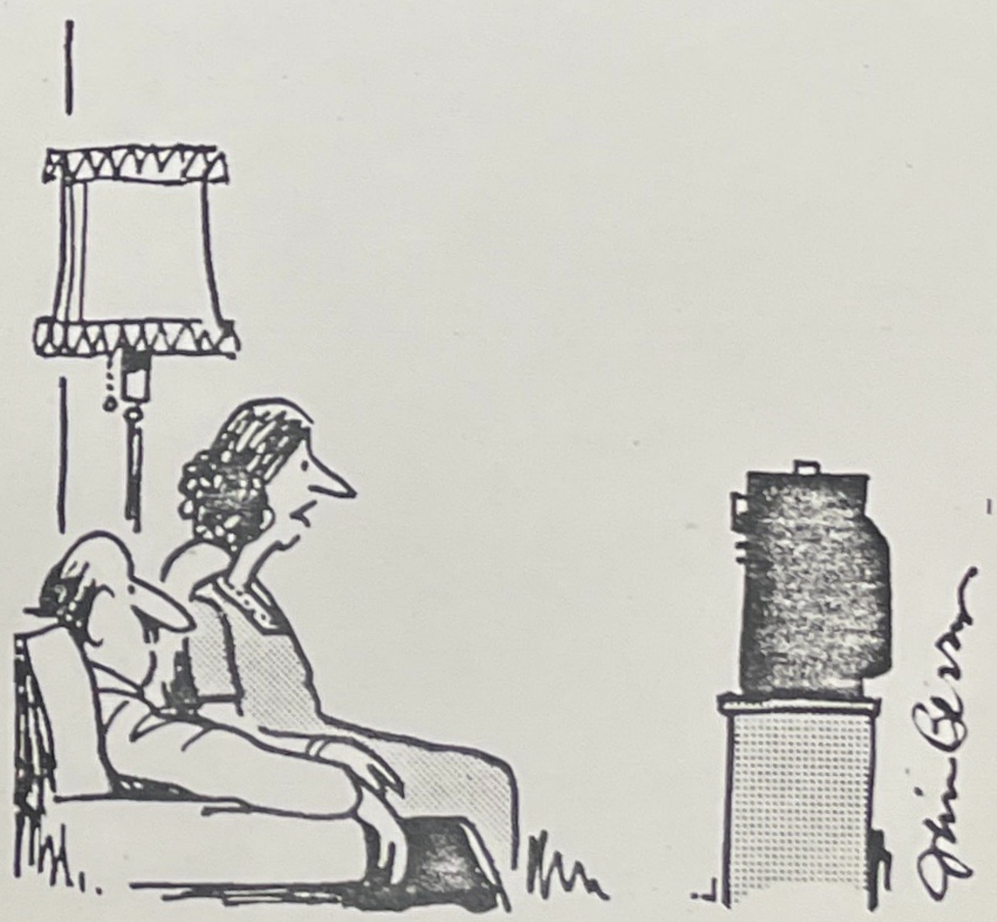
"IT'S PERFECTLY SIMPLE. YOU WANT TO BE LOVED. I WANT TO BE LOVED. MOBIL OIL WANTS TO BE LOVED."



5/18

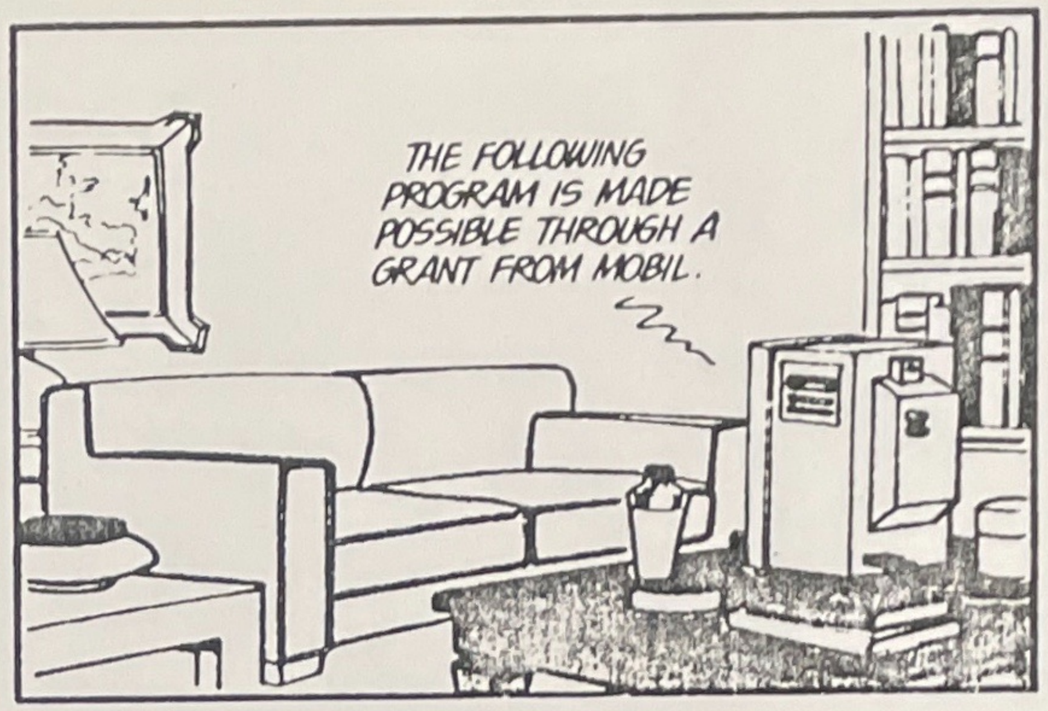
"THESE OCEAN SOUNDS ARE BEING BROUGHT TO YOU THROUGH A GRANT FROM MOBIL."

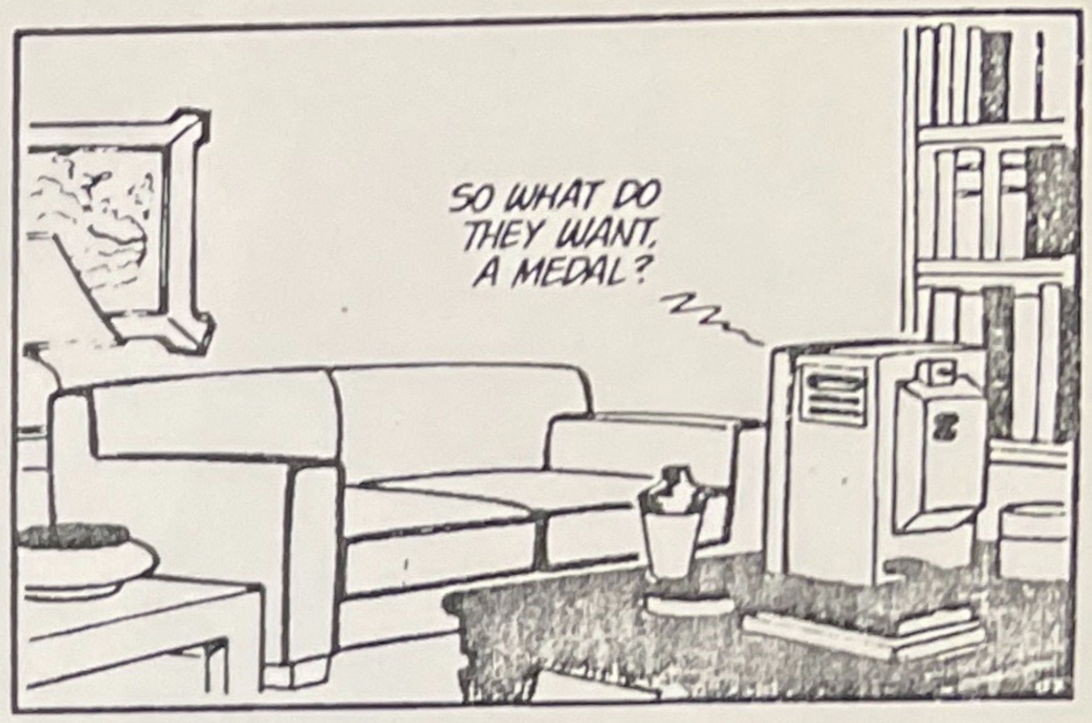
"THAT'S MR. PANASOVICH, DEAR. MR. PANASOVICH WAS MADE POSSIBLE BY A GRANT FROM MOBIL OIL."

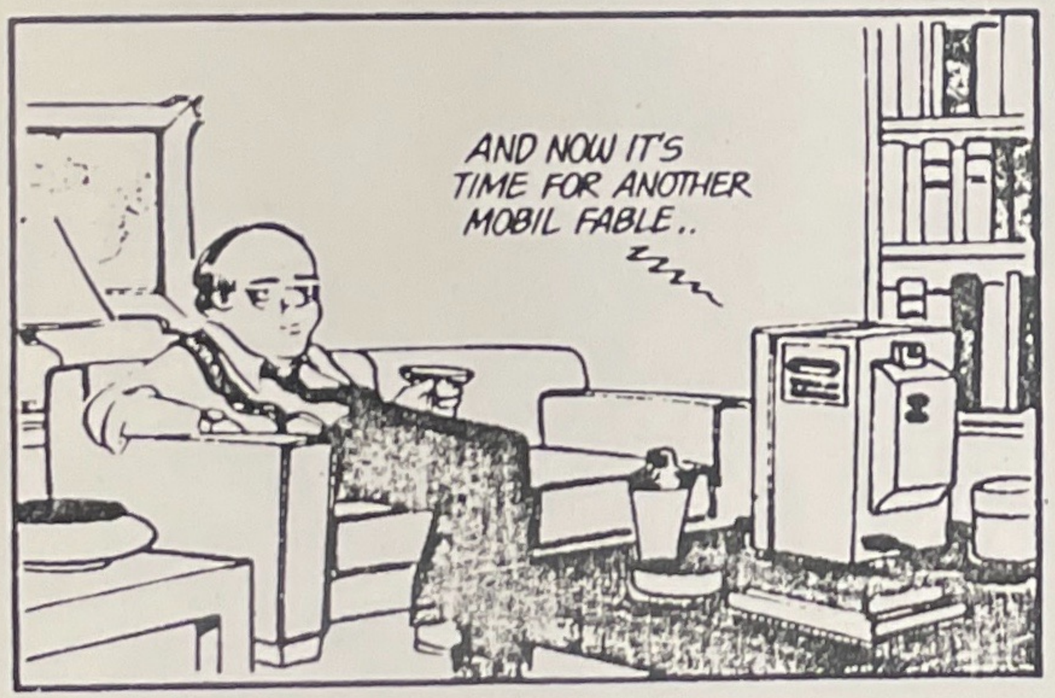


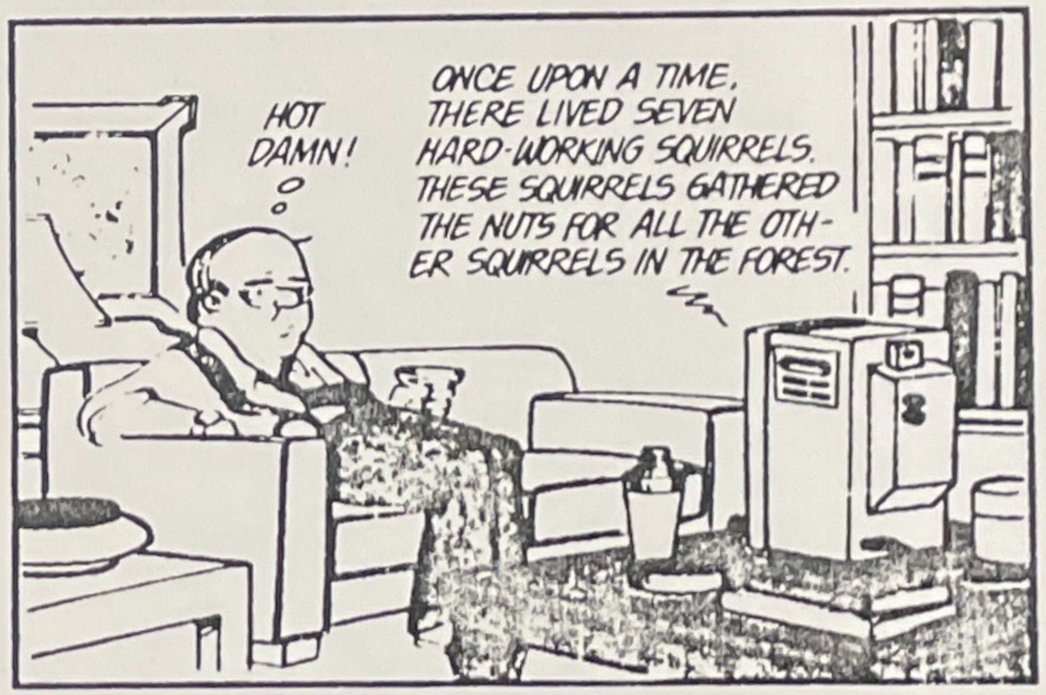
"SOMETIMES I WONDER IF <u>EVERYTHING</u> ISN'T MADE POSSIBLE BY A GRANT FROM THE MOBIL CORPORATION."

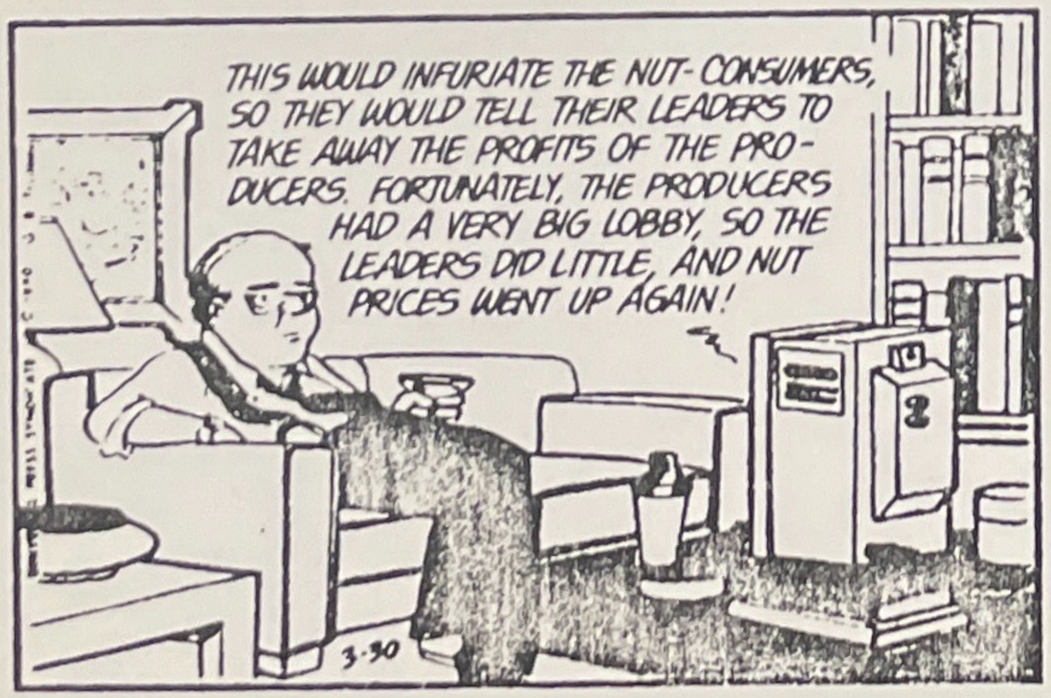
DOONESBURY
by GB Trudeau.

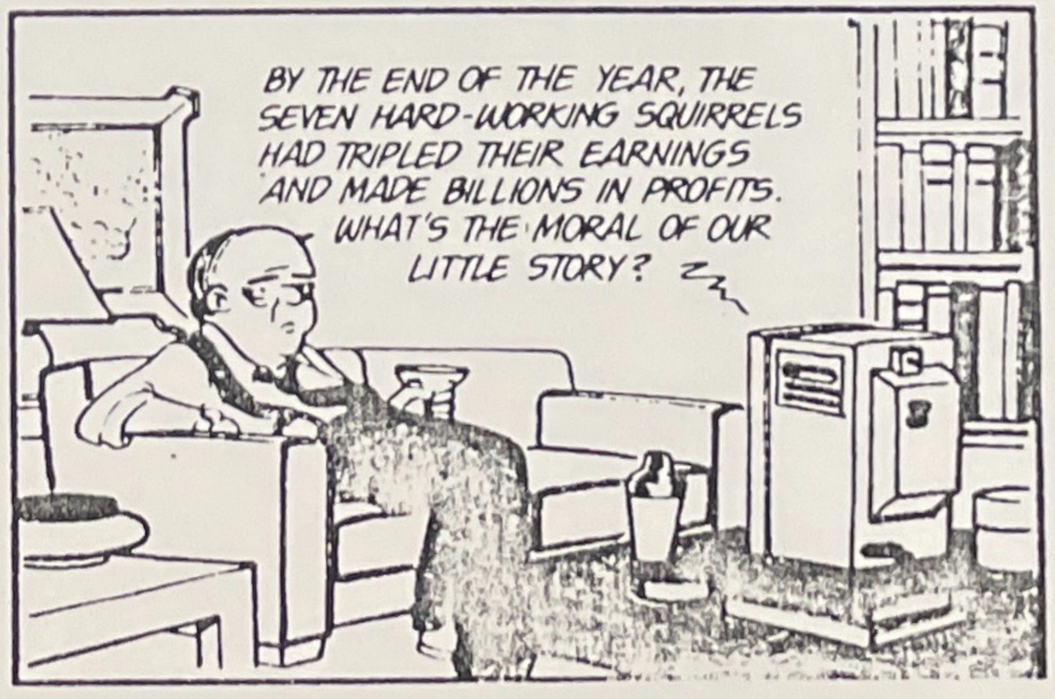


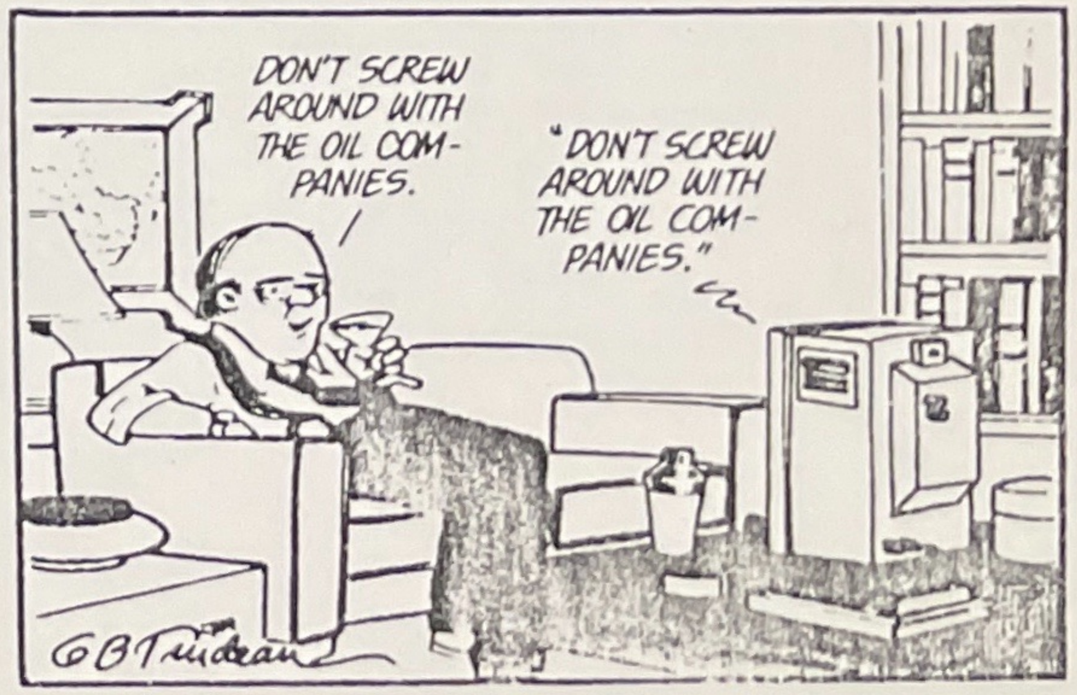












(II-A/Attachment 2c)

Impact on the Media

In the 12 years since Mobil embarked on its present public relations program, there is strong evidence that its impact on the media, though difficult to measure in precise terms, has been substantial and favorable from the viewpoint of the company and the oil industry.

In broadest terms, this trend has manifested itself in a higher regard among editors for Mobil's positions and statements, in their choice of Mobil as the company to interview when preparing energy-related stories, in Mobil's increased credibility among journalists, and, in at least one measured instance, closer agreement with Mobil's positions in the editorial stance of a major newspaper.

This analysis, prepared for the guidance of the Public Affairs Department, compared the energy viewpoints of New York Times editorials with those in Mobil's Op-Ed ads since 1970 (Attachment 1). It showed that over the 10-year period, the Times has altered or significantly softened its viewpoint to positions similar to Mobil's on at least seven key energy issues:

Conservation
Monopoly and Divestiture
Decontrol
Natural Gas
Coal
Offshore Drilling
Gasohol.

Mobil's own analysis concedes that "it is impossible to assume any direct correlations between Mobil's ads and the Times turnabouts, since so many other influences could affect the thinking of editorial writers." But the evidence indicates that, by

speaking out on important issues and establishing that all-important dialogue over the past 10 years, not only with the Times, but with legislators, educators, and opinion leaders in general, Mobil has played an important role in affecting the Times' position and changing opinions elsewhere.

Louis Banks, writing in the Harvard Business Review of March-April 1978, summarizes what appears to have taken place:

> "Subtle shifts in editorial points of view are all but impossible to measure, if only because they usually are shrouded in claims of consistency, but I myself believe that the tone of many columnists and editorialists changed under the factual barrage. In discussions of energy matters, the bellwether New York Times, for one, revealed its awareness of the terse, newsy arguments in the small Mobil advertisements tucked into the corner of its op-ed page."

Building on the original Op-Ed ads, and using other accepted public relations techniques -- as well as some novel ones, molded to Mobil's specific needs -- a comprehensive Public Affairs program has evolved. It includes other advertising formats, such as "Observations," face-to-face meetings with journalists, and media "blitzes" in which members of top management have visited major cities to confer with editors and appear on local TV and radio. It is this combined impact, directly on the media or indirectly through persuasion of other opinion leaders, which has influenced the media climate.

In a sense, the media themselves acknowledge this with their own references to Mobil's Public Affairs program. General newspaper articles making reference to this program rose from two in 1973 to

41 in 1978. Significantly, too, six newspaper editorials about the Public Affairs and advocacy programs appeared between 1976 and 1978, and five major magazine articles about it were published during approximately the same time frame. In effect, the media were talking about Mobil's entry into the national dialogue. Typical of these were articles published by Fortune ("Public Relations Isn't Kid-Glove Stuff at Mobil" -- Attachment 2), The Wall Street Journal (Attachment 3), and, especially, Advertising Age when it named Rawleigh Warner, Jr., as "Adman of the Year" for 1975 (Attachment 4). A major coup was a 1981 segment of ABC-TV's "20/20" program, depicting Mobil's Public Affairs activities, more fully described on pages II-B/13-14.

One possible way to gauge the response of the media is through their acceptance of Mobil as a spokesman on energy issues. During a typical recent week, the Media Relations section handled more than 100 press inquiries, more than twice the volume four years earlier. While the statistics may vary from week to week, relations with the media have been steady and active throughout the years. One notable example was a front-page story in The New York Times. It followed Mobil's 1979 Annual Meeting in Kansas City, at which Mr. Tavoulareas spoke about deregulation of oil and the Windfall Profits tax, and the Times reported Mr. Tavoulareas' remarks at length.

Mobil regularly plays host to editorial staffs of key publications at media luncheons at headquarters. In addition, most of the top executives, ranging from Chairman Rawleigh Warner, Jr. to other

key directors and managers, have been on media "blitzes," mentioned earlier. In a typical blitz, one of the executives visits a city, meeting the editorial boards of the leading newspapers and appearing on two or three television or radio programs. Within the single two-year span from 1975 to 1977, executives talked to 120 newspapers and appeared on more than 200 radio shows and in 360 TV interviews. It should be pointed out here that none of these media is under any obligation to listen to Mobil's executives or to publish or air their views. Obviously, our people were interviewed because the media had come to expect worthwhile comment from Mobil.

Nor does Mobil seek to overwhelm the media with irrelevant issues or product publicity. The three major media blitzes were addressed to issues that demanded an all-out effort on Mobil's part: 1) Divestiture, 2) a National Energy Plan, and 3) Is America Running Out of Oil and Gas? This selectivity may well be part of the enhanced credibility Mobil has achieved among the media.

This credibility was demonstrated in 1977 through an independent survey conducted by Opinion Research Corporation, examining the attitudes of the news media toward 23 major corporations, including Mobil, Exxon, Shell, and Texaco. The sample included 182 editors at major newspapers, magazines, wire services, and television and radio stations.

Findings showed that the editors regarded Mobil more favorably than they did the other oil companies. In fact, Mobil received higher favorability ratings than most of the 23 companies, including many

in industries not normally subjected to harsh media examination. It ranked fifth overall behind AT&T, Ford, Sears Roebuck, and General Motors.

Mobil ranked second only to Exxon among the oil companies with which the editors said they were most familiar. Exxon was named by 37%, Mobil 32%, Shell and Texaco by 20%. However, among a special sub-segment of 40 editors considered "most knowledgeable" about the oil industry, Mobil was both best known and most highly regarded.

"Most Knowledgeable" Editors

	Best Known %	Best Regarded %
Mobil	73	40
Exxon	65	30
Texaco	65	20
Shell	63	20

Mobil received higher ratings on credibility than any of the other oil companies. To probe the credibility question further, ORC focused on the issue of divestiture and asked the editors to name any oil company that came to mind, not just any of the four being studied. ORC commented:

> "Especially remarkable is the credibility that Mobil has achieved among the news media on the divestiture issue: 35% of editors mention Mobil as doing the best job of providing credible information, 21% mention Exxon, while only 4% mention Shell, and even fewer mention the other major oil companies."

The ORC study included a breakdown of demographics, and the findings reflected the special effort of Mobil Public Relations to reach opinion leaders -- in this case in the media -- in the country's two main news centers -- Washington and New York. (Journalists also

were included among a larger group of opinion leaders in government surveyed by the Rowan Group; these are included in the following section, Federal and State Officials.) On the ORC question of which company was regarded most favorably, Mobil was rated well above all the other 22 companies in the survey by the editors in New York, and none exceeded Mobil's rating with the Washington editors.

In the conclusion of the survey findings, ORC found that the oil industry improved its relations with the news media during 1976, and it cited Mobil's public relations efforts as a major reason for that improvement.

Part of the problem with the media's relations with the oil industry was the lack of expertise in matters of energy prevalent among the nation's newspapers and broadcasters. There were few if any "energy specialists" among the nation's journalists. The embargo of 1973-74 caught the media unawares. Those assigned to energy coverage caved in to rumor, innuendo, and suspicions while rejecting the ordered and logical explanations of the oil industry.

Mobil set out to play an active role in their education. The media luncheons were one facet of this effort. Patient attention by the Media Relations department to journalistic inquiries was another. Mobil's news releases were a third. And while the Op-Ed advertising program was directed primarily at opinion leaders, the appearance of these messages in responsible newspapers also served to alert reporters and editors to the kinds of issues they should address in those critical times.

By 1978, this seemed to have been accomplished in large measure, according to a survey made by a staff member of the American Petroleum Institute assigned to Mobil. He canvassed editorial writers for 52 major newspapers for their evaluation of the materials they receive from Mobil: selected news releases, reprints of Op-Ed ads, speeches and testimony by Mobil executives, and Mobil pamphlets and booklets on various issues. Following are the conclusions drawn from the survey:

1. Mobil materials receive the direct attention of editorial writers. They are read, circulated and used as a reference source.

2. The overwhelming majority of editorial writers find the Mobil materials useful and closely related to editorial needs.

3. Many editorial writers are impressed by Mobil's public relations and press relations efforts and by the quality of Mobil materials. Many feel Mobil is doing "the best job" among oil companies in stating positions on national issues.

Nearly all the editorial writers were familiar with the Mobil materials and were able to discuss particular items in a knowledgeable fashion. The overwhelming majority found the materials useful and closely related to their editorial needs. Many praised the quality of the materials, both for style and content. Eleven out of 52 commented that Mobil was doing "the best job" among oil

companies in speaking out on issues and was "the most effective" in working with the press. They had few critical comments for Mobil. Most criticism dealt with the petroleum industry as a whole and suggested a need for more objective, factual materials and less rhetoric and fewer "self-serving" arguments. Some specific findings:

-- 49 out of 52 editorial writers found the Mobil materials useful to some degree.

-- 37 out of 52 felt that they receive the "right amount" of Mobil materials. Only one felt Mobil sent "too much" material and only two complained of receiving "too little".

-- 39 out of 52 felt that the Mobil materials met their editorial needs. An additional 11 felt that the materials met their needs "on occasion" or "depending on the issue". Many editorial writers commented favorably on the quality of the Mobil materials, while noting that they did not always agree with Mobil positions on issues and that the materials, by themselves, would not determine editorial positions.

-- All 52 editorial writers received some material from petroleum industry sources: major oil companies, the American Petroleum Institute, state petroleum councils, or independents and smaller companies. Eleven out of 52 said Mobil was "the main source of information on the petroleum industry". Twenty-eight out of 52 reported that materials came from "many oil companies," and eight of those 28 said the Mobil materials were "the best".

-- Asked if they had any additional comments or thoughts on Mobil's efforts, 11 out of 52 writers remarked favorably on Mobil's public relations and press relations efforts. They said that Mobil is the "most active" oil company in "seeking out" the press, that Mobil is the "leader of the industry" in public relations and communications with the press, and that Mobil's ads are "excellent -- the best material Mobil issues".

While the emphasis in such efforts must, ethically, be on education of journalists rather than blatant currying of favor, there is some value in addressing journalists -- and journalists-to-be -- directly -- i.e., to let them know what Mobil is doing and why the company is doing it. Typical of this approach were some lively illustrated advertisements that appeared in the Columbia University Journalism Review, a publication of the Columbia Graduate School of Journalism. Each ad invited readers to call Mobil's media spokesman personally to discuss the energy issues raised (Attachments 5a and b).

The result of all these efforts to educate and influence the media was not only dramatized by the statistics of the ORC and the API staffer's surveys, but also proclaimed directly by The New York Times on July 17, 1981:

> "The Mobil Oil Corporation has made its mark in the advertising world as a tough street fighter that has pioneered an aggressive style of advertising in explaining oil industry profits, pricing and policy decisions. Public relations experts have generally given Mobil high marks for its techniques."

The process of persuasion must begin, however, with the breaking down of barriers to free expression -- and there were two barriers: 1) the relative lack of understanding among TV journalists of the energy situation and the way the oil industry operates, and 2) access to TV itself.

This was most vividly illustrated in March 1976, when WNBC-TV (Channel 4, New York) aired a full-week series of news analysis segments on oil. It was so rife with misstatements, misrepresentations, and outright falsehoods that Mobil felt constrained to reply on the air. When the station refused such access, Mobil was forced to respond in the print media, specifically with a full-page advertisement under the title of "Whatever happened to fair play?" and better known as the "hatchet ad" (this and other case studies are included in Attachment 6).

Since access to television, notably the commercial networks, was constrained, an educational process was in order. In 1974, Mobil made its first attempt to use network television as a medium for advocacy advertising. For the occasion, it prepared the following commercial, focusing pictorially on a stretch of seashore with the ocean beyond (again, see Attachment 6):

Announcer's voice - "According to the U.S. Geological Survey, there may be 60 billion barrels of oil or more beneath our continental shelves.

"Some people say we should be drilling for that oil and gas. Others say we shouldn't because of the possible environmental risks. We'd like to know what you think.

"Write Mobil Poll, Room 647, 150 East 42nd Street, New York 10017.

"We'd like to hear from you."

But bland as it was, the commercial was turned down by CBS and ABC. Only NBC accepted it.

With the battle thus joined, Mobil's Public Affairs Department embarked on a sustained campaign of articles and speeches expounding the belief that the protection of the First Amendment extends to the corporate voice as well. Over the years, the climate brightened to the extent that ABC recently decided to experiment with late-night advocacy advertising -- a logical, though inadequate, sequence.

This theme of media access has been argued by the Public Affairs Department; it published several tracts dealing with the First Amendment as it applies to the corporate voice, as well as to articles on that subject in a number of leading magazines and newspapers. Mr. Schmertz and other members of the department also have given speeches on the subject.

The debate was heightened in 1978, when the landmark "Bellotti" decision was handed down by the U.S. Supreme Court. While Bellotti

vs. First National Bank of Boston did not involve the oil industry, it dealt directly with the corporate right to speak out on public issues and opened entirely new vistas to the corporation engaged in such dialogue. The American Management Association requested that Mr. Schmertz author a monograph on the relevance of the "Bellotti" case, and the booklet was well received.

Along the way, other milestones indicated that the media were coming around gradually to Mobil's point of view. Mobil's series of Public Service Announcements, in which third-party commentators spoke on issues such as profits, gasoline prices, offshore drilling, federal lands, and environmental protection, has been carried regularly by about 175 radio stations, reaching about 20 million people. Similarly, two-minute news clips in which Mobil people discuss important issues, have found wide acceptance among TV news shows.

A major breakthrough came in 1980, when Mobil arranged to have its issue-oriented "fable" commercials aired on 54 independent stations and network affiliates in the top 50 markets comprising the Mobil Showcase Network. These messages, aired in conjunction with the "Edward and Mrs. Simpson" series, reached about 22 million viewers, won two of the advertising industry's "Clio" awards, and were the subject of a Time magazine story.

Since then, Mobil created the series of "Mobil Information Center" commercials for broadcast on Independent Network News and Metromedia stations. These commercials, seen by about 50 million viewers

a month, were undisguised Op-Ed-type messages conveying the Mobil viewpoint on energy issues. Special expanded versions of these commercials were also shown during the 1981 season of the Mobil Showcase Network.

There are other examples of journalistic acceptance of Mobil as a living voice in the national forum. When CBS' "60 Minutes" opened its 1981-82 season with a show of self-examination, it invited Mr. Schmertz to participate as the only non-journalist panelist.

But perhaps the biggest media victory was the turnabout at ABC's "20/20" program. On August 8, 1978, "20/20" had devoted a segment to what purported to be an even-handed analysis of pending legislation to deregulate natural gas. The presentation, to which Mobil was not invited to contribute material or viewpoints, was shot through with inaccuracies, misrepresentations, and innuendo, apparently taking full advantage of the public's lack of knowledge about the complexities of natural-gas pricing.

So offensive and potentially dangerous was the program segment that Mobil felt constrained to set the record straight with a two-page advertisement titled "ABC-TV's '20/20' needs its eyes examined" (Attachment 7). Mobil's ad, which appeared in leading daily newspapers across the country, also cited other instances in which "20/20" either erred grievously or was chided by critics for its dangerously superficial content.

Two-and-a-half years later, on February 12, 1981, Mobil figured in another "20/20" segment. Its producers had proposed taping a segment specifically about Mobil's Public Affairs and advocacy program. Since Mobil had no review power over the segment, its favorable tone must be regarded as a belated mea culpa on the part of the ABC-TV show.

Mr. Schmertz, interviewed at length, appeared on the segment, as did Mr. Warner in one sequence, along with such observers as New York Times' TV critic John O'Connor and such outright Mobil foes as Ralph Nader. Following unfettered give-and-take, edited by "20/20" with no prodding from Mobil (Attachment 8), the segment concluded with the following observation by Tom Jarriel, one of its reporters:

> "We've talked to several oil companies and you know that many other big corporations are looking on with silent admiration at what Mobil is doing. If there's no major public backlash, many firms may soon adopt the Mobil style of public relations."

As to that final question -- is Mobil's public relations effective, or just provocative? -- other media observers have answered: "Yes, this approach does work." (See quotations, II-A/Attachment 1.) Milt Moskowitz, a columnist who is no great friend of our company or industry, summed up the affirmative view in a recent San Francisco Examiner column:

> "Not all advertising succeeds -- at least it's hard to prove that it does -- but this campaign has worked. Mobil has surely established for itself a solid reputation as the obstreperous kid of the oil business, the one who doesn't mind saying out loud what the others are saying behind closed doors."

OP-ED IMPACT STUDY

A Comparative Analysis of Energy Viewpoints in The Op-Ed Advertisements and The New York Times Editorials 1970-1980

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Describing the original goals of Mobil's series of Op-Ed advertisements in a 1974 speech, Rawleigh Warner, Jr. commented:

> "We have our difference of opinion with various of the newspapers in which we are buying space. But what we are trying to do in the mass media is to broaden the spectrum of information and viewpoints available to the American people, to help them reach the conculsions necessary to sound public policy in a deomcratic society. We believe the continued viability of our open society depends heavily on robust debate and controversy in the marketplace of ideas."

A study comparing the energy viewpoints of The New York Times editorials to those in Mobil's Op-Ed advertisements since the series' inception in 1970 suggests that Mobil is meeting these goals. Not only is the company presenting its opinion to key opinion leaders, but it has been engaging in continuing debate with The New York Times, itself. In fact, the paper has even changed to positions similar to Mobil's on at least seven key energy issues.

Our analysis shows that the Times has altered or significantly softened its viewpoints on:

Conservation -- moving from total reliance on conservation to advocating increased production incentives to solve the supply shortage.

Monopoly and Divestiture -- moving from approving a breakup of the oil companies to opposing divestiture.

Decontrol -- moving from opposing decontrol to urging phased deregulation.

Natural gas -- moving from urging price controls to endorsing a speed-up of deregulation and decontrol of new gas prices.

Coal -- moving from advocating strict environmental safeguards to suggesting more relaxed controls.

Offshore Drilling -- moving from valuing environmental concerns at the expense of exploration and development to urging accelerated offshore drilling.

Gasohol -- moving from increased subsidies for gasohol production from grain to arguing against such subsidies.

In several of these cases, the Times and Mobil had have actually addressed each other directly. And even when in disagreement, a dialogue has developed on issues, such as the windfall profits tax.

Given the complex and dynamic nature of the issues, tidy, provable, conclusions are difficult to draw. It is impossible to assume any direct correlations between Mobil's ads and the Times' turnabouts, since so many other influences could affect the thinking of editorial writers.

Still, there is enough circumstantial evidence to suggest that, by speaking out on its views, Mobil has been a key factor affecting the Times' positions. And, perhaps most important, the company has certainly spurred the kind of debate the Times itself has praised -- in an editorial lauding Rawleigh Warner, Jr. for Mobil's support of phased decontrol -- as "important to the health of the democratic process."[2]

[1] Speech before Edison Electric Institute, June 3, 1974

[2] Editorial "Mobil Says No," August 26, 1975

CONSERVATION

THE NEW YORK TIMES MOVES FROM TOTAL RELIANCE ON CONSERVATION...

January 27, 1974:

> "[Mr. Nixon's] Set of Proposals Strikes Us as Unbalanced in Favor of Increasing Energy (Especially Oil) Supplies and as Doing Too Little to Restrain Consumption..."

TO ADVOCATING INCREASED PRODUCTION...

October 6, 1974:

> "A Conservation Program Aimed at Reducing Dependence on Imported Oil Should be Reinforced by a Strong Program to Increase Domestic Fuel Production."

Both Mobil and The New York Times have always agreed that conservation is important -- but disagreed on just how important.

Throughout 1972 and much of 1973, the Times encouraged retarding energy demand while Mobil ran at least 15 Op-eds taking essentially the same tack (i.e., Oil is Precious, Let's Not Waste It., 19 Ways to Save Money and Energy without Even Leaving the House, etc.).

The two began to differ during the end of 1973 and early part of 1974 when Mobil advocated increased production along with conservation but the Times backed conservation almost exclusively. A January 27, 1974, Times editorial faulted Nixon's new energy program for its production incentives:

> "The American people can be advised and encouraged to conserve even more and at the same time to insist on preserving the hard-won environmental gains that have been achieved in these past few years...This set of proposals strikes us as unbalanced in favor of increasing energy (especially oil) supplies and as doing little to restrain consumption, both for resource conservation and environmental protection. Mr Nixon's proposals also offer...excessively large rewards to the oil industry without adequate concern about consumer interest."

Then, a five part editorial in the Times appeared September 22, 1974, which also focused on conserving, rather than developing domestic fuel sources. In response, on October 6, 1974 (Nuts and Bolts, Please?), Mobil criticized the Times directly, arguing that conservation should be accompanied by increased production of oil and gas.

That same date, the Times altered its position in an editorial stating:

> "A conservation program aimed at reducing dependence on imported oil should be reinforced by a strong program to increase domestic fuel production."

Mobil was pleased enough with the Times' shift to comment on it in an Op-ed on October 20, 1974 (Next Batter, Please). It also urged the Times to further detail its policies for energy development. The Times did not respond and continued to stress conservation measures, including gas taxes and credits and rebates for insulation, throughout the decade. But thereafter, it also always emphasized supply development as well as conservation.

MONOPOLY AND DIVESTITURE

THE NEW YORK TIMES MOVES FROM APPROVING A BREAK-UP OF THE OIL COMPANIES...

July 23, 1973:

> "A Breakup on These Vertically Integrated Companies...Could...Build in More Levels of Open Competition and Thus Create More Free Market Pressures on Prices Than the Present Integrated Structure."

TO OPPOSING DIVESTITURE AS AGAINST THE NATIONAL INTEREST...

June 21, 1976:

> "Divestiture Might Result in Greater Costs than Benefits to the U.S....The American Oil Industry...is Less Concentrated Than Many Other American Industries."

Mobil and The New York Times started out on different sides of the divestiture issue. Mobil's first Op-ed ads concerning any potential monopoly by large oil companies appeared on February 16, 1973 (43,141 Companies have a Monopoly on the U.S. Oil Business), and noted that substantial competition existed in the industry. But, in an editorial on July 7, 1973, entitled "The Monopoly of Oil", The Times disagreed, stating that while oil companies had not conspired to raise prices, the energy field was not competitive enough:

> "It seems undeniable, however, that the peculiar economics of the oil industry, grown up over the last half century, are a considerable cause of the inefficiency and inequity in the international system of distributing energy...
>
> A possible outcome of the Government action might be a break-up of these vertically integrated companies. This result would constitute no guarantee against rising prices of all petroleum products... it could, however, build in more levels of open competition and thus create more free market pressures on prices than the present integrated structure."

During 1974 and 1975, Mobil presented several ads explaining the need for large integrated companies in the energy field (Don't Shoot the Piano Player; Big Oil, Little People, etc.). And in the first half of 1976 alone, in response to congressional action, the company ran five ads focusing on the topic (Fable for Now: Of Mice and Mammoths, Voices of Reason, etc.).

On June 21, 1976, the Times changed its stance. In an editorial "Wrong Way on Oil," it stated:

> "Divestiture might result in greater costs than benefits to the United States --and to consumers. It might even strengthen rather than weaken OPEC...
>
> The American oil industry, while no model of perfect competition, is less concentrated than many other American industries.... There is much evidence that the oil companies have competed vigorously for markets and access to new reserves. The industry's profits have, over the years, also been about average...."

Mobil reprinted the editorial on July 15 and continued to speak out against divestiture through 1976 (What Would Oil Dismemberment Do?, Oil is Not a Cottage Industry, etc.). The Times never addressed the issue again, and Mobil did not return to it except once in 1979 (Senator Metzenbaum Ought to Know Better).

DECONTROL OF CRUDE OIL

THE NEW YORK TIMES MOVES FROM OPPOSING DECONTROL AND FAVORING GASOLINE RATIONING...

December 1, 1973:

> "Simply Permitting Prices to Rise as High as a Jittery Market Will Take Them Would Open Up a Limitless Bonanza for Oil Companies...It Would Be Far Wiser to Ration Demand for Gasoline."

TO URGING PHASED DEREGULATION...

June 12, 1975:

> "President Ford Now has No Alternative but to Follow-up His $2 a Barrel Oil Import Fee with the Price Decontrol Measure..."

AND LAUDS RAWLEIGH WARNER, JR.:

August 26, 1975:

> "The Letter Sent to Members of Congress by Mobil's Chairman Rawleigh Warner, Jr. is Notable for Both Its Sound Economics and Its Openess...Mr. Warner Makes It Plain That He Feels Phased Decontrol...is the Right Answer From the Standpoint of the National Interest."

A major battle with The New York Times concerned decontrol of oil prices. When the oil companies were attacked for excessive profits in the early Seventies, Mobil ran a number of Op-Eds explaining that higher prices were needed for capital formation and reinvestment. (If We Tell You Oil Companies Don't Make Enough, We Just Spent Three Months' Profits in One Morning; In Profitability We've Slipped to 400, etc.). Meanwhile, the Times argued against decontrol and for gasoline rationing, as in a December 1, 1973, editorial:

> "Simply permitting prices to rise as high as a jittery market will take them would open up a limitless bonanza for oil companies. It would be far wiser to ration the demand for gasoline through a combination of higher taxes on the consumer and issuance of coupons permitting all individuals and families to buy a necessary minimum amount of gasoline."

By March 26, 1975, the Times was also backing Professor Morris A. Adelman's recommendation that the country sell quota tickets for imported crude oil on the basis of sealed competitive bids. On May 11, 1975, Mobil ran an Op-Ed of a "letter to the editor" from William Tavoulareas criticizing the Times' support of Adelman's system. Two weeks later on May 24, 1975, the Times suggested a gradual phase-out of price controls could be an alternative -- albeit a weaker one -- to a gasoline tax. And after Congress rejected the tax, the Times actually urged phased decontrol in a June 12, 1975 editorial:

> "President Ford has no alternative but to follow up his $2 a barrel oil import fee with the price decontrol measure."

Mobil and the Times reached almost total agreement during the following weeks when both propounded gradual rather than immediate decontrol. In fact, the Times publicly lauded Rawleigh Warner, Jr. for Mobil's stance in an editorial on August 26, 1975:

> "Mobil...has demonstrated a commendable sense of public responsibility in its letter opposing President Ford's plan to decontrol all domestic oil prices.
>
> "The letter sent to members of Congress by Mobil's Chairman Rawleigh Warner, Jr. is notable for both its sound economics and its openness...Mr. Warner makes it plain that he feels phased decontrol of oil prices over an extended period of time is the right answer from the standpoint of the national interest."

But the Times and Mobil were at odds again on November 14, 1975, when -- despite many misgivings -- the Times urged passage of what it deemed a "Flawed Energy Bill" that actually rolled prices back. Mobil published an Op-Ed with the same title on November 25, 1975, agreeing with the Times' reservations and urging that the bill not be signed. The Times then responded directly to Mobil with an editorial called "Flawed Energy Argument," reminding Mobil that, even with strong reservations, it still favored passage of the bill:

"...what, regrettably, Mobil failed to include in its advertisement was the conclusion to our November 14 editorial...As we stated then, and as we repeat today: 'Given the immediate danger to the nation's economy of sudden and total decontrol, we believe Congress should pass and the President should sign this bill.'"

Mobil answered the Times with another ad, titled "Flawed Energy Argument Indeed," criticizing the Times for not fighting for better legislation. But the Times continued to urge that President Ford sign the bill.

When the issue reappeared during the Carter administration in 1977, the Times and Mobil again agreed fundamentally on the need for decontrol. But by then, the debate had shifted to the windfall profits tax which the Times favored. On May 8, 1979, the paper even cited Mobil's stance favoring decontrol of only new oil yet opposing the windfall profits tax as evidence that the tax was not a sell-out to the oil companies.

"Mobil would gladly exchange the initial benefits of decontrol of existing domestic oil reserves for the freedom to keep all the revenues from newly discovered oil....

It would be unfortunate indeed if Mobil's offer were taken seriously and the enactment of the windfall profits tax delayed. The profits of American oil companies should not be so closely linked to OPEC price increases. The more important message from Mobil, however, is that the windfall tax packs more punch than its liberal opponents make out."

And despite Mobil's numerous Op-Eds criticizing the windfall profits tax, the Times continued to support it.

THE NEW YORK TIMES MOVES FROM URGING PRICE CONTROLS...

February 13, 1977:

"...Higher Prices Would Not Generate Enough Additional Supplies to Justify a Great Leap in Price."

TO ENDORSING DECONTROL...

December 9, 1980:

"Industry Executives Argue that if Decontrol Were Accelerated, Still More Gas Would be Found Sooner. They Could be Right."

The key issue surrounding natural gas was, again, price decontrol.

While the Times appeared to accept President Nixon's proposal in the Spring of 1973 to decontrol "new gas" alone, it thereafter fundamentally opposed decontrol through 1975. Discussing decontrol among other energy proposals on September 11, 1973, the Times said:

> "Not one of these measures would do anything to alleviate a heating oil shortage next winter....What ties them together is that they are desirable for their private economic gain by the oil, gas and coal industries which would be pushing for them whether there was an energy crisis or not."

Throughout that period, Mobil ran several ads advocating gradual decontrol (The Unnatural Gas Shortage; Decontrol New Natural Gas, etc.).

Following severe shortages in 1975, the Times softened its position to urge higher, although still controlled, prices. Then, in January, 1976, Mobil ran several more ads urging deregulation (What's America's Best Fuel Worth; It's Up to Congress Now, How the Squirrel Found Himself Up a Tree). And before the next winter, on November 11, 1976, the Times suggested partial decontrol:

> "A higher price through partial deregulation or taxes or both is overdue for natural gas, a premium fuel in short supply."

At the beginning of 1977, Mobil reiterated its viewpoint in several more Op-Eds (Yesterday Nobody Listened, Today It's Time to Listen, There's A Natural Gas Crisis, etc.), and stressed that shortages were real and not the result of a conspiracy. The following week, on February 1, 1977, the Times printed an editorial titled "About Those Theories of Conspiracy", stating:

> "The circumstantial evidence...points away from conspiracy. Gas companies have been meeting production levels forecast early this fall and those levels have been sufficient to see us through a normal winter. Are we to believe in plot which could only have succeeded in the (then) unlikely circumstance of an especially bitter season?"

Still the Times did not endorse decontrol. A February 18, 1977, editorial contended that decontrol would triple gas bills and that the higher prices would only help natural gas producers:

> "The natural gas industry, naturally enough, focuses on solutions that would improve the lot of the producers. If gas prices were set in a free market, it argues, the lure of profits would stimulate exploration for more. But studies that are influencing the administration's planners contend that higher prices would not generate enough additional supplies to justify a great leap in price."

Mobil directly attacked the accuracy of the editorial in an Op-Ed titled "We're Sorry But..." on March 17, 1977. That same day, the Times admitted its mistakes in an editorial titled called "We're Sorry, Too, But...", yet still insisted that controls should be retained.

Mobil continued to advocate the need for decontrolled "new" natural gas (Natural Gas: an Inevitable Man-Made Shortage; Challenge: Energy Supply Gas Shortage; Just for the Record). However, while the Times accepted partial decontrol, throughout the rest of 1977 and most of 1978, the Times seemed to prefer a system of higher, yet still regulated prices. It only reluctantly endorsed decontrol on September 21, 1978, after Congress was on the verge of adopting it.

But, on December 9, 1980, the Times switched to agressively favor decontrol in an editorial titled "Decontrol Gas Now":

"Industry executives argue that if decontrol were accelerated, still more gas would be found sooner. They could be right...

The regulations keep gas prices at half the equivalent of the world price of oil, thus discouraging conservation. The price gap between oil and gas creates political problems as well. Congress intended to ease the pain of crossing this gap by phasing out controls gradually. But the world energy prices are going up much faster than the price lid on gas. So the prospect is that consumers will still be rudely shocked in 1985 when all gas discovered since 1977 is decontrolled...

From this perspective, immediate decontrol of new gas in really a compromise. It provides market incentives to look for new gas. But...price rises for consumers would be gradual."

COAL

THE NEW YORK TIMES MOVES FROM INSISTING UTILITIES USE SCRUBBERS FOR ENVIRONMENTAL PURPOSES...

March 14, 1974:

> "We Trust that City and State Environmental Authorities...Will Insist that the Company Continue to Use Oil Until it has Installed Stack Scrubbing Equipment to Take the Soot and Poison Out of the Coal it Proposes to Burn."

TO SUGGESTING CONTROLS BE RELAXED...

May 18, 1980:

> "Utilities Complain About the High Cost of Scrubbers if They Switch From Oil to Coal. If Any Particular Environmental Standard Turns Out to Be Demonstrably Excessive, it Should of Course be Mc·lified."

Mobil has always held a broad view of the trade-offs between coal production and its affect on the environment, seeking controls flexible enough to advance energy needs. But throughout most of the Seventies, The New York Times valued environmental goals even to the detriment of increased coal production.

A good example of this tendency (and how it eventually shifted) involved Con Edison's request for authority to burn coal without scrubbers at two New York plants. The utility argued that it needed to switch to coal to avoid skyrocketing costs of oil, which it had to pass on as extra charges to customers. But the Times spoke out against Con Edison's request in an editorial on March 14, 1974:

> Without disputing the legitimacy of the Con Edison pass-through of its higher fuel costs, we trust that city and state environmental authorities ... will insist that the company continue to use oil until it has installed stack scrubbing equipment to take the soot and poison out of the coal it proposes to burn."

Over the next few years, Mobil ran several Op-Eds asking for a more balanced approach to the general issue of coal production and the environment (i.e., Coal: the Ugly Duckling, The Enigma of Unmined Coal). But the Times still criticized coal producers whenever they strove to relax too stringent controls, as in an editorial on May 6, 1977:

> "Fortunately, neither the President nor Congress shows any sign of capitulating to the coal operators on the environmental front. ... the Administration is encouraging Congress to strengthen the Clean Air Act as it affects harmful emmissions from stationary sources, particularly utilities."

However, as Mobil's Op-Eds continued to push for compromises (Should the U.S. Energy Policy Discourage Mining?; The Goal for Coal is Mainly in the Hole, etc.) a shift occurred. On August 18, 1979, when Con Ed suggested burning oil with a sulphur content equivalent to coal for just one year to test the actual effects on air quality, the Times reversed its earlier opinion:

> "We have been resisting the idea, but now think Con Ed may have a case. The city's air quality has been steadily improving; clean imported oil, meanwhile, is sure to become scarcer and more expensive. The test sounds like a reasonable experiment."

The Times repeated this position on August 29, 1980:

> "Surely a test can provide some insight into whether Con Ed can safely burn coal -- and whether Mr. Carter's shift to coal can be accomplished without investing first in scrubbers."

On August 9, 1980, the Times again said it backed the Federal Environmental Protection Agency's decision to okay the test, but suggested that the agency consider the combined impact of Con Ed's and other utilities' emissions. Still, the Times' attitude to scrubbers in general had shifted substantially, as reflected in a previous editorial on May 18, 1980:

> "Utilities complain about the high cost of scrubbers if they switch from oil to coal. If any particular environmental standard turns out to be demonstrably excessive, it should of course be modified."

In short: While the Times has remained a strong supporter of environmental controls for coal, especially strip mining, it has clearly begun to soften its stance to reflect a better balanced production/environment trade-off.

OFFSHORE DRILLING

THE NEW YORK TIMES MOVES FROM VALUING ENVIRONMENTAL CONCERNS ABOVE EXPLORATION AND DEVELOPMENT...

"...There are Substitutes for Oil and Gas:
There are No Substitutes for Oceans."

TO URGING ACCELERATED DRILLING, DESPITE ENVIRONMENTAL RISKS...

July 18, 1980:

"Whatever the Valid HesitationS, They Should
not be Allowed to Cloud Our Economic Future."

For most of the Seventies, the Times opted for stricter environmental regulations rather than accelerated drilling offshore. In 1970, it called for tighter regulations and penalties on "The Offshore Menace"; in 1974, it deemed President Nixon's proposals to greatly increase drilling "reckless exploitation"; in 1975, it praised moves to delay the sale of Atlantic leases. Mobil, on the other hand, emphasized the need for increased drilling to help close the energy supply gap (Because That's Where the Oil Is, Let's Get our Oil Off the Shelf, Evidence Coast to Coast, etc.).

Still, the Times believed that potential damage from spills and leakage outweighed the benefits of discoveries, as in a comment of March 2, 1976:

> "...as Supreme Court Justice William O. Douglas observed last year: 'There are no substitutes for oil and gas; there are no substitutes for oceans...'"

But, as Mobil continued to encourage development (Drilling for Playgrounds, Put Our Money Where Our Mouth is, Enigma of Missing Lease Sales), the Times softened. On September 6, 1977, an editorial appeared which still focused on environmental goals and questioned the energy contributions of offshore drilling, but nevertheless said that an Appeals Court decision overturning a ban on Atlantic drilling "would not be disastrous."

From there, the Times' stance further shifted to the extent that by October 24, 1979, it was alerting readers to the economic risks of not drilling as well as environmental concerns:

> "There are unmistakable environmental risks in accelerating Alaskan offshore leasing -- risks to fisheries, to marine mammals, to the intangible asset of an unspoiled environment. But there are unmistakable risks too in assuming that America can somehow muddle through the coming energy shortages without grave economic dislocation, social unrest or brinkmanship in the Middle East."

And increasingly, the Times urged accelerated drilling, despite environmental risks. A July 16, 1980 editorial summed it up:

> "What should not be a matter of debate any longer is the need to tap Alaska's offshore oil, and soon. By any rational calculation, the potential benefits vastly outweigh the potential costs...
>
> Whatever the valid hesitations, they should not be allowed to cloud our economic future."

GASOHOL

THE NEW YORK TIMES MOVES FROM ENCOURAGING SUBSIDIES FOR GASOHOL PRODUCTION FROM GRAINS...

January 14, 1980:

> "Gasohol Would...Use One of the Nation's Greatest Economic Strengths -- Agricultural Production -- to Help Solve its Greatest Economic Weakness -- Dependence on Foreign Oil."

TO ARGUING AGAINST THESE SUBSIDIES...

November 18, 1980:

> Does it Make Sense to...Subsidize the Conversion of Food into Motor Fuel? We Doubt It."

While neither Mobil nor The New York Times believed gasohol would solve the energy crisis, the Times differed with Mobil over subsidizing production from edible grains and gasohol's actual potential to save energy.

On January 14, 1980, the Times said that energy savings from gasohol might be substantial and production from edible grains should be subsidized:

> "The alcohol can be derived from domestic plant materials not subject to interruption or price manipulation by foreign governments. Gasohol would thus use one of the nations greatest economic strengths -- agricultural production -- to help solve its greatest weakness -- dependence on foreign oil."

Mobil opposed that position on June 19, 1980, (Science and Politics Don't Mix), noting among other drawbacks that more fuel was needed to created gasohol than it yielded, and that subsidizing production from grains would reduce the amount available for food. Responding to a "letter to the editor" about the Op-Ed from Congressman Virginia Smith, H. Schmertz reiterated this stance July 9, 1980.

On October 23, 1980, the Times shifted its position to emphasize that the energy required to distill alcohol often excluded energy gains derived, and that producing gasohol from food was dangerous:

> "Alcohol that would supply just 10 percent of America's motor fuel would use up fully half the annual American corn crop...To divert that much corn to fuel would drive the cost of food so high that there would no longer be any price incentive to use it for cars....The most obvious step is to stop subsidizing alcohol production from edible grains."

After receiving what it termed a "flood of criticism" from readers, the Times commented again on the issue on November 18, 1980. While it still encouraged subsidies for gasohol production from plant wastes and garbage, the Times repeated the position that gasohol production from natural gas would be energy inefficient and from food would be harmful to the consumer:

> "The issue is not alcohol fuel or no alcohol fuel. The rising price of oil and high cost of synthesizing liquid energy from other fossil fuels virtually guarantee a bright future for alcohol production. The real question concerning Goverment policy: Does it make sense to encourage use of natural gas for alcohol production or to subsidize the conversion of food into motor fuel? We doubt it."

ABC-TV's "20/20" needs its eyes examined

The purpose of this message is not to urge passage or defeat of the pending natural gas legislation. Rather, it is to correct the record.

On August 8, the American Broadcasting Company's "20/20" television show squinted through its eyeglasses at the natural gas deregulation bill now before Congress. The result was a shocking spectacle. In its cockeyed way, "20/20" dusted off a whole host of tired cliches about what caused the natural gas shortages of 1976-77. Even more disturbing were its irresponsible projections of where natural gas prices are headed if the legislation is enacted, and its one-sided attempts to "prove" the gas industry is "gouging" the consumer.

The broadcast represented still another chapter in an apparent anti-business vendetta being conducted by "20/20." Its June 20 installment, for example, included a one-sided presentation involving the use of antibiotics in raising cattle. Another segment dealt with the safety of the Ford Pinto, prompting *The New York Times* critic, John J. O'Connor, to comment that "20/20"'s "...pulled out just about all the manipulative plugs." He added that "One of the more disturbing aspects of the program is a tendency to over-dramatize points, to clobber the viewer with emotional gimmicks."

The natural gas segment had plenty of gimmicks, but little substance.

Natural gas prices, under federal controls since 1954, are both complex and puzzling. Had the producers of "20/20" set out to make the issue more understandable, they would have performed a useful service. Instead, they chose not to let the facts get into the way of their anti-business attitudes.

Here are some facts about the current natural gas situation that "20/20" chose to ignore:

- Natural gas is generally sold under long-term contract. There are many prices, depending largely on when the contracts were signed, when the gas was discovered, and other factors.
- Under existing law, the Federal Energy Regulatory Commission sets the permitted wellhead ceiling prices for gas sold across state borders (interstate gas). No federal price controls exist on the wellhead price for gas sold within the state where it is produced (intrastate gas).
- Under the proposed legislation, at least 17 categories of natural gas would be established, each with a *specific formula for determining prices. For the first time, intrastate gas prices would be controlled* by federal regulation.
- *The conference report on the proposed legislation* states "...that all natural gas prices would be allowed to escalate with inflation and, in some cases, faster than inflation." But "In no case may a seller receive a higher price than his contract permits" (emphasis ours).
- The proposed legislation permits more generous prices for gas yet to be discovered than for gas already in production.
- The proposed legislation decontrols only the price of a few categories of gas. Generally, this decontrol would occur in 1985, or later, and would apply only to new gas discoveries made after April 20, 1977. Gas already in production would remain under price control indefinitely.
- A Joint Explanatory Statement prepared by the House/Senate Conference Committee describes the net effect of the proposed bill versus existing law as follows: "Producer revenues between 1977 and 1985 under the conference agreement could be anywhere from $9 billion more to about $15 billion less than under a continuation of present law....For domestic producers, this $9 billion represents a six percent increase over estimated revenues of $148 billion between 1977 and 1985 under the status quo" (emphasis ours).

Wellhead price—controlled by the FERC—is only part of the cost to consumers of natural gas. Once the gas leaves the well, it travels through pipelines to local utilities for distribution to consumers. In most parts of the country, transmission and distribution costs make up about two-thirds of the price consumers pay for gas.

Against this background, let's examine some of the specifics of the "20/20" presentation.

BAD EYESIGHT. The tone was set in the opening remarks of host Hugh Downs, who blithely claimed that "...there's legislation before Congress that could push [every householder's gas] bill even higher. Estimates range all the way from five percent to one hundred percent, and higher, beginning next month" (emphasis ours).

PROPER CORRECTION: We wonder through which looking glass Mr. Downs got those estimates. We assume that, as anchorperson for "20/20," he reads up on the subjects he comments on. But he apparently didn't read the bill. While it would allow some gas to gradually rise in price, it would impose controls even more rigid than already exist on currently produced gas; and, for the first time, would extend price controls to intrastate gas. As for when and how much prices will go up, the red tape and paperwork required under the bill make it almost impossible to predict.

Wonder why we're responding to a television show in a newspaper? Because of ABC censorship, that's why.

Because of our concern over the gross misrepresentations in the "20/20" broadcast, we offered to make a 5-minute film at our expense to correct the record. We asked if the network would either run it on "20/20" or allow us to purchase commercial time to air it. ABC refused, thereby foreclosing the opportunity for the viewing public to receive contrasting and corrective information on an important public issue. You may be surprised to know just how rigid ABC's censorship is. In its refusal telegram ABC said the following:

"ABC does not sell time for comment on controversial issues."

Were you aware that ABC exercises total and complete control over comments on controversial issues?

We also asked ABC whether we could question Hugh Downs and Sylvia Chase to further clarify the *issues we raise on this page.*

ABC refused, saying it was inappropriate for a corporation to question a journalist. Apparently, at ABC, asking questions is a one-way street.

We are able to inform you both of this censorship and the "20/20" inaccuracies only because this newspaper accepts uncensored ads.

BAD EYESIGHT: "20/20" reporter Sylvia Chase kicked off her story on the gas bill with the comment that, "It's part of President Carter's energy plan, a plan which takes federal price controls off natural gas—gradually. (PAUSE FOR EFFECT) but no controls at all by 1985" (emphasis ours).

PROPER CORRECTION: This specter of "no controls at all by 1985" on natural gas prices surfaced again and again during the program, even though it completely lacks any basis in fact. Most of today's natural gas will remain under price controls indefinitely, although inflation adjustments will be permitted.

BAD EYESIGHT: Ms. Chase had this to say: "Decontrol is what industry wants. So, some oil companies oppose the bill, because it doesn't take price controls off right away."

PROPER CORRECTION: A lot of people outside the industry want natural gas prices decontrolled, too. (See box on this page.) Mobil has argued publicly only for decontrol of new gas, and against sudden and complete deregulation of old gas prices, as being contrary to the best interests of the American consumer.

Many oil companies do oppose the bill, largely because its language would create an administrative nightmare. And instead of simply updating controls, it adds more, while keeping most of those already in force. With at least 17 defined categories of natural gas, it would provide a bonanza for government regulators, auditors, and lawyers—not to mention people who make eyeglasses for reading fine print.

BAD EYESIGHT: Ms. Chase: "The oil companies who also produce gas insist that at today's prices it's not worth it to get the gas out of the ground....Industry gets what it feels is the right price for gas in Texas, where government sets no price controls on gas sold within the state. There'll be no controls anywhere by 1985, just as there are now none in Texas, if the compromise passes" (emphasis ours).

PROPER CORRECTION: We know we're repeating ourselves, but the bill does not remove natural gas price controls in 1985. "20/20" seems to feel that repeating a misstatement somehow makes it valid. Besides, while the federal government doesn't control wellhead gas prices in Texas because the gas used there is produced within the state, state and local agencies do regulate consumer prices.

BAD EYESIGHT: "20/20" apparently enjoyed keeping its myopic eyes on Texas. Intoned Ms. Chase: "Between 1970 and 1977, gas prices in the U.S. rose 380 percent. In the same period, Texas prices rose 625 percent; sometimes increases were sudden. In July of 1974, the city of Austin paid nearly $645,000 for gas; and a year later the gas bill for the same month was $4,000,000."

PROPER CORRECTION: We wondered about the specific numbers ABC was so quick to toss around. So we spoke to the Southern Union Gas Company in Austin; the Lovaca Gathering Company, a gas supplier in Houston; the Electric Department of the city of Austin; and Peck Young, the Austin utilities commissioner who appeared on the show. We also called ABC in hope of clarifying the situation, but ABC's researchers never called us back.

The Austin Electric Department finally shed some light on the subject, and told us that the $645,000 *figure was actually too low because,* according to the department, that sum was paid to only one supplier and the city had to buy gas from two others. The $4,000,000 figure was approximately correct, they added. It would therefore appear that the jump from $645,000 to $4,000,000 was an artificial leap created by ABC.

We also learned more about the background of the Austin situation—information that "20/20" should have had.

William C. Liedtke, Jr., chairman of Pogo Producing Company in Houston, one of the three industry representatives on the show, explained the Austin situation (which also prevails in San Antonio) to "20/20" researchers during a two-hour filmed interview and offered to make himself available for further questioning.

What happened in Austin and San Antonio was an aberration. Mr. Liedtke told Mobil that the cities switched gas suppliers in the 1960s on the promise of lower prices. The problem was that the new supplier didn't have the long-term gas reserves that Austin and San Antonio needed. As a result, the new supplier was squeezed between rising costs and a fixed-price contract. The Texas Railroad Commission finally permitted the supplier to recover the additional cost.

BAD EYESIGHT: We'll say this for "20/20," it knows the tricks of its trade. For example, an Austin city official talks about the effect of deregulation on prices, concluding, "...there's pressure in the marketplace, and any given gas producer could keep his gas in the ground, and let that price continue to rise." Cut to two gas producers. One says, "We don't have to drill for natural gas. We can drill for oil, if we think that's a better deal. We can go into some other business." The other adds, "Instead of having one rig run, I think I'd have two, or three, if I didn't feel a little oppressed by the rules." Cut back to the Austin official: "There's a pretty good example been set here in Texas that looks to me like it's being repeated in the national marketplace, of panicking, frightening, of trying to convince people by pressure tactics that they have no choice but to allow gas and oil producers to have an unlimited run at them for any amount of money they want to charge" (emphasis ours).

What critics are saying about "20/20"

John J. O'Connor, *The New York Times:* "In addition to being pointless, the new ABC News Magazine (20/20) is dizzyingly absurd."

Tom Shales, *The Washington Post:* "Bubblegum news, as practiced...by ABC's '20/20,' is information packaged like a Krazy Kat cartoon—anti-news designed not to pierce one's perceptions beyond a mere tickling of the eyeballs."

William Hickey, *The* (Cleveland) *Plain Dealer:* "Hughie Downs and his gang of subjective journalizers can all go to that place where lost souls squat on burning coals....Talk about tawdry, cheap-shot journalism, the '20/20' mini-view of Cleveland was in a nether class by itself....The 14-minute piece was a preconceived and deftly executed hatchet job...."

PROPER CORRECTION: By clever editing, this small segment of the program manages to convey the impression that the oil industry feels no obligation at all to produce natural gas. Nowhere in this morass of distortions and half-truths is "20/20" less responsive to the facts. Not once did the program address itself to the basic economic issue: In order to assure there will be adequate supplies of natural gas to meet future needs, producers must be permitted to charge enough for their gas to finance the cost of finding more. The subject of replacement cost was also explained in detail by Mr. Liedtke of Pogo during his two-hour interview with members of the "20/20" staff, which they ignored in editing the show. Mr. Liedtke told Mobil that his views were "unfairly presented." We agree with him.

BAD EYESIGHT: Turning to the nationwide natural gas shortages during the winter of 1976-77, Ms. Chase noted that, "As the temperature dropped, so did gas supplies. Gas-starved factories and schools closed. An estimated half million people were thrown out of work. Congress acted to permit emergency sales at prices higher than the $1.25 a unit then allowed. By April gas suppliers were getting as much as $3.00 under the emergency clause. But where did the gas suddenly come from? What had happened to the shortage?"

PROPER CORRECTION: What had happened, Ms. Chase, was—first—the weather got warmer. Also, those Texas producers, who were getting enough for their gas to afford to find and produce more, were permitted to sell across state lines during the emergency to help ease shortages in other areas of the country.

One question "20/20" didn't ask was why U.S. gas supplies in the price-controlled interstate market were not adequate to meet record demand during the winter of 1976-77. We'll answer it anyway: Because 22 years of artificially low prices inhibited producers from looking for more (the old replacement cost issue again).

BAD EYESIGHT: Carrying her "sinister plot" thesis one step further, Ms. Chase implied that producers were deliberately holding back production of natural gas. She said: "A pattern established by previous shortages had already prompted action by the federal government against a number of companies....the Federal Power Commission found that Gulf had failed to deliver gas....Texaco investigated by the Department of Interior for non-delivery of gas....Tenneco, federal investigation pending....Amoco, charged...with non-delivery of gas."

PROPER CORRECTION: Here's what the Independent Petroleum Association of America wrote to ABC president Elton H. Rule about this particular statement: "The section on allegations of non-delivery of gas is full of distortions and innuendo. The Interior Department substantially cleared the investigated parties of wrongful withholding...."

Gulf and Amoco both had signed contracts to deliver certain amounts of gas, and then found their fields didn't have enough to meet the requirements. There was no withholding. Texaco was accused not of withholding gas, but of "diverting" it to its own refineries. But the "diversion" had been authorized previously.

In investigating the 1976-77 gas shortage, the Federal Power Commission, Senate anti-trust and monopoly subcommittee and the U.S. Geological Survey found no evidence of gas withholding in the Gulf of Mexico.

The most recent investigation, by the National Research Council—an arm of the National Academy of Sciences—was commissioned by Interior Secretary Andrus, with much publicity, shortly after he took office. The survey showed not only that there was no real potential for increased gas production from the fields studied, but that natural gas reserves were substantially below U.S.G.S. and operators' estimates of reserves. Which prompted Mr. Andrus to comment, in announcing the survey results, "I am disappointed in the findings, but I concur with them." The survey found no withholding—another case of many accusations but no substance.

BAD EYESIGHT: After Dr. David Schwartz, identified as a "Department of Energy consultant," discussed some of the factors involved in the price of gas, Ms. Chase asked him, "Are you saying that this is not a competitive industry, that it's a monopolistic one?" Replied Dr. Schwartz: "That's exactly what I'm saying."

PROPER CORRECTION: Dr. Schwartz worked as a DOE consultant for two months last spring and is no longer with the agency. He seems to have made a second career of appearing on television interview programs. To all of them he brings the same tattered bag of charges that the gas industry is monopolistic....prices are too high....more federal controls are needed. How Dr. Schwartz—or anyone, for that matter—can characterize the industry as "monopolistic" is a source of wonder. The U.S. natural gas industry encompasses thousands of producers, and dozens of distributors and pipeline companies.

BAD EYESIGHT: Citing a "...confidential study...leaked to Congressional investigators" which showed that Gulf Oil could "...produce all of its offshore gas at an average price of 26 cents per unit," Ms. Chase said that, "Dr. Schwartz figures that Gulf would make a 20 percent profit, if it sold its gas for 38 cents per unit."

PROPER CORRECTION: We'll let Gulf speak for itself. In an August 14, 1978, letter to ABC, Gulf President James E. Lee said of the supposed "confidential" study: "The fact is that the study has been in the public record for more than two years. Further, the study was not a profitability study. It was a cash-flow study. Even had the 26-cent figure been accurate, any conscientious reporter could have learned that the gas under study actually was being sold under contract at 21 cents. ABC's spirit of inquiry seems to have overlooked the obvious and carried the inadequate information to illogical implications."

BAD EYESIGHT: Ms. Chase noted that, "One of the principal products of 15 months of debate have been amendments, which if adopted would increase industry revenues at the consumers' expense."

PROPER CORRECTION: Here again, nobody on the "20/20" staff seems to have read the bill. The Conference Committee's Joint Explanatory Statement said: "The conferees sought to minimize the net income transfer from consumer to producers resulting from higher natural gas prices." The statement, of course, is a public document. The "20/20" staff seems to prefer "confidential" documents, which are "leaked" to them.

BAD EYESIGHT: In its myopic version of a "balanced" closing to the segment, "20/20" offered the views of Senators Henry M. Jackson of Washington, whom Ms. Chase described as "for" the natural gas bill, and Howard M. Metzenbaum of Ohio, whom she characterized as "against" the legislation.

PROPER CORRECTION: Nowhere in the program was the deck more blatantly stacked against objectivity than in this section. While Senator Jackson signed the conference report on the bill, he could hardly be termed a genuine supporter, as witness this quote: "It's easy for Senators to go around and say...we've got to stop this gouging. Well...we don't have the votes to stop it...." Where was the voice of someone who supports decontrol out of conviction, or for economic reasons? Not on "20/20." Senator Metzenbaum, who did not sign the report, was then given an opportunity to parrot Senator Jackson. We wonder if "20/20" knows the definitions of the words "for" and "against."

At a time when the fast pace of world events makes it difficult for most of us to keep up, a program like "20/20" should be a welcome addition to television.

In its first weeks of life, however, "20/20" has blatantly failed to establish its credentials. It's a sorry excuse for a news show, far more dedicated to sensationalism than sound journalistic practices.

The American viewing public deserves better.

One final footnote: In the waning seconds of the August 22 "20/20" show, Hugh Downs recognized that the natural gas segment contained a fatal flaw. Ms. Chase should have acknowledged, Downs said, that only "new" gas will be decontrolled by 1985, and that "old" gas will remain under federal price controls.

Even this belated admission of so basic an error was less than candid. It was presented as a "clarification" of a House-Senate compromise, rather than as a confession of sloppy reporting. We await comment by "20/20" on the misleading conclusions "20/20" drew from this basic error and all the other misstatements we and others have pointed out. It's tragic that the viewing public has no way of receiving these corrections on television—the medium where the distortions were made and presented.

Voices of decontrol

Deregulate new natural gas? Yes, say more than 45 of the nation's leading newspapers, including *The Washington Post* and *The Washington Star,* (Providence) *Journal-Bulletin,* (New York) *Daily News, The Philadelphia Inquirer* and *The* (Philadelphia) *Bulletin, The Atlanta Journal, The* (Cleveland) *Plain Dealer, Chicago Tribune, St. Louis Globe-Democrat, Houston Chronicle, The Denver Post, Los Angeles Times,* and *The Wall Street Journal.* Magazines that agree include *Barron's* and *Fortune.*

Of course, not all the publications favor the same kind of deregulation bill, but all concur that permanent controls are wrong.

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Impact on Federal and State Officials

Of all the publics targeted by Mobil's Public Affairs activities, the group of government officials at the federal and state levels is perhaps the most problematic for demonstrating the effectiveness of Mobil's efforts at influence. Elected officials are subject to so many crosscurrents of opinion and pressure that one company can hardly claim its voice stood out more clearly than all others. And for the permanent bureaucracy of officialdom, perhaps no outside voice can ever have a compelling effect.

Yet in case history and anecdote -- and in some telling polls and surveys, too -- there is repeated evidence of the significant impact Mobil has had.

The most severe of the many crises to face Mobil and the oil industry in recent decades was no doubt the mass of Congressional threats to dismember the industry through vertical or horizontal divestiture in the mid-1970s. Sparked by public discontent following the oil embargo and escalating fuel prices, the issue turned partly on the myth that the multinational, integrated oil companies conspired to exacerbate the 1973-74 embargo crisis and partly on accusations of monopolistic control.

In 1975, Senator Edward M. Kennedy of Massachusetts introduced an amendment to a bill that would have forced horizontal divestiture on the larger oil companies. In 1976, a vertical divestiture bill was narrowly approved by the Senate Judiciary Committee. And

another horizontal divestiture bill was introduced by Senator Kennedy in 1977.

For Mobil, the issue was particularly poignant since, in the political rhetoric, the acquisition of Marcor was raised. It became an editorial and political issue with those who favored dismantlement of the oil industry.

A task force assembled by the American Petroleum Institute conducted a public relations effort against the proposed legislation, but Mobil also decided to mount its own offensive.

All of the tools of public relations were put to work. A number of Op-Ed ads appeared over a period of months, some of them linked under the umbrella title: "Divestiture: blueprint for disaster" (Attachment 1). The techniques of persuasion were varied. In one ad, Mobil reprinted excerpts from editorials in several newspapers opposing divestiture. In another, editorial comment from TV stations was reproduced. Still another ad merely listed the names of several hundred of Mobil's competitors to defuse the monopoly argument.

Additionally, the issue was repeatedly developed in other ways:

1. "Observations" columns popularizing the Op-Ed themes.

2. Executive tours - PR was responsible for the organization of the tours of 21 USD executives to 21 cities in 18 states who met 18 newspaper business editors, appeared on 50 TV shows and were interviewed for 54 radio programs.

3. Special TV shows - e.g. Mr. Schmertz appeared on three panels.

4. Speaker's Program - 160 talks to citizens' groups by volunteer employees.

5. Booklets - e.g. "Making Your Voice Heard in Washington" to help employees and others express their views in the Capitol.

6. Employee communications - seven posters for bulletin boards, eight Executive Forums.

7. Placement of printed material -- by-line articles in magazines, cartoons in small dailies, feature stories in newspapers.

8. Wide distribution of reprints of the Tavoulareas testimony before the Senate Judiciary Subcommittee on Anti-Trust and Monopoly.

The fact that none of the divestiture bills succeeded is clearly attributable to the public relations campaign mounted by both Mobil and the oil industry as a whole.

While divestiture was a major issue to which the Public Affairs department addressed its efforts, it stood by no means alone. Through the years, Mobil and the oil industry took strong positions on the proposed Crude Oil Equalization Tax, Windfall Profits Tax, various anti-boycott bills, Common Situs picketing, a host of environmental issues (some legislative and some regulatory), gasohol legislation, the Alyeska pipeline, labor law reform, anti-merger legislation, just to name some. Even now, the proposed Marketing Divorcement bills are an active matter for serious concern. In each of these instances, Mobil has taken a considered approach in which Public Relations and Government Relations have played integrated roles.

For example, when Congress considered legislation to implement President Carter's Energy Program in 1977, it was imperative for Mobil to call legislators' attention to the many flaws in the

Carter scheme. While members of the Government Relations section made Mobil's views known directly to Senators and Congressmen, Public Relations prepared a series of full-page "Dear voters..." advertisements (Attachment 2). The ads, which pointed up the Carter program's pitfalls in terms that would appeal to consumers, appeared in newspapers across the country. They were keyed to the Congressional districts in which they appeared, giving the names of the Congressmen and Senators to whom readers in each area could make their views known.

The Government Relations staff has been particularly effective as Mobil's legislative "meteorologist," alerting management to the sort of storms which, if allowed to materialize full-blown, could be highly detrimental to the company and the industry as a whole. The staff, in both New York and Washington, tracks not only all legislation that may affect the oil industry -- and this must include the chemical and phosphate segments as well -- but also regulations about to be promulgated by the government's executive agencies. The staff works with both legislators and regulators by providing them with industry information and suggestions at both formal and informal meetings. In addition, the Government Relations function takes the pulse of the public sentiment as it relates to matters affecting the oil industry. This enables Mobil to take positions which make it possible to blend government policies with the perceived needs of the public. It also serves as a reliable guide as to whether to go "public" on certain of these issues through Op-Ed ads and "Observations," or in speeches before non-political groups.

(As an indication of the petroleum industry's view of the effectiveness of the Mobil's public affairs efforts, Mr. Schmertz had the public relations functional responsibility in the American Petroleum Institute committee responsible for guiding industry programs and Paul Petrus was Chairman of the Government Relations Committee responsible for implementing industry programs.)

Another part of the Government Relations function is to analyze and advise on the potential impact of Presidential statements and messages, to interpret election results, to provide managers with analyses of major legislative issues, to stay abreast of Capitol Hill sentiment on specific issues, and to keep up-to-date progress reports on specific items of proposed legislation.

One valuable product of this function can best be illustrated by an example from late 1976, when Mobil found that public sentiment was in sharp disagreement with that of politicians, who often misread their constituents. This was a time when legislators favored cessation of offshore drilling in the wake of the oil spill in the Santa Barbara Channel, feeling that this was the wish of the public at large.

At the time, we received information of the results of a poll conducted by a California Congressman among his constituents in the Santa Barbara Area. As part of that canvass, the question was asked: "Should drilling be permitted in the Santa Barbara Channel?" Of the 40,000 constituents who responded, 62 percent responded "Yes." Similarly, polls have shown the general public to favor

deregulation of natural gas prices and a free market for domestic crude oil if such moves will increase production -- all this while some of their representatives in Congress were still leaning in the opposite direction.

While the outcome of many of these public policy issues has not always gone Mobil's way, there seems no doubt, from the record, that Mobil's voice -- in its various forms -- was heard, taken seriously, and frequently heeded.

Illustrative of this impact was the decision by Senator Russell B. Long, of Louisiana, to send copies of Mobil's full-page advertisement criticizing the Carter energy plan to all members of the Senate. The Senator's covering letter said: "This article points out briefly and clearly what is wrong with the President's proposed energy plan: It is an unmitigated disaster on the production side." Not long after, Senator Long was handed a collection of Mobil's recent energy ads. "He said he had read all of them, and he complimented Mobil on doing the best job in communication in the industry," Government Relations reported. "He felt Mobil had an extraordinary facility for getting a point across."

This sort of recognition is far from isolated. For example, in 1981, a Philadelphia pharmaceutical company commissioned a Yankelovich poll to test its print ads against recognition of those in other industries. Mobil's messages were found to have a 71% recognition factor among 83 government interviewees in Congress, the Cabinet

and the White House. Exxon, the next-highest-scoring company, had a 22% recognition factor.

In Yankelovich's polling among 60 academics, administrators, and deans, Mobil had a 67% recognition factor, Exxon 33%. Other oil companies were in the 2%-to-8% category.

Members of Congress have frequently used Mobil's messages as part of their legislative debates. As recently as March 15, 1982, for example, Senator Pete V. Domenici, of New Mexico, chairman of the Budget Committee, was debating business support for lowering federal deficits. He said:

"I would like to call to the attention of my colleagues to two advertisements that appeared recently in national newspapers. In both of these advertisements, businessmen expressed clearly their concerns about the prospective deficits and their effects on interest rates. The first advertisement to appear was by the Mobil Corp. It was printed in the February 25 New York Times as well as in other newspapers." (The ad bore the title, "Refocusing the Debate.")

After reading an excerpt from the Op-Ed ad, Senator Domenici made it clear that he does not endorse all of the ad's contents and that, indeed, he differed sharply with one of its points. However, it is significant that he saw fit to use the ad as a launching pad for his remarks on the subject.

In closing, the Senator said: "I commend the sponsors of both of these items (the other ad was inserted in newspapers by a group of bankers, builders, and Realtors) for expressing their views on the budgetary situation the Nation faces. Their statements of concern and their recommendations for action should be considered by all of us in Congress as we deal with the crucial budget decisions that we will be making in the next few weeks."

In a similar vein, Senator Howell T. Heflin, of Alabama, in the continuing debate, juxtaposed the same Mobil ad with an editorial in The New York Times titled "The True Believer, Still," which appeared three days after Mobil's ad and came to parallel conclusions.

Lest it be assumed that such accolades come solely from friends of the oil industry or Mobil, here is a 1975 statement by Senator Edward M. Kennedy of Massachusetts:

"In a recent public service advertisement sponsored by Mobil Oil Co. (sic), the benefits of CDC's (Community Development Corporations) are explained and its progress discussed.

"I want to commend the Mobil Oil Co. (sic) for its action in urging support for CDC's around the country. I understand that response from individuals, foundations and businesses has been very encouraging.

"Mr. President, I ask unanimous consent that the Mobil advertisement published in The New York Times be printed in the Record."
It was published.

It is noteworthy here that Mobil's Op-Ed ads dealing with social issues, rather than energy issues, have a dual salutary effect. They do, of course, draw attention to social issues and worthy causes that promote social progress. They also engender a measure of good will among government officials who, on energy issues, may be hostile to Mobil and the oil industry.

The numerous appearances of Mobil ads in the Congressional Record evidences a respect that is clear from surveys. One such study, commissioned by Mobil, was made by the Rowan Group in 1977 as a follow-up to a base-line canvass in 1973. The second study was commissioned in view of the divestiture issue. Its summary and conclusions follow:

"Three and a half years ago, we found Washington opinion leaders highly critical of the oil industry. They were prepared to tax it, break it up, do almost anything short of creating a national oil company. Today, we find a markedly different climate of opinion. The attitudes of two-thirds of the opinion leaders toward oil companies have changed from 'unfavorable' to 'favorable' or 'neutral'.

"The opinion leaders now say that the best information about oil issues comes from the industry itself,[1] and they agree with most industry views on energy matters. The thinking that oil is too

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1 "The best information and understanding about oil comes from the oil industry itself": Agree -- 60%; Disagree -- 34%; Don't Know -- 6%.

big or must automatically be taxed more has largely subsided. In our interviews, we found those negative views toward the industry replaced by a recognition that the energy crisis needed a scapegoat and that the oil industry was just too big a target to miss.

"In line with this, a large majority of respondents says the industry should vigorously defend itself against criticism.[2]

"The best explanation of this reversal in attitudes seems to lie in the enormous exchange of information on energy that has occurred over the past three years. In Washington, this information flow can be traced to such factors as appointments of energy advisors in most Congressional offices, the creation or realignment of executive departments to deal with energy matters, a general increase in reporting of energy issues by the news media, and major public affairs communications efforts by oil companies themselves.

"The result of this massive flow of energy information was evident throughout our interviews. In 1973, the respondents who spoke with any real knowledge of the energy issues were most often representatives of public-interest or private-interest groups. To most of the people in government whom we interviewed then, energy received cursory treatment; it was just one of many issues that occupied their time. All that, of course, has changed.

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2 "Do you feel that the oil industry should be vigorously defending itself when it is attacked?": 78.9% -- Yes; 7.4% -- No; 13.7% -- Undecided.

"From respondents both in and out of government, the responses this time around were lengthy and knowledgeable.

"The following set of tables shows the sharp shift in the way Washington opinion leaders view the industry.

TABLE 1

	ATTITUDE TOWARD OIL COMPANIES		
	Favorable	Unfavorable	Neutral
All respondents, 1973	18%	61%	21%
All respondents, 1977	49%	18%	33%

"The greatest shifts in attitudes have taken place among members of Congress and of the Administration.

TABLE 2

	ATTITUDE TOWARD OIL COMPANIES		
	Favorable	Unfavorable	Neutral
Members of Congress, 1973	24%	56%	20%
Members of Congress, 1977	49%	16%	35%

TABLE 3

Distribution of respondents on four agree/disagree statements relating to the energy business, in 1973 and 1977.

STATEMENTS		AGREE	DISAGREE
"Oil companies are too big."	1973:	65%	31%
	1977:	28%	58%
"There ought to be a national oil company."	1973:	29%	67%
	1977:	9%	85%
"The oil industry needs to be taxed more."	1973:	58%	29%
	1977:	29%	48%
"Oil companies are misunderstood by many opinion makers."	1973:	40%	49%
	1977:	80%	15%

Notes to table: (1) Percentages in response to each question do not add up to 100% because those with no opinion are not included. (2) The questions were asked in exactly the same way both years to the comparable survey sample groups.

"The importance of these findings to oil companies is obvious. The responses elicited three years ago to these fundamental questions were signposts of the widespread antagonism toward oil companies that led to the serious consideration of divestiture.

"But divestiture, at one time nearly a legislative reality, now has only scattered support among those we interviewed this year in the Congressional category. We asked the question -- 'What are your thoughts about divestiture?' -- in a form which allowed a full range of responses.

"Some 51% in the Congressional category (and a like amount of all respondents) volunteered that they opposed both vertical and horizontal divestiture. The remaining Congressional respondents offered several opinions. Another 10% said they opposed vertical divestiture. About 12% said they favor both forms of divestiture; another 6% said they favor or would consider horizontal divestiture; another 10% or so said they would be inclined to support some form of vertical divestiture.

"The divestiture question was not asked in our 1973 study -- in large part because it had not yet emerged as a serious issue. Still, the findings this year provide good reason to believe it has now become a peripheral issue, with far less support than it appeared to have in Congress at several points over the past three years.

"Some hostility toward the oil industry surely remains. Some respondents clearly feel less than comfortable in stating that

they find themselves agreeing, more often than not, with oil industry positions on energy issues. And most respondents still insist on oil industry accountability. For one thing, they want maximum disclosure of oil industry data to the government."

Taking a somewhat different tack, a 1976 survey by Louis Harris & Associates examined the attitudes of the general public and opinion leaders toward the oil industry. Its objective was to help oil companies develop communications strategies to combat divestiture. The significance of this report, however, is the finding that Mobil has excelled in the minds of government leaders, among others, when it comes to clarifying the energy situation in general. Following are highlights from the Harris Poll's findings:

Opinion Leaders

"In all, 218 congressional, business, media and environmental leaders were interviewed. Included were 30 U.S. Senators and 33 U.S. Representatives, most of them on committees involved with national energy issues.

"Finding: Mobil has achieved unequaled visibility and credibility with opinion leaders.

"This pre-eminent position is reflected most clearly in the following leadership consensus: Of all organizations and institutions, Mobil has done the best job of informing the public about energy issues.

"That includes consumer action and environmentalist groups, other oil companies, the American Petroleum Institute, the federal government and the Federal Energy Administration."

TABLE I
EFFECTIVENESS OF VARIOUS INSTITUTIONS
IN KEEPING PUBLIC INFORMED ABOUT THE ENERGY SITUATION

	Total Leaders				
	Excellent %	Pretty Good %	Only Fair %	Poor %	Not Sure %
Mobil	29	26	18	20	7
Exxon	14	36	21	21	8
Consumer action groups and environmentalists	8	27	35	27	3
Texaco	8	20	25	33	14
The oil industry in general	7	20	35	33	5
American Petroleum Institute (API)	6	15	29	36	14
Shell	6	25	25	31	13
Gulf	5	21	28	36	10
Arco	4	21	29	33	13
Federal Energy Administration (FEA)	3	18	32	43	4
U.S. government	2	14	36	45	3

The preceding results were supported by this additional finding from the leadership segment:

TABLE II
OIL COMPANIES WHICH HAVE DONE THE BEST JOB IN EXPLAINING
THE ENERGY SITUATION TO THE PUBLIC

	Total Leaders %
Mobil	58
Exxon	51

	Total Leaders (cont.) %
Texaco	17
Arco	15
Gulf	12
Shell	11
Standard Oil of Indiana	5
Union 76	5
Socal	3

How does the survey account for Mobil's success with the opinion leaders?

The answer can be found in Harris' recommendations to oil companies. Those recommendations read like the blueprint developed by Mobil several years ago.

They are:

"To the extent possible, the oil companies should differentiate themselves from each other, and from OPEC, to counteract the public's tendency to lump them together as 'the enemy'.

"Concentrate on ads and messages in Washington newspapers as well as national magazines (and, we would add, other major newspapers) most often read by Congressmen.

"Reach concentrations of the 'favorable' public (politically active, educated, middle income and above).

"Prominent oil company executives should appear on television news programs to discuss the issues.

"Meet opposing arguments head on. Provide data on vital oil industry issues."

Mobil's efforts to mold the opinions of legislators and regulators are not limited to direct contact or persuasion by advertising in the media. It has also been found effective to mobilize grass-roots support for Mobil's policies. To this end, the Public Affairs Support Group was formed in 1977, specifically to develop contacts with grass-roots constituencies. A number of programs were developed to this end:

* re:cap -- an issue-oriented newsletter which discusses matters of concern to Mobil and the nation. It is published six to eight times a year and distributed, free of charge, to anyone who requests it. To date, it has more than 32,000 subscribers, comprising Mobil employees, annuitants, shareholders, suppliers, and dealers, as well as others who have no direct association with Mobil.

* Mobil Congressional District Information System -- a compilation of approximately 500,000 names of individuals, including Mobil employees, annuitants, shareholders, suppliers, royalty owners, leaseholders, and others Mobil believes to be in general sympathy with the company's point of view. This list is broken down by Congressional district, and all persons can be contacted by mail within five working days. The system has been used on a number of occasions to stimulate support for or opposition to pending legislation on a selected geographic basis. In the most recent instance, 29,000 individuals in California were contacted to oppose

Proposition 11, passage of which would have imposed additional taxes on oil companies. Mobil was joined in this effort by other oil companies, and Proposition 11 was defeated.

* Congressional District Profile -- a compilation by state and Congressional district of all Mobil Corporation facilities (including Montgomery Ward and Container Corporation). It lists the type of facility, number of employees, payroll, taxes paid, and other pertinent data. It is used to make federal and state legislators aware of the importance of Mobil's presence within their respective districts as well as to identify for Mobil which legislators should be responsive to the company's point of view.

As already implied above, not all of Mobil's Public Affairs efforts are directed at issues within the jurisdiction of the federal government. On the state level, and sometimes in counties and municipalities, Mobil finds it necessary or advantageous to promote better understanding of oil-industry issues.

A case in point arose in the spring of 1981, when Governnor James R. Thompson of Illinois proposed a 5% gross receipts tax on oil companies to raise money for the Chicago mass transit system. Working with the Office of General Counsel and resale marketing managers in Woodfield, Illinois, the Woodfield Public Relations office prepared, cleared, and made statements to selected media in Springfield and Chicago to point out why the tax would harm the economy of the state. Mobil's statements were timely and helped shape the debate in the state capitol. Ultimately, the tax

was defeated. Both the company lobbyist and General Counsel said the public relations assistance at the time was most helpful in Mobil's state relations effort.

Such resistance to politically motivated legislation can sometimes prevent its occurence in the first place. In September, 1981, the Woodfield public relations staff coordinated and directed public relations programs surrounding the Joliet Region Chamber of Commerce & Industry's salute to Mobil's refinery in that city. This program of PR support helped refinery management create a positive political climate in Joliet and Will County and should help Mobil argue successfully against politically motivated attempts to increase the refinery's property tax.

(II-C/Attachment 1a)

Voices of reason

A growing number of voices are being raised against proposals in the Congress to break up the large oil companies into smaller, less efficient units.

People without axes to grind. People outside the oil industry. Radio and television commentators and editorials. Newspaper editorials.

Of the editorials we've come across so far, more than 60 oppose divestiture, and only <u>one</u> urged passage of the legislation.

Here are samples:

THE ARIZONA REPUBLIC "Breaking up the oil companies would be a national disaster."

KNBC Los Angeles: "The over-riding fact is that bigness in oil companies isn't necessarily bad, when it takes billions of dollars in risk capital to go get the oil we all seem to want to keep using. If the politicians who're trying to climb into higher office over the bodies of America's oil companies really want to cut your fuel prices, we think they should stop monkeying around with more regulations and break-up threats, and let the forces of competition decide how big and how integrated an oil company should be." **The Los Angeles Times** also came out against divestiture.

THE KANSAS CITY STAR "The people pushing divestiture are not doing anything to ease the energy shortage or bring down prices; they are just playing to the political galleries by trying to sock it to Big, Bad Oil."

The Hartford Times "The effort by some liberal congressmen to force divestiture is so laughable that the initial inclination is to ignore the rantings as petty demagoguery. Unfortunately, history has proven that petty demagoguery, when ignored, all too often can succeed in achieving incredibly destructive ends."

WLOS-TV-FM of Greenville, S.C. "The philosophy behind these proposals is that 'big is bad,' which ignores the fact that big is almost always more efficient and productive. . . . More often than not, bigness benefits the consumer . . ." In neighboring North Carolina, Charlotte's WBT and WBTV added: "Sure, there are about 20 oil companies that are mighty big. But it's because they're big that they've been able to afford the exploration, the drilling and the sophisticated distribution system that provided America for so long with cheap, dependable fuel—and that, even now, has kept us from being utterly swamped by the 500% increase in OPEC oil prices."

THE SPOKESMAN-REVIEW of Spokane: "A Federal Energy Administration study indicates that requiring oil companies to split up would result in less production and higher prices to consumers. If this is true, it would be a clearcut case of cutting off one's nose to spite one's face."

THE INDIANAPOLIS STAR "The industry as presently structured has served the nation very well. It could continue to do so if government would let it alone."

TULSA DAILY WORLD "At a time when the country faces a growing and dangerous shortage of domestic fuel supplies, it would seem incredible that Congress would attempt to punish people who are investing their money and talent in the search for new sources."

DESERET NEWS of Salt Lake City. ". . . instead of trying to break up oil companies, the government should get on with the job of formulating a rational and comprehensive national energy policy."

San Francisco Chronicle "Once big oil is broken up, who's next? It is logical to expect that the line will form on the left, of course, to bust up the automobile industry, steel, aluminum, the computer industry, and anything else big and inviting."

If you'd like a full file of editorials on this issue, write to:
Mobil Oil Corporation, Box E, 150 E. 42nd Street, New York, NY 10017.

Mobil

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This ad appeared in The New York Times of June 3, 1976.

Count them. They're on record.

We've said all along that the campaign to break up the big oil companies—divestiture—is not only political opportunism but a threat to consumers, other businesses, national security, jobs and the health of the economy.

Seems a lot of people agree with us. The returns are still coming in, but of the newspapers we've scanned so far, 80 have taken editorial stands against divestiture, and only three in favor. Here's the boxscore:

FOR breaking up the oil companies:

St. Louis Post-Dispatch · Arkansas Gazette · Seattle Post-Intelligencer

AGAINST breaking up the oil companies:

Los Angeles Times
Denver Post
Houston Post
Columbus (Ga.) Ledger
Wichita Eagle
Hagerstown (Md.) Mail
Indianapolis Star
Everett (Wash.) Herald
Oklahoma City Times
Indianapolis News
La Grange (Ga.) News
Chicago Tribune
Wall Street Journal
Houston Chronicle
Honolulu Star-Bulletin
Macon (Ga.) News
Wilmington (N.C.) Star
San Diego Tribune
Kentucky Enterprise
Atlanta Constitution
Tulsa Daily World
Dallas Times Herald
Palo Alto (Calif.) Times
St. Paul Pioneer Press
Arizona Republic
Hillsdale (Mich.) News
Hartford Times
Gallatin-Sumner County (Tenn.) News
Topeka (Kans.) State Journal
Greensboro (N.C.) Daily News
Abilene (Tex.) Reporter News
Monroe (N.C.) Enquirer Journal
Pasco (Wash.) Tri-City Herald
Oklahoma Journal
Jacksonville (N.C.) Daily News
Woodbridge (N.J.) News Tribune
Huntington (W. Va.) Herald Dispatch
Carlsbad (N.M.) Current-Argus
Spokane (Wash.) Spokesman-Review
Stewart-Houston (Tenn.) Times
Thousand Oaks (Calif.) News Chronicle
Jefferson City (Mo.) Post Tribune
Union County (Ky.) Advocate
Manchester (N.H.) Union Leader
Chattanooga News-Free Press
Greenville (S.C.) News Piedmont
Florence (Ala.) Times Tri-City Journal
Charleston (S.C.) Evening Post
Pierre (S.D.) Daily Capital Journal
Rochester (Minn.) Post Bulletin
Elizabeth (N.J.) Daily Journal
Arkansas Democrat
Kansas City (Mo.) Star-Times
Slidell (La.) Daily Times
Owosso (Mich.) Argus-Press
Ft. Worth Star Telegram
Nashua (N.H.) Telegraph
New York Sunday News
Jackson (Miss.) Daily News
St. Joseph's (Mo.) Gazette
Hibbing (Minn.) Tribune
Searcy (Ark.) Daily Citizen
Birmingham (Ala.) News
Salt Lake City Deseret News
El Dorado (Kans.) Times
Idaho Falls Post Register
Topeka (Kans.) Daily Capital
Berkeley (Calif.) Gazette
San Francisco Chronicle
Ontario (Calif.) Daily Report
Lewiston (Me.) Daily Sun
Thomasville (N.C.) Times
Spartanburg (S.C.) Journal
Rapid City (S.D.) Journal
Louisville Courier-Journal
Jacksonville (Ill.) Journal
Bristol (Va.) Herald Courier
Portsmouth (N.H.) Herald
Norfolk (Neb.) Daily News
Superior (Wis.) Telegram

Even including half a dozen others that are neutral or fence-straddling on the issue, the arithmetic makes one stop and think. Which is, after all, what editorials are for.

If you'd like a file of editorials on this issue, write to: Mobil Oil Corporation, Box E, 150 E.42nd St., New York, NY, 10017

Mobil®

This ad appeared in The New York Times of June 10, 1976.

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How 8 Senators ignored overwhelming evidence.

Last week, a bare majority of the Senate Judiciary Committee—eight out of 15 members—voted to send to the full Senate a bill to destroy America's 18 largest oil companies. We know of no instance when overwhelming evidence has been so arrogantly ignored.

Of some 80 non-government witnesses who testified at the subcommittee hearings on Senate Bill 2387, only two favored the concept. Two!

Arrayed against divestiture were some of America's most highly regarded economists, investment bankers and academicians. Even long-time critics of the oil industry and representatives of the smaller "independent" oil companies that divestiture is supposed to help.

Their message? Smashing the largest oil companies will make the U.S. increasingly dependent on insecure foreign oil; raise prices to *you*, the consumer; jeopardize jobs; and threaten the economic well-being of the nation.

Listen to the critics:

M. A. Adelman, Professor of Economics, Massachusetts Institute of Technology, with whom we have often disagreed. "Vertical divestiture would keep Congress and the oil industry busy for years, spinning their wheels, going no place, postponing investment decisions, losing a chance for active defense against the OPEC cartel. . . ."

Paul Frankel, British petroleum economist. "Vertical integration is the natural habitat of risky, high-investment industries."

Senator Adlai Stevenson (D-Ill.), who voted for divestiture last year. The smaller divested companies "'. . . may be in a weaker position from which to bargain with foreign producers for supplies at reasonable prices.'"

Now listen to some independents:

Richard J. Boushka, President, Vickers Energy Corp. "We, as one of the intended beneficiaries, might suffer a fate worse than those who are forced to divest."

Otis H. Ellis, former consultant to the National Oil Jobbers Council, a federation of independent gasoline wholesalers. "'. . . such legislation . . . would leave the vast majority of independent marketers . . . at some point between tragedy and disaster.'"

Here's what government officials said:

Gerald L. Parsky, Assistant Secretary of Treasury. "'. . . with divestiture, it is more likely that domestic prices will increase instead of decrease, and that domestic energy supplies will decline rather than rise.'"

Roger E. Shields, Deputy Assistant Secretary of Defense. "'. . . the bill would be highly detrimental to the nation's security and its defense. . . .'"

Don Paarlberg, economist, Department of Agriculture. "Disruption caused by divestiture would impact not only at the farm level, but on through the economy. . . ."

Julius L. Katz, Deputy Assistant Secretary of State. "While divestiture might cause certain temporary problems of disruptions for OPEC during the transition period, OPEC's control over the world market might in the end be even more complete than at present.'"

And from the campus:

Professor Neil H. Jacoby, economist, U.C.L.A. Divestiture "'. . . would lead to higher-priced petroleum products, would increase dependence on foreign energy [and] would strengthen and prolong the effectiveness of the OPEC cartel. . . .'"

When the bill comes before the full Senate, we sincerely hope that passion and politicking will yield to reason. Divestiture makes no sense. It is no substitute for forging a sensible national energy policy to increase America's energy independence—the task Congress has thus far lacked the political courage to tackle.

If some politicians won't listen to reason, perhaps they'll listen to the people. What's needed now is a public outcry. Isn't it time you spoke up? *Your* future may depend on it.

Mobil

This ad appeared in The New York Times of June 17, 1976

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(II-C/Attachment 1d)

Divestiture: blueprint for disaster

What would oil industry dismemberment do? It could hurt you five ways.

Senate Bill 2387, which recently squeaked through the Judiciary Committee on an 8-to-7 vote, proposes to break up the 18 major U.S. oil companies. If that happens, here are five likely results:

1. It would hurt the consumer. Says economics professor Neil H. Jacoby of U.C.L.A.: "Prices of petroleum products would rise, product improvements would diminish, and services would shrink. Consumers would suffer, and the social consequences would be adverse as well." Says Don Paarlberg, economist for the Department of Agriculture: "Disruption caused by divestiture would impact not only at the farm level, but on through the economy."

2. It might raise taxes. Listen to banker Raymond B. Gary of Morgan Stanley & Co.: "The price for enacting such legislation will have to be paid by someone—if not by the consumer . . . then certainly by the taxpayer: either prices will have to be raised . . . or the Federal Government will have to step in, with programs of guarantees, insurance, or even direct subsidies."

3. It would help foreign producing countries at U.S. expense. A *New York Times* editorial explains why: "Breaking up the largest oil companies—and the long period of uncertainty through which the industry would have to pass—would probably cause a major cutback in investment in new energy resources, both in the United States and abroad (including non-OPEC areas). This would strengthen market domination by OPEC [Organization of Petroleum Exporting Countries] by contracting other sources of supply."

4. It could cost jobs. That's the prediction of John Winger of the Chase Manhattan Bank: ". . . if a lack of energy prevented any further growth in the GNP, we could, by 1985, expect unemployment that would exceed that of the 1930s."

5. It would weaken America's security. Our authority for that? Roger E. Shields, Deputy Assistant Secretary of Defense, who says: ". . . the bill would be highly detrimental to the nation's security and its defense. . . ."

Isn't it time for the Senators who are trying to break up a vital industry to listen to voices of reason? Including the experts'. Including, we hope, *yours*. Write your Senators. Let them know that you think divestiture is bad news for America.

In this space last week, we said that the divestiture concept in Senate Bill 2387 was supported by only two of some 80 non-government witnesses at the subcommittee hearings. That should have been 51 non-government witnesses, if you count only principal witnesses (and not experts who accompanied the principals and may or may not have spoken). But we stand by the substance of our message. Of the 51, analysis of the testimony shows only two supported the full-divestiture concept embodied in the bill. We repeat what we said last week: the committee vote for divestiture totally disregarded the weight of evidence.

Mobil®

This ad appeared in The New York Times of June 24, 1976.

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Divestiture: blueprint for disaster

Oil is not a cottage industry

The Senate is about to act on a bill we believe is fundamentally against the public interest.

It would break up the U.S. oil industry, forcing each of the 18 largest companies to confine its operations to only one segment of the business (either production, refining/marketing, or transportation). The company would be forced to divest all assets involving the other two functions.

If this measure becomes law, it would mean lower efficiency and higher costs to the consumer. To hold down the cost, oil must move in an almost unbroken stream all the way from crude oil beneath the surface of the earth to gasoline in the service station. This requires, among other things, capital investment on a nearly unimaginable scale—in oil wells, crude oil pipelines, tankers, storage facilities, refineries, product pipelines, tank trucks, service stations.

It also requires diversity to handle the volumes that characterize the oil business. What's needed is just what exists: both large and small companies, some integrated (performing several functions), some not integrated.

Why pick on the integrated companies? Are they dominating the industry? Hardly. Although many oil companies are very large, no one company accounts for more than about 8% of the oil produced in the U.S. No one company has more than about 8.3% of the total U.S. refining capacity. None markets more than about 8% of the branded gasoline sold.

Must the oil industry be broken up just because some of the companies are *vertically integrated*? A newspaper that owns an interest in a paper mill making newsprint is to that extent vertically integrated. If it owns the trucks in which its papers are delivered around town, it is even further vertically integrated. That hardly seems undesirable. Integration is simply a way to increase efficiency.

If the oil industry is so *concentrated* that it must be broken up, what about those profit-making industries that are far more concentrated—commercial television, automobiles, computers, aluminum? How long before *they* would be broken up?

If oil is so *profitable* that it must be broken up, what about the manufacturing industries that showed a higher average return on invested capital over the 15 years through 1975—soft drinks, drugs, motor vehicles and equipment, tobacco manufacturers, transportation equipment, chemicals and allied products, and printing and publishing? "...I think we begin with the oil industry," says Senator Gary Hart, a divestiture proponent. Which industry would be next?

How would dismantling large U.S. oil companies, with worldwide access to oil supplies and with the ability to move that oil, strengthen our national defense?

How would it benefit Americans, who already import about 40% of the oil used in this country, to have to rely on the large, strong, *foreign* oil companies that Congress would *not* be able to dismember?

For at least the next 10 to 20 years or more, U.S. oil companies should be conducting the costliest, largest-scale exploration effort in history. No lesser effort can maintain even *present* production. And diversions such as divestiture are counterproductive.

It seems to us that persuasive evidence is required before dismantling an industry as basic to this country's economic security as oil is. It would have to be shown that such a drastic step would benefit the American consumer and strengthen the country.

We trust that the American public will see through the hollow rhetoric of those who would break up the oil companies. If you agree with us that divestiture is a mindless attack on this industry, write to your Senator—before it is too late.

If you don't, you won't be in a very good position to complain later.

Mobil®

This ad appeared in The New York Times of July 1, 1976.

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Meet some of our competitors*

ss—WISE • A & M • A & N • ABBOTT'S • ADOBE • ADOLPHS • AERO-K • AGE • AGWAY • AJAX • ALAMEDA • ALCO • ALEC • ALL AMERICAN
ALLEN • ALLIED • ALLSTATE • ALLSTAR • ALTA-DENA • AMERIGAS • ANCHOR • ANDY'S • ANGEL'S • ANZA • AO • APCO • APEX • APOLLO • AQUILA
ARCHIES • ARCHWAY • ARKLA • ARMCO • ARMER • ARMSTRONG • ARROW • ASAMERA • ASHLAND • ASTRO • ATLANTIC • AUSTINS • AUTO-MAT
AUTOMATED • AVIATION • AWFUL • AYR-WAY • B & B • B & D • B B B • B & E • B O C • BAKER BROS • BADCO • BARGIN RETROLEUM • BAY
BAYMART • BAZAAR • BAZAR • BEACON • BEELINE • BELL • BELL OIL • BENZ • BERGERS • BEST • BEST GAS • BETA • BI-LO • BI-LOW • BI-MOR
BI-RITE • BIG DUMMY • BIG FOOT • BIG JOHN'S • BIG UNION • BIG-T • BIG-TOP • BILLUPS • BIMORE • BLACK GOLD • BLACK JACK • BLEX OIL
BLUE BELL • BLUE GOOSE • BLUE STAR • BLUE & WHITE • BOB'S • BOB'S SAVE • BODINE • BOMBER • BONAFIDE • BONDED • BONICO • BONUS
BOOM TOWN • BOYCO • BRAND X • BRICKNERS • BRIGHTON • BROADWAY • BROKERS • BRONCO • BROWN'S • BRYCO • BUCKNER • BUD'S GAS
BUDGET • BUDGET GAS • BUDS-GAS • BUFFALO • BURTON • BURTS • BUY-N-SAVE • BY-RITE • C & J • C & S • CAL • CAL FARMS • CAL-A-GAS
CALGO • CALUMET • CAMINO • CAMP • CANNON • CAPITOL • CARGO • CAROCO • CARSONS • CASCADE • CASH • CASH OIL • CASH & SAVE
CASH-SAVER • CEL • CENEX • CENTURY • CERTIFIED • CHAMPLIN • CHANNEL • CHARGE • CHARTER • CHEAP • CHEAP GUYS • CHEER • CHEKER
CHEROKEE • CHIEF • CIBRO • CIRCLE-K • CIRCO • CLARK • CLOVERLEAF • COUNTRY BOW • CO-OP • COACH • COACHMAN • COAST • COASTAL
COIN-UP • COIN-POWER • COLONIAL • COLUMBUS • COMET • COMPEPCO • COMMUNITY • CONCORD • CONSOLIDATED • CONSUMERS
CONVENIENT • CORCO • CORNICK • CORY • CORYPENN • COURTESY • COVEY OIL • COVEY'S • COWBOY • CRAIGS • CREST • CROW SUPER
CROW-FLITE • CROWN • CRYSTAL • CRYSTAL FLASH • CSC • CUMBERLAND • CURAN OIL • CURTS • CURTESY • CUT PRICE • CUT-RATE • CYPRESS
D P P • DAGAM • DANNY BOY • DART • DAVIS BROS • DAWN • DAYS INN • DEAN'S • DEANCO • DEEP ROCK • DELSA • DELTA • DENNEY'S
DERBY • DIAMOND SHAMROCK • DICKS GAS • DIGAS • DINO • DIRECT • DISC GAS • DISCO • DISCOUNT • DIXIE • DIXIE VIM • DODDS • DORIGNAC
DOUBLE D • DUAL POWER • DUNCO • DUTCH-PRIDE • EAGLE • EXCEL • E-Z-SERVE • E-Z-SHOP • EAST COAST • E=QUAL • EASTERN • EATON
ECCO • ECHMAN • ECOL • ECON • ECONOMICAL • EDDY • EDWARDS • EL PASO • ELECTRON • ELK • ELMCO • EMCO • EMPIRE • ENERGY
ENTERPRISE • EQUAL • ESTE • ETNA • EVERGREEN • EXCEL • EXCELL • EXCO • EXOA • FAIR PRICE • FALCON • FALCONE • FAMARISS • FAR-GO
FARGO • FARMERS • FAST FARE • FAST-GAS • FAST STOP • FASTWAY • FCX • FED-MART • FEDCO • FELCO • FILL-UP • FILL-M-FAST • FILL-M-QUIK
FINA • FINE • FIRE KING • FIREBALL • FIREPOWER • FIRESTONE • FISCA • FISCHER • FITZGERALD • FLAG • FLAGG • FLEETWAY • FLEETWING
FLITECHIEF • FLYING A • FLYING M • FOLLIS • FOOD FAIR • FOREMOST • FOUNTAIN • FRANKLIN • FRANKO • FRED MEYER • FREEWAY
FRESHIES • FS • FULTON GAS • FURY • GET GAS • GAS & CO • GAS CITY • GAS FOR LESS • GAS GO • GAS HOUSE • GAS HUT • GAS MASTER
GAS N SAVE • GAS RIGHT • GAS SHOPPE • GAS STOP • GAS USA • GAS VILLAGE • GAS WORKS • GAS-&-GO • GAS-A-MAT • GAS-A-TRON
GAS-O-LESS • GAS-KWIK • GAS-MART • GAS-N-GO • GAS-RITE • GAS-SAVE • GAS-STOP • GAS-UP • GASLAND • GASCO • GASTOWN • GASMASTER
GASLESS • GATES • GEM • GEMCO • GEORGES • GEX • GIANT • GIBBS • GLENS • GLOBE • GO GAS • GO TANE • GO-TANE • GOLD ARROW
GOLD CIRCLE • GOLD EAGLE • GOLD SPOT • GOMERS GOOD • GOOD-YEAR • GORDONS • GOV-MART • GRAFCO • GRAMA'S • GRAND • GRAND
CENTRAL • GREEN-PASTURE • GUARANTEE • GULF-COAST • GULL • H & H • HACO • HALL OIL • HANCOCK • HANDI • HANDI-GAS • HANDY MART
HAPPY • HAPPY-GAS • HAPS-GAS • HARBOR HARRY'S • HART • HEBER VALLEY • HEENAN'S • HENRY'S • HERBST • HERTZ • HESS • HI SIERRA
HI-FI • HI-D • HI-WAY • HILLCO • HI-FY • HI-LO • HI-OCTANE • HIGHLAND • HIGHWAY • HOLIDAY • HOLLAND • HOME PANTRY • HOMETOWN
HOMOCO • HOOD • HORN • HOSER PETE • HPX • HUDSON • HULL • HUSKY • HY-FLASH • HY-ROCKET • ICE & FUEL • ICO • IMPACT • IMPERIAL
IN-OUT • INDEPENDENT • INTER CITY • J+F • J & J • J & L • JACK-POT • JARASTOKE • JED • JESSUP • JET SPEED • JET 777 • JIFFY • JIMMY'S
JOE'S SERV • JOLLY • JONES • JR MARKET • JUBILEE • K O • K-MART • K-N-K • KAY'S • KAIBAB • KEAN • KEEN • KELLY BROS • KENDALL • KEOIN
KERVINO • KERR-MCGEE • KEY • KEYSTONE • KICKAPOO • KILLIAN • KING • KING $ • KINGS • KLEAR • KNIGHT • KNOWLES • KOCH • KOCOLENE
KUNZ • KWIK • KWIK STOP • KWIK WAY • KWIK-FIL • KWIK-GAS • KWIK-PEP • KWIK-POWER • LA CARIDAD • LA GLORIA • LA JOLLA • LARRY'S
LARSONS • LAUREL • LAURIE • LEATHERS • LEHIGH • LEONARDS • LEPAUL • LEPECO • LERNER • LESLIES • LEWIS AUTO • LIBERTY • LINCOLN
LION • LITTLE AMERICA • LIQUID POWER • LONAS • LONGHORN • LO-CUT • LOOK • LOTUS • LOW PRICE • LITTLE CHAMP • LUBRITORUM • LUCKY
PRICES • LUCKY 7 • M & H • M S • M-23 • MAAN • MABRY • MACK • MAG • MAJOR • MAJOR GAS • MAJOR QUALITY • MALCO • MARATHON
MANOR • MARINE • MARS • MARTIN • MASCOT • MASON • MATT'S • MAVERICK • MAVERIK • MAXI-MART • MC COYS • MC LEAN • MCCALL
MCCALLS • MCKEE • MCKEES • MERCURY • MERIT • MERRIT • METRO • METRO-500 • MFA • MICKEY'S • MICO • MIDAS • MID-CONTINENT
MIDLAND • MIDWAY • MIDWEST • MIKULS • MILEX • MILO • MINI-SERVE • MINUTEMAR • MINIT-MART • MISS QUICK • MOHAWK • MO-JO
MONARCH • MONEY SAVER • MONTE-MART • MORE • MOTOR MOTI • MOTOR • MR BRAKE • MR G'S • MR GAS • MR QUICK • MURPHY • MURRAY
MUSTANG • MUTUAL • NAGERS • NATIONAL • NEV-GAS • NEW WAY • NILES PUMP • NITRON • NO STATES • NORCO • NORTH STAR • NORWALK
NRG • NU-WAY • NUNIS • O'CONNERS • OAK • OHIO • OIL CITY • OIL INC • OKLAHOMA • OLD COLONY • OLE • OLYMPIA • OLYMPIC • ONE
PUMP • ONE STOP • ORBIT • ORIENTAL • ORRICK • OVERTONS • OWC • OWENS • P & B • PACE • PACEMASTER • PACIFIC • PAN AM • PARADE
PARAGON • PARALAND • PASS POINT • PASCO • PATHMARK • PAULEY • PAY TAKE • PAY-LESS • PEACH • PECOCK • PEER • PEERLESS • PENN-DRAKE
PENNEY'S • PENNZOIL • PEOPLES • PEP • PERFECT • PESKY • PESTER • PETE'S • PETES STOP • PETRO • PETRO UNLIMITED • PETROL-STOP
PHILS MANOR • PHINNEYS • PILOT • PIONEER • PIT-STOP • PIXIE • PLATEAU • POLLY • POLY • PORT • POWER • POWER RIDE • POWER TEST
POWER-GAS • POW-R-PLUS • POWERAMA • POWERFLYTE • POWERFUL • POWERINE • POWERTEST • POWER-TEST • POWERTHIRST • POWR-PAK
PPC • PREMIER • PREMIUM PRICE • PRIDE • PRIME • PRO • PRO-PAR • PUBLIX • PUR-PURR • PURITAN • PURPURR • PYRAMID • Q-PETROL
Q-SUPERETT • QUAKER • QUALITY • QUICK MART • QUICK STOP • QUICK-MART • QUIK START • QUIK STOP • QUIK-SAVE • QUOTA • R PANTRY
RALLY • RAMCO • RAPID GAS • RAPPS • REBEL • RED ACE • RED BALL • RED BIRD • RED CAP • RED CARPET • RED DIAMOND • RED HAT • RED
HEAD • RED HED • REDWOOD • REGAL • REGENT • RELI-A-RIDE • RELIANCE • RENEGADE • RENO • RFI • RHODES • RICH • RICH'S • RICHWAY
RINKS • RINO • RIO GRANDE • RIO VISTA • RIVERSIDE • RIVER BANK • ROAD RUNNER • ROBIN • ROBINSDALE • ROBO • ROCK ISLAND
ROCKVIEW • ROCKY HOME • ROG ILSTRP • ROGERS • ROMACO • ROSE CITY • ROTARY • ROTTEN ROBBIE • ROUNDHOUSE • ROYAL • RUBENS
RUBRDUCKIE • RYAN • S & M • S & S 400 • S O S • S P C • SABRE • SAFARI • SAGE • SAN-ANN • SANTA ROSA • SATURN • SAV-A-LOT • SAV-MOR
SAV'N SAM • SAV-O-MAT • SAV-ON-GAS • SAVE • SAVE $$ • SAVE GAS • SAVE WAY • SAVE WITH • SAVE-A-LOT • SAVE-M-GAS • SAVE-MORE • SAVE-WAY
SAVEWAY • SAVING CENTER • SAVINGS • SAVO-MATIC • SAVWAY • SCAT • SCHWEGMANN • SCOPTS • SCOT • SCOT-SINCLAIR • SCOTT • SCOTTS
SCOTTYS • SEA-TAC • SEAGO • SEAWAY • SEARS • SEASIDE • SEIREX • SELF SERV • SELF SERVE • SELF UP • SELF WAY • SELF-SERVE • SEQUOIA
SERCO • SERV-N-SAV • SERV-O-MAT • SERV-U-SLF • SERVICE + • SERVE-U • SESSIONS • SHADY GROVE • SHAMROCK • SHAY • SHEPHERD
SHOP-N-GO • SHOPPERS • SHORT-STOP • SIGMOR • SIGNAL • SILCO • SIMAS • SIMS • SIMMONS • SINCLAIR • SINCO • SIOUX • SING • SITE
SIVILS • SKY CITY • SKYLINE • SKYPOWER • SMITH • SMITH'S • SO-LO • SOC • SOCKO • SOLO • SONIC • SOPPS • SOUTHLAND • SOUTHSIDE
SPACE • SPACE AGE • SPARTAN • SPEC SUPPL • SPEEDWAY • SPOT GAS • SPUR • STAR • SYAR KLEEN • STAR FLITE • STAR S • STAR SERV
STAR & BAR • STATE • STERLING • STIMPSON • STINKER • STITES • STONEY-GAS • STOP • SAVE • STUART OIL • STUARTS • STURDY
SUBURBAN • SUMMERS • SUMRALL • SUN GLOW • SUNCO • SUNLAND • SUNNY • SUPER • SUPER AMERICA • SUPER DUPER • SUPER GAS
SUPER-GO • SUPER KWIK • SUPER PARR • SUPER ROSE • SUPERTEST • SUPER 8 • SUPER-CAL • SUPER-SAVE • SUPER-7 • SUPERETTE
SUPERIOR • SUPERQUICK • SUPREME • SUPREME X • SURE • SURF • SWEDE'S • SWIFFS E & G • SWIFTY • TRESLER COMET • T C G • T F P
T S S • T-BIRD • TACC • TANK BANK • TANK & TUMMY • TANKAR • TARGET • TASCO • TCR • TED & LILS • TENNECO • TERRACE • TESORO • TEXAS
TEXAS IND • TEXGAS • THONI • THORNTON • THREE M • THRIFT • THRIFTYMAN • THRIFT-WAY • THRIFTY • THUNDERBIRD • TIC TOC • TIDE
TIDELANDS • TIGAR • TIME • TIME SAVER • TINY GIANT • TIP TOP • TOMMY OIL • TOMMY'S • TONY'S • TOOT 'N' MOO • TOP GAS • TOP QUALTY
TOP VALU • TOPS • TORO • TOSCANO • TOTAL • TOWN PUMP • TOWN & CNTRY • TOWN/CNTRY • TOWNE PUMP • TRAILMASTER • TRANSIT
TRANSPORT • TREAS ISLE • TREASURY • TRESLER • TRI-STATE • TRIANGLE • TRIMBLE • TRO • TROLLEY • TRU SAVE • TRU-OCTANE • TRU-VALUE
TRUE VALUE • TRY-IT • TULSA • TWIN • TWO GUYS • TYR-PRO • U S • U S A • U SAVE GAS • U-FILL-IT • U-FILL-M • U-GAS • U-GAS-IT • U-GAS-UM
U-HAUL • U-NEX • U-POWER-IT • U-PUMP-IT • U-SAV-ON • U-SAVE • U-SERV • U-SAV • U-SERV • U-SERVE • U-TOTE-M • UCO • UDDER PL
UFILLER-UP • UNICO • UNITED • UNITEX • URICH • UNIVERSITY • V A C • V & S • V/I • VADCO • VAIL • VALUE • VALUEGIANT • VALVOLINE
VAMBRETA • VELTEX • VENTURE • VERCO • VICKERS • VICKERS/DIVIDEND • VICTORIAN • VICTORY • VILLAGE • VILLAGE PUMP • VISTA • VOL OIL
W & W • WACO • WAKE UP • WALCO • WALDING • WALKER • WALLACE • WALLY'S • WALLYS • WALT'S • WARDS • WARECO • WASHINGTON
WATTS • WAY-LO • WAY-LOW • WAYNE'S • WEBSTER • WEE GASUM • WEST COAST • WESTERN • WESTERN MT • WESTLAND • WFA • WHITE
WHITE ROCK • WHITE ROSE • WHITEFRONT • WHITEY • WHITING BROS • WHOLESALE • WIGGS • WILCO • WILES • WIN • WINALL • WIND
WISE • WISE BUY • WOLACH • WOLCO • WOLFS HEAD • WONDER WORLD • WOOD RIVER • WOODYS • WORKING MAN • WORLD • WRIGHT & STO
X L • X-CEL • XTRA • Y PAY MORE • YANKEE • ZAYER'S • ZAYRE • ZENITH • ZEP-GAS • ZEPHYR • ZEROX • ZIP-N-GO • ZIPPO • ZODY'S • ZZYZX
100 • 2 C'S • 4-M • 7-ELEVEN • 8-DAYS

Source: Lundberg Survey, Inc.

*These are some brand names for gasoline. More than a thousand of them. Just the ones used by the so-called "independents," who now have almost a third of the market. We've left out the 61 brand names used by the major oil companies. That's a lot of competition. So why is the Senate considering a bill to break up the oil industry? We'd suggest that you ask your Senator that one.

Mobil®

...Times of July 8, 1976

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The New York Times said it beautifully

Wrong Way on Oil...

The Senate Judiciary Committee has sent to the floor of the Senate a bill that would break up the 18 biggest oil companies. A company would have to decide whether to produce crude oil, transport it, or refine and market petroleum products. It no longer could perform all three functions.

The sponsors of the legislation contend that it would lead to greater efficiency, a strengthening of independent oil producers and dealers and, ultimately, greater restraint on the pricing power of the Organization of Petroleum Exporting Countries.

It is hard to see that breaking up the largest American oil companies would lead to any of these results. In fact, divestiture might result in greater costs than benefits to the United States—and to consumers. It might even strengthen rather than weaken OPEC.

The proposed solution of divestiture is based on a fallacious theory of the energy crisis—the notion that it was caused by the American oil "monopoly" rather than by the cartel of oil-producing countries. This risks diverting attention from the real problem to a dramatic and emotional nonsolution.

The American oil industry, while no model of perfect competition, is less concentrated than many other American industries. In petroleum refining—the most concentrated part of the industry—the largest four companies account for 33 percent of sales; the largest eight companies account for 58 percent, and 20 companies account for 85 percent. These concentration ratios are about average for American industry as a whole.

Beyond the data on concentration ratios, there is much evidence that the oil companies have competed vigorously for markets and access to new reserves. The industry's profits have, over the years, also been about average for all American industries. The Arab oil embargo and quintupling of oil prices boosted oil-industry profits in 1974, but they have since come down.

Breaking up the largest oil companies—and the long period of uncertainty through which the industry would have to pass—would probably cause a major cutback in investment in new energy resources, both in the United States and abroad (including non-OPEC areas). This would strengthen market domination by OPEC by contracting other sources of supply.

...Alternative Remedies

The other means of putting greater pressure on OPEC would be to increase United States conservation of oil products; breaking up the big oil companies would be an irrelevant or counterproductive solution to that problem. A Congress that has been unwilling either to tax fuel more heavily or let higher prices cut back demand will find no *deus ex machina* in the splitting of the big oil companies. If divestiture should have the effect of chopping down United States profits and investment, the impact on domestic supplies would be negative. Oil imports into the United States have risen above 6 million barrels a day and now approach 40 percent of our daily oil consumption. That trend should be reversed.

Certain specific concerns about the oil industry call for specific remedies. If oil companies that own pipeline are in fact discriminating against independent refiners, as some critics have charged, that may be an antitrust violation or an abrogation of their common-carrier responsibilities to be tackled by the Federal Power Commission and the courts. If those remedies fail, Congress should consider a divestiture bill specifically targeted on pipelines. And if gasoline stations are being unfairly treated by the large oil companies, their grievances may call for protective legislation.

The oil industry is subject to the nation's antitrust laws, and those laws should be rigorously applied against any price-fixing or collusion by oil producers. Joint ventures in offshore lease acquisition, exploration and development drilling, ownership and production from oil and gas leases, pipeline ownership and operation, and international actions and coalitions should be scrutinized by Congress, as well as the antitrust and regulatory authorities, to insure that such joint ventures are not collusive, discriminatory, or anticompetitive.

There are ample means available to the United States Government to prevent monopolistic practices by oil companies. To use the meat cleaver of divestiture would risk cutting back our own oil supply for the presumed purpose of spiting OPEC. Such a policy makes no sense at all.

© 1976 The New York Times Company

Mobil

This ad appeared in The New York Times of July 15, 1976.

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"Attempts to punish the oil industry for alleged anti-competitive behavior are contrary to the national interest...The oil and other energy industries are among the least concentrated in the United States."

Those are not the words of an oil company. They are taken from George Washington University's Energy Policy Research Project. After 16 months of study and analysis, the project—directed by William A. Johnson, Professor of Economics at George Washington University—found that the oil industry was indeed competitive and that no special legislation was needed to break it up. In a 115-page paper published by George Washington University, Professor Johnson and his associates, Richard E. Messick, Samuel Van Vactor, and Frank R. Wyant, summed up their findings like this:

Conclusion

ENERGY POLICY RESEARCH PROJECT
The George Washington University, Washington, D.C.

There would seem to be little reason for special regulations being imposed on the oil industry other than normal anti-trust laws generally applicable to all industries. The oil industry is one of the least concentrated in the United States. There is no evidence that the major oil companies have expanded their share of the marketplace at the expense of independents. Indeed, the evidence, if anything, suggests the opposite. Nor, as a rule, does it seem that the majors have used vertical and horizontal integration, joint ventures, exchange and processing agreements, or interlocking directorates to engage in anticompetitive practices. Finally, oil industry profits, when viewed in their historical perspective, have not been excessive; nor were recent short-lived increases in profits "unconscionable."

Why, then, are the major oil companies everyone's villain? What has brought about the current state of affairs where Congress and a number of state legislatures seem determined to enact punitive legislation that can only discourage needed investment by the major oil companies and dissuade them from doing what is necessary if the national goal of greater self-sufficiency in oil is to be achieved?

One important reason can be summarized in a word—size. Big oil *is* big. And it is also highly visible. In terms of total sales, four of the top ten, eight of the top 25, and twelve of the top 50 companies in the United States are major oil companies. In terms of assets, net income, stockholders' equity and total profits, the presence of the majors among the largest U.S. companies is even more pronounced. Yet, if one looks at measures that might indicate the presence of monopoly, such as net income as a percentage of both sales and stockholders' equity, or total return to investors, the major oil companies have generally lagged behind other large companies. Exxon, which is second in sales and first in assets among industrial corporations, is 74th in total return to its investors. Mobil, which is seventh in both sales and assets, ranks 235 in return to its investors. Bigness is not a crime—at least at present. The evidence strongly suggests that the major oil companies' bigness has not been associated with anti-competitive behavior.

Another reason is politics. The oil industry is a highly visible target for many politicians, especially many congressmen. Why? Because, as one perceptive observer of the Washington scene has noted:

> [M]any congressmen are continuously surveying their political horizons in search of issues with which they can become personally identified and which can become the basis of subcommittee chairmanships, highly publicized hearings, and state or national visibility.

Leading the drive to break-up the "monopolistic" oil industry presents such an opportunity. Many cannot resist it.

The regulatory and punitive face of federal energy policy continues to dominate federal energy policy and threatens to become more dominant in the future. Even the Federal Energy Administration has been preoccupied with regulation at the expense of other national goals, particularly increased productive capacity and greater self-sufficiency in oil. There is now growing concern over whether the current climate is sufficiently conducive for the major oil companies to undertake needed investment in the industry. The emphasis on punitive measures against the majors not only has no basis in fact, it is likely to be highly detrimental to the nation. While the Congress and the Administration mete out punishment to the major oil companies, OPEC and the Arab producing nations can only chuckle.

If you'd like a copy of the complete study, write to: Mobil Oil Corporation, Box G, 150 E. 42nd St., New York, N.Y. 10017

Mobil®

This ad appeared in The New York Times of July 22, 1976

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On different wavelengths-but loud and clear.

A KNBC Channel 4 editorial put it this way:

We were tempted to write it all off as election year politics: the usual hot air that surrounds campaigns for public office. But from the statements flying out of Sacramento and Washington, it's clear the misdirected moves to punish oil companies by breaking them up have to be taken seriously. In spite of all the facts.
The breakup idea is based on three lies.
First lie: that America's oil industry is a big monopoly with no real competition. The fact is that no one company produces or sells more than around eight percent of the total. If that's a monopoly, there's something wrong with my dictionary.
Second lie: oil companies make obscene profits.
The fact is that not many are starving, but the industry average profit is in the same league as all other businesses.
The third lie is that the government can find, refine and deliver oil better.
The fact is government agencies try very hard, sometimes, to do a good job, but around the world government owned oil companies need six times more workers to do the same job.
The overriding fact is that bigness in oil companies isn't necessarily bad, when it takes billions of dollars in risk capital to go get the oil we all seem to want to keep using.
If the politicians who are trying to climb into higher office over the bodies of America's oil companies really want to cut your fuel prices, we think they should stop monkeying around with more regulations and breakup threats, and let the forces of competition decide how big and how integrated an oil company should be.

Broadcast: April 8, 1976

Los Angeles, California

And a KNXT Channel 2 editorial said it like this:

This is a political year, and as usual, some of those running for office are looking for something to shout about.
Several of the biggest campaigners have decided to take on the oil companies and preach the gospel that the companies are monopolistic and ought to be broken up. If they're sincere, they're misguided.
The theories are: bigness is bad; a monopoly exists, no one company should be involved in drilling, refining, transportation and retail sales. The public benefit of breaking up the big companies is supposed to be more competition and lower prices.
These ideas could be dismissed as mere campaign hokum, but a recent poll by the Roper organization showed that about a third of the public believes it.
The real problem is a dwindling oil supply, higher production costs, and a cartel of foreign countries who have banded together and quadrupled the price of oil in a couple of years.
The complaint about monopoly is a joke. You can't find much more intense competition anywhere than when the oil companies bid for leases or bid for retail dollars. The customer benefits. The biggest oil company has less than 10% of the market.
It's true that little companies have a hard time competing, but hundreds of millions of dollars are needed just to bid for rights to drill. There can't be hundreds of companies big enough to try. How many dry wells at $5 million apiece or more can a shoestring operation afford?
The companies around here are not heavily into retail. The great majority of stations are run by private operators who own or lease them. Profits are often mentioned. Big increases of 200% or 300% in the oil shortage. But the starting point was low, and the increase merely brought them up on a par with other industries.
The oil companies are a whipping boy -- useful for anyone who wants to get attention. But look behind the complaints, and see if there's any real basis for them. In this case, the claim of oil company monopoly is false, as you can see every day with so many retailers competing to get you to pull up to their gas pumps.

Broadcast: February 19 and 20, 1976.

Los Angeles, California

These NBC and CBS stations in Los Angeles compete vigorously.

Except when logic and reason put them on the same side of an issue.

Mobil

This ad appeared in The New York Times of August 5, 1976.

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Impact on General Public

All of Mobil's communications activities -- messages in the print media, our sponsorship of "Masterpiece Theatre," special events of many kinds with which Mobil is associated, and other programs -- have created a cumulative impact on the general public. We believe we have had some role in changing the nation's perception of the energy situation, and in steering popular sentiment toward a greater appreciation of the role of the free market in the nation's economy -- changes reflected in the outcome of the 1980 Presidential election. And, in so doing, we have been able to differentiate Mobil in the popular mind from other oil companies.

At the same time, the influence which we have exerted on popular opinion is difficult to measure, because of the many variables involved. Nevertheless, it is important that we measure it as effectively as possible on a continuing basis. We do this by regularly evaluating the impact of our "Observations" columns, which are designed to appeal to a mass audience, as opposed to our Op-Ed ads, which make specific appeals to opinion leaders in government, the media, and elsewhere.

After each "Observations" column is printed, we make Starch Survey samplings of our readership in which three basic questions are asked:

- Did you see the ad?

° Did you associate it with the advertiser?

° Did you read most of it?

In Parade magazine, where "Observations" columns run regularly, the norm for "read most" for black and white ads of half a page -- the size we use for "Observations" -- is only about 6%. "Observations," by contrast, consistently draws a "read most" of around 20%, which is close to what Parade gets for editorial copy. We think the explanation for this is that we are really presenting editorial copy in "Observations," so that people read the columns because they are interesting without thinking about them as ads.

With help from our Starch surveys, Mobil has also been able to toughen the content of our messages without losing readership. In fact, we have gained in readership percentages by doing so, and by utilizing bolder type, bold-faced lead-ins, more interesting artwork, and a box with every column called "It's a fact," highlighting key points for people to remember.

To find out whether "Observations" is really influencing people on public policies important to Mobil, we recently asked "Observations" readers in three cities (Hartford, Conn., Davenport, Iowa, and Charlotte, N.C.) their views on seven provocative issues that we had treated frequently in "Observations". Then we compared these views with those of newspaper readers in three demographically similar cities (Providence, R.I., Des Moines, Iowa, and Memphis, Tenn.) where "Observations" is not seen.

The poll results, based on fairly large samplings, showed major differences in views of:

(a) Limiting the government's role in business or as the operator of an oil company, with Parade readers more strongly in favor of limiting the government's role.

(b) Attitudes towards the more practical way of reducing dependence on oil -- reduced consumption or new energy production. Reduced consumption alone was believed to be a practical method of cutting dependence on foreign oil by only 20% of Parade readers, compared with 25% in the non-reader control group.

(c) Nuclear power expansion was favored by significantly more Parade readers than non-readers in the control group.

(d) Solar energy expectations in the short term were met with more skepticism by Parade readers.

In sum, Parade readers generally reflected attitudes more closely allied to viewpoints advanced in "Observations" columns on most key energy issues.

Besides showing that Mobil has some impact on overall public opinion on specific issues, our mail arising from "Observations" columns indicates that we have begun to create an ongoing dialogue with members of the public on issues important to us. Whether or not they agree or disagree with us, most of our readers support our

right to express our viewpoint, and they take time to write to us. Many readers have pointed out the necessary role "Observations" plays in balancing the input of information in their lives with that from the government and the media.

Mobil's ability to sustain a dialogue with its readers was particularly apparent last year, when "Observations" generated 1,443 letters, 58% above the 1980 level. While this may have resulted from a trend to speak out more on controversial issues (nuclear power, Interior Secretary James Watt's views on the environment, and anti-media columns, for example), so that many readers wrote in to disagree with our views, it is still important that readers are interested in what we have to say.

They are willing, in fact, to become involved with issues that concern them, not only by writing to Mobil, but by discussing the issues with their associates, and writing to legislators (one man wrote at the end of his letter: "You bet I write my Congressman!"). "Observations" readers are demanding and articulate and are often willing to acknowledge that there are two sides to controversial issues.

In addition, the "giveaways" advertised in the column have continued to be popular. In 1980, for example, there were over 33,000 requests for our energy conservation booklet "Don't be an energy hog" (see III-G), and two columns in 1981 prompted 3,792 requests for "Making Your Voice Heard in Washington".

For example, in October 1974 the Rowan Group interviewed 700 respondents in Albany, N.Y.; St. Petersburg, Fla.; Wichita, Kans.; Sioux Falls, S.D.; San Jose, Calif.; Boston, Mass.; and San Francisco, Calif. Among the results:

-- "The only company with any clear image in this area at all (the area of TV programming) is Mobil," and that was because of our sponsorship of "Masterpiece Theatre". In fact, many respondents associated Mobil with several public television programs that we did not sponsor.

-- Respondents were more familiar with Mobil's print campaign than those of the other companies. Mobil also ranked highest on the related question of "effectiveness" of print campaigns.

In a Louis Harris nationwide survey of public opinion ranking 40 major American companies, conducted in February 1976, the following results were obtained:

1. Mobil was clearly the image leader among the seven oil companies tested (Mobil, Exxon, Gulf, Shell, Arco, Phillips, Continental). The public perceived Mobil as the industry pacesetter on 19 of the 21 company characteristics.

2. The public saw Mobil as the oil company most "seriously concerned about the energy problem," "committed to free enterprise," and "working for good government". The company also

Some sample comments follow:

> "...the messages found in your 'Observations' columns are a welcome change from the usual anti-business messages that are injected into so many of our so-called 'news stories'."
>
> "It's debatable how much truth is left once the promotion has been sifted out of your 'Observations' column, but at all costs keep it up. Someone has to publicly stand up for the industries and I see none doing a better job than 'thou'."
>
> "I love your column. I use it to teach my fifth grade class in social studies some facts textbooks miss."
>
> "I've been reading and saving your articles since they first appeared in the Boston Sunday Globe. This information (facts and examples) aid me in further attempting to convert other people to the realization that government regulation and intervention is not to our advantage."

Mobil's other major effort to reach a mass audience has been made through television. We have done this by making commercials which have run on Mobil Showcase presentations in the 50 major cities, by offering newsclips and public service announcements to all TV stations, and by offering videotapes of projects and issues which have been run by local stations. Commercial messages from the Mobil Information Center, 60-second spots which air in prime time on 75 stations, have been viewed by huge audiences. (Attachments 1, 2, 3, and 4 give details of Mobil television programs.)

Polls have consistently shown that the company's advocacy advertising and sponsorship of "Masterpiece Theatre" have improved its image with the public, even during times when the oil industry has been viewed with general disfavor.

was regarded as the most "honest and direct" oil company in talking to consumers.

3. At a time when oil companies were doing virtually no product advertising, Mobil was rated number one in the "quality of the company's products and services."

While the public may not have been aware of it, Mobil's underwriting of "Masterpiece Theatre" on PBS has had a dual impact on television and its audience.

First, the concept of the mini-series -- a limited number of weeks devoted to a continuing drama -- was pioneered by "Masterpiece Theatre" as illustrated by "Upstairs, Downstairs" or "I, Claudius". There is good reason to believe that such commercial network mini-series successes as "Roots" and "Holocaust" were direct descendants of the Mobil-introduced technique.

Second, the substantial promotional effort behind Mobil's PBS presentations, especially "Masterpiece Theatre," can safely be credited with educating the viewing public to the belief that public television is the natural habitat of quality dramatic and documentary programming.

In summary, we have been able to demonstrate, on a continuing basis, that we have had a positive impact on public opinion in general. The evidence available indicates that we have changed, or had a role in changing, public attitudes on some energy-related

issues so that they approximate our own views more closely. And we have certainly made Mobil well known as a company. If we are not always viewed with favor, we have certainly earned increased respect for our ability and willingness to speak out on the issues.

# # #

ons.

employees in above.

(II-D/Attachment 1a)

MOBIL TV COMMERCIALS

YEAR	SUBJECT	TIME	PROGRAM
1974	Offshore Drilling	--	Network refused to run.
1975	High Cost of Exploration (North Sea) Hostile Environment for Production Supplies From Far Off Lands (Iran) Hostile Environment (Sumatra)	2 minutes	Mobil Showcase Presentations.
1976-77	American Album: 6 commercials celebrating American Spirit of Individual Enterprise.	3 minutes	Mobil Showcase Presentations.
	Issue and Information Series: 24 commercials cut down from other film projects.	30 seconds	Ran in NYC and Washington Metromedia Stations.
1978	Imagination Series: Portraits of individuals in Science and the Arts connecting the importance of imagination to Mobil activities.	90 seconds	Mobil Showcase Presentations. Syndicated to 50 major cities.
1979	Imagination 2: Incorporates portraits of Mobil employees in above.	2½ minutes	"

YEAR	SUBJECT	TIME	PROGRAM
1980	Mobil Information Center Commercials: Opinion -- ORC shows people have inflated idea of oil company profits. Election -- Urge people to register and vote. Nuclear -- More nuclear plants needed. Coal -- America has great untapped coal reserves; can save oil if government permits development. Conservation II -- Americans are conserving / Mobil refineries slash energy use. Masterpiece Theatre -- Promotion. Shrimp & Petroleum Festival -- Annual Louisiana Festival celebrate offshore oil/fishing coexistence. Profits -- Mobil's tax payments far exceed profits. Absolve -- Oil companies absolved by Justice Dept. of blame for '79 shortage. Conservation -- Conservation can't do whole job. Hope -- Great hope for domestic energy development if government acts.	60 seconds	Independent Network News -- 75 stations WNEW -- NY WJLA -- Washington ABC Affiliates Buffalo, NY ABC Affiliates KTTV -- Metromedia, LA

YEAR	SUBJECT	TIME	PROGRAM
1980 (Cont.)	Growth -- Support for Reagan program.		Rejected by all major networks, raising criticism against networks. As a result, local affiliates and independent stations began to agree to run issue commercials.
	Placing 1979 Record Profits in Perspective.	60 seconds	
	Fables for Now - Won 3 "Clio" Awards Six "fables" on: Necessity of bigness Need for second supplies Need for balance between Environmental Production Importance of Profits Burden of Government Regulation Role of Profits	3 minutes	Mobil Showcase Presentations. Syndicated to 50 major cities. Also aired Fables on Mobil "Summershow," which was syndicated to 8 major cities.
1981	Mobil Information Center: Expenditures -- Mobil spending much greater than earnings. Regulation -- Deregulation of industry needed to revive economy. Nuclear Plants -- Regulations cause delay, soaring costs. Cohen - Revised -- Prof. Bernard Cohen discusses safe nuclear waste disposal technologies. Price -- Harvard study concludes oil companies underpriced products during '79 shortage.	60 seconds	--

YEAR	SUBJECT	TIME	PROGRAM
1981 (Cont.)	Labor -- Oil and gas development means jobs. Energy Policy -- support for Reagan's Free Market Energy Plan Business -- ORC poll shows people have inflated idea of oil company profits. Offshore Leases -- Reagan sensibly selling more offshore lease rights. Quarles (clean air) -- Former EPA Administrator discusses costs, problems with Clean Air Act. Mills (nuclear) -- Nuclear is economical; other countries way ahead on using it. Mines -- Reagan sensibly easing coal mining regulations. Free Enterprise -- Has brought us economic strength and unparalleled riches. Press Freedom -- Press must be responsible, fair, accurate to guard freedom. Shrimp and Petroleum -- Annual Louisiana Festival celebrates offshore oil/fishing coexistence. Masterpiece Theatre - Fall -- Promotion.		

YEAR	SUBJECT	TIME	PROGRAM
1981 (Cont.)	Masterpiece Theatre - New Year -- Promotion.		
	Free Market -- Oil decontrol resulting in reduced imports, increased production.		
	Support For Reagan Economic Program:	2 minutes	For Mobil Showcase.
	Revival Liberty Bell Gateway Spirit		
1982	Mobil Information Center:	60 seconds	INN and WJLA in Wyoming; Metromedia in N.Y., WY and LA.
	Federal Lands -- Supports opening up federal lands for multiple use.		
	Clean Air -- Business/Labor coalition supports Clean Air Act changes.		
	Environment -- Mobil's oil exploration/environmental protection highlighted by THUMS project.		
	Oil Recovery -- expensive special recovery techniques get more oil from existing fields.		
	Mobil Information Center:	60 seconds	
	Community Service TV Commercials:		
	Daytop Village -- Mobil supports doing rehabilitation center.		

YEAR	SUBJECT	TIME	PROGRAM
1982 (Cont.)	Young Audiences -- Mobil supports program bringing quality performing artists to inner city schools. Film Students -- Mobil supports young filmmakers at NYU, USC, etc. USA/Mobil -- Mobil prepares athletes for '84 Olympics.		

Dear voter:

If you drive a car...if you heat your home... if you cook food...if your job is important to you... this message is for you.

We're writing to you while your Senators and Representatives are home on recess, because *right now* may be your last chance to contact them before they make the final decision on the proposed national energy program. Before they do, we believe it's vital for *you* to consider what the program really means, not only for you but for your children and their children.

The effect of the proposed energy program appears to us to be twofold: first, to raise revenues by increasing your taxes; and second, to make energy so expensive that its cost will force you to use less. It is a policy which jeopardizes economic growth and sows the seeds for long-term energy shortages. Its backers say that reduced energy use and higher taxes are the only way to go. They pay little attention to the alternative of developing more domestic energy supplies.

We say there is no shortage of energy resources and that America does not have to live with a long-term energy supply crisis. The resources are there: enough coal to last for hundreds of years, sizable amounts of oil and gas still to be discovered, and ample uranium for nuclear power. Beyond that, there's an infinite amount of sunlight for solar energy, and other sources like the tides and the winds waiting to be harnessed.

What the country actually faces is a shortage of *deliverable* energy—energy you can use every day to run your car, keep your house warm, and operate the machinery where you work. This *deliverability* crisis is largely the creation of those in Washington and elsewhere who throw up roadblocks whenever the energy industry tries to move ahead on bringing you greater supplies.

The Administration's approach will hit you where it hurts most—in reduced standard of living for your family. If the program goes through as proposed, a U.S. Chamber of Commerce study says it will cost the average family more than $3,000 in new taxes between 1978 and 1985.

The proposed energy program has four major faults:

1. It would mean much higher energy costs to you, the consumer, *without producing any new energy for your money.*
2. Worse than that, it would actually erect *new* roadblocks to the production of additional U.S. energy supplies, making the deliverability shortage worse and boosting reliance on foreign oil.
3. It would weaken the economy by being inflationary without the offset of increasing energy supply.
4. It could hamper exports by American industry, because higher energy costs can make U.S. products non-competitive abroad. If *your* company sells its products overseas, *your* job could be in danger.

Let's take a closer look at these four drawbacks:

Higher costs through higher taxes, without benefits

If you're thinking of the burden on you as simply the taxes on gas-guzzling cars or an increase in federal gasoline taxes (which Congress may or may not pass), look at the fine print. Much more threatening are hidden costs to you like the "crude equalization tax" and the huge expense to industry of converting to coal on a hurry-up basis. If you think your electric bills are high now, think of them including your share of the taxes and conversion cost of the electric utility industry, estimated by the Edison Electric Institute to be $63 billion. And that's only a piece of the burden. You'll feel a pinch in your pocketbook in everything from the cost of heating oil to the price of a shave and shampoo.

Here's the bill you'd pay as a result of the Administration's proposed program between 1978 and 1985 in direct and indirect taxes alone, according to a study by Dr. Jack Carlson, chief economist of the U.S. Chamber of Commerce:

Crude oil taxes	$ 86 billion
Industrial taxes	33 billion
Utility taxes	6 billion
Auto efficiency taxes	10 billion
Additional income taxes due to inflation	47 billion
	$182 billion

These add up to more than $3,000 per family. If you add in industry conversion costs and inflation, and a proposed 4¢-a-gallon gasoline tax, the burden could get substantially worse. Some of this, under the program, might come back to you as rebates. But do you *really* think a great deal wouldn't stick to Washington's sides? Dr. James Schlesinger, the new Energy Department head, has suggested that a portion of this money might funnel into non-energy general expenses of the government.

In short, you're being asked to pay additional tax increases that the U.S. Chamber calculates to be "the largest in the peacetime history of the United States"—not to find more energy in the United States (which would give some purpose to the sacrifice) but simply to increase your energy costs.

According to a study by Milton Russell for the Washington-based Brookings Institution, the Administration's control program will cost the economy more than the de-control of oil and natural gas prices. Moreover, continued controls would lead to less oil and gas being discovered over the long term.

More roadblocks to energy development

New taxes might be bearable if they helped with the basic problem—increasing production of energy in the U.S. But instead, new roadblocks in recent legislation will actually retard any increase in U.S. supply, and thereby make America even more dependent on oil from abroad. Here are the roadblocks we mean:

- A Senate-passed bill would alter the time-tested system of auctioning offshore oil and gas exploration leases, build in new delays, and even open the door to federal exploration for oil and gas. Imagine the bureaucracy and inefficiencies this kind of activity would generate.
- Price controls on natural gas, in part responsible for last winter's crisis in which more than a million workers were laid off, would be retained and expanded, leaving the country with the basic cause of its past supply problem unchanged.
- New restrictions have recently been placed on both coal and nuclear power development. Even before that, paperwork had already extended construction time for a nuclear power plant to 10 years (compared to five in Japan); and, in our experience, it takes two years of untangling red tape just to begin construction of a new coal mine.

Fewer jobs and a weaker economy

Historically, the economy has grown as energy use expanded. Because little in the proposed energy program encourages U.S. energy production, there appear to be two possible outcomes—either a higher level of oil imports or a slowdown in economic growth. Since the President has come out strongly against more imports, we assume it would be the economy that would suffer, in several ways:

- The tax measures would raise prices—they'd be inflationary, without any offset in the form of more domestic energy to increase productivity.
- The program would further weaken the dollar, because every barrel of oil that's not produced domestically would have to be imported, and every ton of coal that remains in the ground would have to be made up through more oil from abroad. (In spite of the President's expressed wishes, we believe the level of imports will rise.) America is already experiencing the biggest foreign-trade deficit in its history—some $25 billion on an annualized basis—and all of it the result of importing oil at the *current* level. Again, America would be put into a Catch-22 situation: either import more oil, contrary to stated U.S. policy, or do with less energy and let the economy suffer.
- Unless the economy can sustain a pattern of solid growth, there won't be enough new jobs available to accommodate a growing labor force. This would strike hardest at precisely those groups needing jobs the most—the poor and disadvantaged, who are trying to get a foothold on the ladder of prosperity.

A blow to foreign trade

The program would export American jobs, because—with the new taxes—U.S. manufacturers would have higher energy costs than their foreign competition. This would put them at a disadvantage on the sale of goods abroad, and hurt their workers here at home. And here's another Catch-22 twist: If America is unable to sell its products abroad, it would lose a major way of recovering those dollars now leaving the country to pay for oil imports.

These are the major faults of the energy program now before the Congress. They're the reason we strongly urge you, in your own self-interest, to write your Congressman and Senators *now*, while there's still time. It isn't too late to protect you and your children from higher taxes and long-term energy shortages.

Write on your own stationery, or on the coupons below. If you're not sure which Congressional district you're in, call your local library to find out. But write right *now*, to prevent a terrible mistake in national policy.

The Honorable _____
United States Senate
Washington, D.C. 20510

Dear Senator:

I am in favor of the following:

- ☐ Avoid taxes that would make American industry non-competitive in world markets, at a cost of American jobs and American dollars.
- ☐ Reduce the amount of government regulation over the way Americans exercise their traditional freedoms of choice.
- ☐ Encourage greater development of America's immense energy resources.
- ☐ Cut out energy waste where possible, without retarding economic growth.
- ☐ Accelerate construction of nuclear power plants, within clear and uniform safety guidelines.
- ☐ Decrease the red tape necessary to open coal mines.
- ☐ Reach environmental compromises to allow wider use of coal.
- ☐ Allow higher energy costs to act as an incentive for increased energy production, rather than accrue to the government as taxes.

I also have the following comments:

(Name)_____

(Address)_____

The Honorable _____
United States Senate
Washington, D.C. 20510

Dear Senator:

I am in favor of the following:

- ☐ Avoid taxes that would make American industry non-competitive in world markets, at a cost of American jobs and American dollars.
- ☐ Reduce the amount of government regulation over the way Americans exercise their traditional freedoms of choice.
- ☐ Encourage greater development of America's immense energy resources.
- ☐ Cut out energy waste where possible, without retarding economic growth.
- ☐ Accelerate construction of nuclear power plants, within clear and uniform safety guidelines.
- ☐ Decrease the red tape necessary to open coal mines.
- ☐ Reach environmental compromises to allow wider use of coal.
- ☐ Allow higher energy costs to act as an incentive for increased energy production, rather than accrue to the government as taxes.

I also have the following comments:

(Name)_____

(Address)_____

The Honorable _____
House of Representatives
Washington, D.C. 20515

Dear Congressman:

I am in favor of the following:

- ☐ Avoid taxes that would make American industry non-competitive in world markets, at a cost of American jobs and American dollars.
- ☐ Reduce the amount of government regulation over the way Americans exercise their traditional freedoms of choice.
- ☐ Encourage greater development of America's immense energy resources.
- ☐ Cut out energy waste where possible, without retarding economic growth.
- ☐ Accelerate construction of nuclear power plants, within clear and uniform safety guidelines.
- ☐ Decrease the red tape necessary to open coal mines.
- ☐ Reach environmental compromises to allow wider use of coal.
- ☐ Allow higher energy costs to act as an incentive for increased energy production, rather than accrue to the government as taxes.

I also have the following comments:

(Name)_____

(Address)_____

Mobil®

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ISSUE-ORIENTED TV PROGRAMS

Year	Subject	Time (Minutes)	Stations	Estimated Audience
1976	Divestiture	4	76	4,600,000
	Divestiture	30	21	750,000
	Gasoline Prices News Clip	2	67	2,800,000
	Solar Energy	30	80	2,700,000
	Offshore Drilling News Clip (Massad)	4	56	3,700,000
	Offshore Drilling News Clip (Clewell)	3	94	5,200,000
1977	Gasoline Prices News Clip	3	46	2,300,000
	Solar Energy	4	62	2,600,000
	Price At The Pump	30	27	1,400,000
1978	Coal	30	94	3,800,000
	Coal News and Talk	4	101	4,300,000
	Energy Dilemma - Cable	30		500,000
	Search For Oil & Gas	30	76	1,800,000
	Oil & Gas News and Talk	4	70	3,200,000
	Supply News and Talk	4	29	1,400,000
	Methanol News Clip	3	114	5,900,000
	Regulated America	30	104	2,700,000
	Regulated America (5-part)	3	74	17,000,000
	R. Warner Reaction to Energy Bill	2	58	3,400,000
	Heating Oil	2	64	3,000,000

PUBLIC SERVICE ANNOUNCEMENTS

(II-D/Attachment 2b)

Year	Subject	Time (Minutes)	Stations	Estimated Audience
1979	Prices & Profits (5-part)	2	103	36,000,000
		30	110	3,500,000
	Nuclear	30	65	1,500,000
	Clean Air	30	102	2,400,000
	Capital Formation		109	5,000,000
1980	Energy (5-part)	2	64	1,500,000
	Energy at Crossroads	30	70	1,600,000
	Gambling on Energy	30		
1981	Gambling on Energy (3-part)	2	112	13,000,000
	Oil Hunter	5	34	1,000,000
	Gas Prices (3-part)	2	123	17,000,000
	Energy Quiz	30	69	1,200,000
	American Magazine	30	61	1,000,000

PUBLIC SERVICE ANNOUNCEMENTS

Mobil began its PSA program in 1975 and ended the program in 1981. The PSAs were 60-second TV spots which ended with the super, "Brought to you as a public service by Mobil Oil Corporation." They were distributed to 400 stations across the country for free-time airing and were picked up on average by 190 stations. The air-life of an average PSA was two to three months. During this period, each station ran the PSA about 10 times. Thus, each PSA had approximately 1900 free-time airings, which amounted to $700,000 worth of free-air time per spot.

The following is a year-by-year listing of PSAs:

1975 -- several with conservation theme

1. Use Mass Transit
2. Save Gas -- use car sparingly
3. Car Pooling
4. Tune-up car for better gas mileage
5. Obey 55 mph speed limit
6. Home-heating conservation

1976

1. Mobil Bicentennial Posters -- support your local museum
2. Car care for summer driving
3. Tire safety
4. Winter tune-up
5. Free Enterprise system

1977

1. Offshore Drilling
2. Freedom of Speech (including corporate)
3. Law of Supply and Demand
4. Big is not bad

1978

1. Offshore Drilling
2. Write your Congressman
3. Environmental Protection
4. Importance of Deregulation

1979

1. Importance of Industrial Research (less regulation and taxes needed
2. Importance of National Energy Policy
3. Importance of Economic Growth
4. Welcome to Spring -- Car Care

1980

1. Election Year -- work for the candidate of your choice
2. Importance of Profits -- in conjunction with Junior Achievement
3. Importance of Industrial Research (less regulation and taxes needed)
4. Importance of Free Market System

1981

1. Importance of Economic Growth
2. Importance of Domestic Oil Production

(II-D/Attachment 4a)

TV NEWSCLIPS

Mobil began its TV Newsclip program in 1976 and ended it in 1981. The spots were 2 minutes long and featured Mobil spokesmen. They were distributed for free-time airing to news programmers at 400 TV stations across the country, and each spot ran once or twice on evening and early morning news programs on an average of 172 stations.

The following is a year-by-year list of Mobil TV newsclips:

1976

1. Mass Fracturing (Colorado) -- Natural Gas Extraction
2. Torrance Refinery Energy Conservation
3. Ferndale Refinery Adaptation to Alaskan Crude
4. Nova Scotia Offshore Drilling
5. Marketing Divorcement Threat

1977

1. Mobil Tyco Solar Ribbons
2. TW Nelson Seismic Strip
3. Mobil Research Series (4 clips)

1978

1. Oregon Wildcat Well
2. Baltimore Canyon Drilling
3. Uranium Extraction Plant
4. Mobil Winners/Science Hall of Fame
5. New Catalytic Cracker Arrival (Paulsboro)

1979

1. New Catalytic Cracker On-Stream (Paulsboro)
2. Mobil Chemical Phosphate Mining
3. Natural Gas Discovery (Mobile Bay)
4. Deep-Water Flow Line Demonstration
5. Coal-to-Gasoline (Paulsboro)

1980

1. New Mobil Invented Catalyst (Paulsboro)
2. Georges Bank Offshore Drilling Preparations
3. Coal-to-Gasoline Update
4. New Uranium Detection Tool
5. Mobil Tyco Update

Impact on Investors

"Portfolio managers rank Mobil as one of the three top-rated companies in eight performance areas -- and Mobil scores best as most detailed and candid in talks with the financial community. They also rate Mobil as one of the three best companies for quality of management, concern for shareholders, and oil and gas exploration activities."

This assessment emerges from an August 1980 survey of 238 portfolio managers and 266 stockbrokers conducted by Technimetrics Inc. It is just one of several favorable findings in recent studies of what the financial community thinks of Mobil. Other examples from the same Technimetrics survey:

-- Asked which oil company (of the 12 U.S.-based majors covered) has the most believable advertising and public relations, 46% of the portfolio managers and 44% of the brokers rated Mobil first.

-- On "social responsibility," Mobil was considered best by 40% of the portfolio managers and 35% of the brokers.

-- 24% and 32% of the two groups, respectively, regarded Mobil as endowed with the "management you trust the most when they make statements about the company and the energy situation."

-- Among stockbrokers -- who are directly involved with individual investors -- Mobil again won the top ranking among major oil

companies with advertising programs helpful in generating new investors.

-- 54% of the brokers mentioned Mobil when asked to cite "most read" annual reports and other financial documents.

In July 1981, Financial Marketing Service Corporation made a survey of new and former round-lot Mobil shareholders, and Mobil's Public Affairs activities were mentioned favorably by these individual investors. Asked what factors influenced their purchase of Mobil stock,

-- 16% mentioned the annual report

-- 18% mentioned Mobil communications

-- 28% mentioned newspaper and magazine articles, which for the most part stem directly from Public Relations activities.

Specific Mobil communications that individuals indicated as factors in purchases were:

-- Sponsorship of public service TV programs (8%)

-- Public issue ads in newspapers (6%)

-- Ads in business publications (6%)

-- "Observations" columns (6%)

-- Product ads on radio and TV (1%).

Individual investors also ranked Mobil above average on support of cultural and public service programs (43%) and as a company that speaks out on issues that affect the entire industry (48%).

More broadly, the Financial Marketing Service survey found that almost three out of four (74%) of the new investors said they would recommend Mobil as an investment opportunity for their friends or relatives and their reasons reflect many of the themes stressed in Mobil communications:

-- Well managed, progressive company
-- Good earnings record
-- Good dividend record

The largest number (28%) characterized Mobil as a better-than-average long-term investment. This inclination to recommend Mobil as an investment opportunity is shared by a majority (55%) of former shareholders, and their reasons parallel those of the new shareholders. Asked to compare Mobil with other companies whose stock they own, more than half of the individual shareholders ranked Mobil above average on quality of management, and 48% ranked Mobil above average in successful exploration for oil and gas.

As the analysis of the survey concludes about the impact of Public Affairs programs, "since ranking by new and former shareholders is about the same, we could probably regard this as a barometer of public opinion in the financial community."

An earlier study of stockbroker attitudes by Yankelovich, Skelly & White Inc. (October 1979) showed Mobil in a highly favorable position compared with other companies in various industries in several ways, among them:

-- 80% of the brokers were intimately or broadly familiar with Mobil and held an overall impression much more positive than average.

-- "Good management" led the list of perceived reasons for the company's strength (35%).

Quite apart from the general investor recognition accorded Mobil, there is also evidence that Mobil's specific financial message is clearly understood and well received. A case in point is the historic perception of Mobil in the financial community as a highly efficient marketing and refining company -- but crude-short. After much effort to counter the image, success was achieved in the Oct. 13, 1980 edition of Business Week (Attachment 1). Its cover story, "Mobil's Successful Exploration," reported specifically on the company's strengthening of its overseas and domestic exploration activities -- clearly a change in the attitude of the business press.

Similarly, The Wall Street Transcript of June 29, 1981, quotes various brokers and analysts as saying that Mobil is a "top investment" and an "outstanding value" (Attachment 2). Other recent publications also have commented favorably on Mobil's exploration activities (Attachments 3 and 4).

In a less formal vein, there are many impromptu reactions from analysts and money managers at major institutions, both in New York and out of town, including praise of the Op-Ed program. There

have been unsolicited and sometimes surprising comments such as: "You guys are certainly doing a terrific job with your advertising. I hope you keep it up." On one occasion, the head of the Ford Foundation, addressing a group of analysts, cited Mobil's advertising as exemplary of what more companies should be doing. Said he: "This kind of advertising shows investors that management understands the business environment in which it is operating."

Such recent recognition within the financial community is, in part, the result of an accelerated investor relations program, one much stronger than in the early 1970s.

From 1970 to 1976, the main function of the Investor Relations office was to provide oil analysts with a single point of contact within the company, to limit or prevent their calling numerous other departments for information. Contact with analysts was reactive, consisting primarily of responding to financial analysts' telephone queries, arranging office visits from analysts who requested them, and mailing them annual and quarterly financial statements and a statistical supplement with financial and operating figures.

During the 1970-76 period, Mobil scheduled only occasional meetings with financial groups. In 1970, the company sponsored a meeting for oil analysts in Mobil headquarters. In 1971 and 1975, Rawleigh Warner, Jr., and William P. Tavoulareas appeared before the New York Society of Security Analysts. Richard F. Tucker addressed the Oil Analysts of Chicago in 1973, and retired vice chairman

Herman J. Schmidt addressed the Los Angeles Society of Financial Analysts in 1976. The 1970, '71, and '75 presentations were reproduced in booklet form and mailed to securities analysts.

In 1976, following completion of the Marcor acquisition, Mobil began to build the basis for an effective ongoing program of Investor Relations (IR) activities. Investor Relations was organized as a separate department within the Public Affairs group, headed by an experienced and knowledgeable senior executive, assisted by three professional communicators.

This new department was given responsibility for increasing the investment community's detailed knowledge about Mobil in order to enable prospective investors to make informed investment decisions about purchasing Mobil securities.

To meet this responsibility, Investor Relations segmented key target audiences and established programs of communication to reach them. A series of advertisements stressing Mobil's fundamental strengths was prepared for financial media in early 1977 to make investors more aware of Mobil's diversity and capabilities (Attachment 5). Objectives were established for specific financial publics, and programs created to provide them with current information on the company and its environment on a regular basis. One objective, for example, has been to maintain personal contact with analysts and portfolio managers at a majority of our largest shareholders, typically those institutions managing over a billion dollars in equity portfolios, on an annual basis, and to cover all

such institutions on at least a biennial basis. Another objective has been to provide the most influential oil analysts with an opportunity to become acquainted with the details of our business and to impress them with the quality and depth of management.

In 1977, we arranged for Mobil directors to address financial audiences in Boston, Chicago, Cleveland, Los Angeles, San Francisco and New York. The proceedings from two of these meetings were reproduced in booklet form for distribution to wider audiences. (Attachment 6 is a similar booklet.) In each succeeding year, we have arranged for at least four such group meetings and have converted one or more of them each year into brochures for mailing to wide segments of the financial community.

Also in 1977, Messrs. Warner and Tavoulareas began conducting informal meetings with investment officer groups of the major New York area institutions. Overseas that year, the IR staff and Vice-Chairman met with major European institutional investors in a pilot program to determine whether Mobil should extend its financial communications efforts beyond the U.S. market; as a result, these foreign contacts have continued.

In August 1978 we instituted a program of informal luncheon meetings for the oil analysts who are most influential in the marketplace. Typically, six to eight of these analysts are invited to lunches hosted by different directors on a round-robin basis, with discussion focused on each director's area of responsibility. We have received excellent feedback on these

informal meetings and have continued both of these programs through the years, with Messrs. Warner and Tavoulareas hosting informal meetings with investment officer groups approximately four times a year, and other directors meeting informally with key oil analysts an average of once a month on a regular basis.

In 1978, we also began selective mailings to registered representatives at brokerage firms, in order to identify individual brokers who wished to receive Mobil financial information for recommunication to individual client investors. Research on attitudes of new and former individual shareholders was conducted to determine appropriate means of communication to attract individual investor interest.

In 1979, our program was further strengthened by the introduction of broadly distributed "Financial Facts about Mobil" (Attachment 7), a precis highlighting Mobil's financial and operating progress. That year, we also began a program of regular communication with European investors, scheduling meetings annually with major institutions, and providing them with Mobil's printed financial communications on a regular basis. We also arranged and conducted tours for analysts of our new seismic vessel in Galveston and New York.

Our current program builds upon and continues activities developed during the past five years. In 1981, Investor Relations conducted 119 meetings with analysts and portfolio managers. In addition to New York, meetings were held in 16 U.S. cities and five European

financial centers. Of these, 32 involved groups of investors and 87 were informal private meetings with institutional investors. Messrs. Warner or Tavoulareas conducted eight of these meetings; other officers and directors were involved in 29; and the remaining 82 were conducted by IR staff.

In early 1982, Messrs. Warner and Tavoulareas held meetings with the investment officer group of several large institutions in New York, and so far this year, the Investor Relations group has met with institutional investors in Atlanta, Cincinnati, Columbus, Dallas, Austin, Houston, Phoenix, Louisville, Trenton, Los Angeles, Sacramento and San Francisco. In addition, special meetings were set up to enable Messrs. Massad and Murray to explain Mobil's upstream and downstream strengths to the influential Oil Analysts Groups in Boston and New York. These speeches are providing the content for two special brochures which will reemphasize Mobil's underlying strengths to analysts and investors throughout the U.S. and Europe.

During 1981, we also developed a major mailing piece aimed at individual investors. Reprints of a feature story on Mobil's E&P strength published in Research Magazine (Attachment 4) were offered to stockbrokers for distribution to their accounts; brokers requested more than 50,000 reprints. A videotape cassette featuring Mr. Massad was also produced and distributed to interested brokers. As of year-end, this message had been requested by more than 200 broker organizations.

Probably the most extensive Mobil communications take place over the telephone as the Investor Relations group responds to a variety of investment-community requests for general information, interpretation, and financial and operating data. In 1981, 1,142 such calls were logged, in addition to several hundred others made in the context of the two acquisition efforts.

Investor Relations also supervises the preparation of the quarterly report to shareholders, called Mobil Report, and participates in the preparation of the Annual Report and the annual meeting management backup book of financial data.

# # #

Impact on Employees

Since 1976, Mobil has accelerated the effort to keep its employees informed about company activities and about political and economic issues. This program was given urgency when it became clear that, in the wake of the Arab embargo and other changes in the world oil situation, employees needed more and better information both to understand what was happening and to represent their company in discussions on energy.

The impact that Mobil's employee communications programs have had can be assessed by comparing two surveys done by Yankelovich, Skelly & White, Inc., in 1976 and again in 1979.

Major conclusions of the 1976 survey were that:

-- Mobil's employees strongly supported management's outspoken position on energy and public issues, but felt that they did not have adequate information or understanding.

-- Employees felt they had no mechanisms for communicating upward with management.

As a result of these findings, a company task force developed recommendations for an improved employee communications program, which included bulletin board announcements, Executive Forums and expanded Employee Orientation programs, a Playback program enabling employees to ask questions anonymously, and other communications mechanisms. After three years, a further survey by Yankelovich, Skelly & White

indicated substantial improvements in Mobil employees' understanding of the issues. Overall, Yankelovich reported:

> "Mobil Oil, by investing many resources and the concern of top corporate management, has established itself as a leader in communicating to both external audiences and its employees. We feel that it is not an exaggeration to say that Mobil's efforts endow it with the potential to be one of the foremost companies in the world in this employee communications arena."

In an assessment that was frankly concerned with pointing out weak spots in the communications program, the survey concluded that:

> "Employees praise the company's efforts to supply needed information on energy matters, Mobil's position on certain issues, etc. They recognize the company's position as a leader in this area and are 'proud' of the company's outspokenness."

The survey reported that communications at corporate headquarters was excellent -- with employees at all levels, and across all divisions, being aware of and familiar with the programs. Many, the survey showed, could recite details of published Playback responses, and most perceived a strategy or pattern in the use of bulletin boards. Usage of the programs at company headquarters also was common; bulletin boards were read regularly, and Executive Forums drew high attendance and interest.

The survey did indicate, however, that at field locations the use and effectiveness of employee communications programs was uneven, and particularly cited the need for greater information about career development, promotions, and job posting. Employees wanted more information on Employee Relations topics.

In a Mobil Employee Attitude Survey in 1981, employees indicated that they were satisfied with downward communications on business issues, although they showed that they wanted more information on personnel matters and complained about the lack of upward communications.

One indication about the effectiveness of Mobil's communications programs on energy and related issues is the company's ability to generate employee support for or against specific pieces of legislation in Congress. Spot checks, for example, indicated a substantial flow of letters from employees when Congress was contemplating various divestiture proposals that would have broken up oil companies or kept them from acquiring alternate energy reserves of coal, shale, or uranium.

The emphasis on keeping present and retired employees up to date on issues has been continued with the publication of re:cap, dealing with issues in Congress. Annuitants also show great interest in energy issues at their meetings and are active in writing letters to Congressmen to express their views.

It is also clear that Mobil's programs have affected future employees. That is, the recognition that Mobil gets for its Public Relations messages has attracted some college-educated and professional employees to the company. Some have been attracted because of Mobil's support for "Masterpiece Theatre," the performing arts, and our other television programming. These programs have established Mobil as a "quality" company, and -- our recruiters point

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