

INTERFUELS COMPETITION

Natural Gas and the Competitive Fuel Market

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Editor's Note: The following is the first in a series of four articles concerning inter-industry competition in the domestic fuel market. To be published in consecutive issues of JOURNAL OF PETROLEUM TECHNOLOGY, each of the papers will approach the widely (and often heatedly) debated subject from the viewpoint of a different segment of the energy producing-marketing field. Obviously, the ideas and opinions expressed do not necessarily reflect the views of the majority of SPE members but, rather, are presented solely for the purpose of providing the reader with further insight into this controversial problem.

Abstract

The Natural Gas Act of 1938, which put interstate pipelines under the jurisdiction of the Federal Power Commission, did not place a protective competitive shield around such companies, nor does any provision of the act guarantee them a profit. Natural-gas pipelines are competitive with each other and also with the coal and oil industries. Gas distributing companies must compete not only with the coal and oil industries, but also with the electric industry. Natural gas has captured markets from oil, which had taken them from coal. Oil men contend that gas prices have been held to an artificially low level by regulation.

The electric industry is moving into the space-heating market, which pleases the coal people because the coal industry's largest customer since losing the railroads to dieselization has been the electric companies. The coal in-

dustry is attempting to monopolize the industrial and electric generating market through government intervention. This is being done under the guise of concern for the national welfare through advocacy of a "National Fuels Policy" purporting to further the cause of fuel conservation.

Such a policy is contrary to American principles and would result in the individual's loss of freedom of choice and, ultimately, in less reserves of preferred fuels because of diminished exploration efforts.

Introduction

The natural-gas industry is often regarded as the younger brother of the petroleum industry. However, more than 2,000 years before the discovery of petroleum in America, the Chinese are said to have found natural gas while drilling for salt.

Even in this country, the use of natural gas antedates that of petroleum. In 1821 the inhabitants of Fredonia, N. Y., drilled a 27-ft gas well which supplied gas for illumination of 30 homes and businesses. However, large-scale use of natural gas for both illumination and industrial fuel purposes first occurred at Pittsburgh, Pa., in 1884 when a 14-mile pipeline was constructed to the city from the Murrysfield field.

The use of gas in home and industry increased and, since local supplies of gas were limited, distributors were obliged to convert to manufactured gas or to extend transmission lines to more distant fields. However, the large supply of natural gas in the ground in far-off Texas and Louisiana was unavailable to the large markets until the 1920's. In June, 1929, natural gas was flowing through the first all-

welded 16-in. steel pipeline from Jal, N. M., to El Paso, Tex., a distance of some 200 miles. It was not, however, until after the end of World War II that natural gas became the nation's fifth largest industry.

The Natural Gas Act

In 1938, Congress passed the Natural Gas Act which provided for jurisdiction over interstate natural-gas pipelines by the Federal Power Commission.

The act provides, among other things: that every natural-gas company must obtain a certificate of public convenience and necessity to engage in the transportation or sale for resale of natural gas in interstate commerce; that no natural-gas company may extend or abandon its facilities, subject to the jurisdiction of the FPC, without prior approval of the Commission; that rates and charges of a natural-gas company must be just and reasonable and that any rate or charge that is not just and reasonable is unlawful; and that the Commission may investigate and determine the actual legitimate cost of property of every natural-gas company and the depreciation thereon.

The Natural Gas Act does not give a pipeline company a monopoly. In fact, Section 7(g) of the act specifically provides that the FPC may certificate competing pipeline projects in this unmistakable language: "Nothing contained in this section shall be construed as a limitation upon the power of the Commission to grant certificates of public convenience and necessity for service of an area already being served by another natural-gas company". Furthermore, there is nothing in the Natural Gas Act which assures

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a pipeline company that it will earn a profit or that it will be a successful economic venture. The pipeline company does not make a profit on the purchase and sale of gas. The only profit to the pipeline is in the charge for the transportation of such gas.

In 1954, the U. S. Supreme Court handed down its well known "Phillips" decision which placed gas producers, selling gas in interstate commerce for resale, under the jurisdiction of the FPC. The Commission had not requested this additional responsibility. They had previously determined that they did not have such jurisdiction and had no plans to effectuate regulation of the producers. As might well be expected, confusion has reigned in this area since that date, resulting in a mounting backlog of unresolved producer cases before the Commission.

Competition Within the Gas Industry

The Natural Gas Act contemplated that gas pipelines would prosper or wither in competition with other pipelines. The author's own company, Transcontinental Gas Pipe Line Corp., has experienced opposition and competition from its very beginning. In 1946, Transco's predecessor company sought authorization to construct its pipeline through the Piedmont regions of the East Coast to serve the distribution companies in the New York City-New Jersey-Philadelphia area. Texas Eastern Transmission Corp., which already was serving the Philadelphia-New Jersey area, opposed the application, arguing in part that Transco's project would have a disruptive effect on the orderly and economic development of Texas Eastern's system to meet the market requirements of the Eastern Seaboard area. The Commission issued a certificate to Transco after its finding that Texas Eastern sought to obtain a monopoly of the natural-gas markets in the Middle Atlantic Seaboard area.

This area became further competitive in 1953 when Tennessee Gas Transmission Co. filed an application with the Commission which included a proposed tie into the New York City market, then being served almost exclusively by Transco. Transco opposed this application and offered to sell the identical volumes of gas to the New York distribution customers. The net result of the proceedings and negotiations was that Tennessee was allowed to enter the market with a portion of the volumes originally contemplated, even though its rates were higher. The claimed advantages to the local utilities were the security of

supply afforded by separate transmission lines and the benefits which might accrue in having competitive propositions offered by competing pipelines in future bargaining.

More recently, competitors have moved into the rich gas market of California, long supplied by El Paso Natural Gas Co. One of these competitors, Transwestern Pipeline Co., completed construction in 1960 and now delivers gas to the Pacific Coast. The other competitor is Pacific Gas Transmission Co., which will build a 36-in. line extending 614 miles from the Canadian border through Idaho, Washington and Oregon, terminating on the California-Oregon border. Deliveries of Canadian gas for the California market will be made at this point to Pacific Gas & Electric Co., which distributes natural gas in central and northern California.

Competition from Electricity

While the pipeline companies are busily competing with one another to increase sales and to obtain gas reserves to supply their needs, the distributing gas companies are engaged in an unceasing contest with the electric industry to supply the energy requirements of the modern home, office and factory. Since the electric industry markets energy converted from coal, oil or gas, it is only at the retail or consumer level that electricity and gas are in competition. This competition, therefore, is between distribution systems and not between sources of energy as such.

Until recently, the typical electric company experienced its peak load during the winter months of short days and long nights. The surging popularity of air conditioning during the last two decades has resulted in a shift of this peak to the summer months in many of the electric companies, particularly those in the South. The significance of this development is immediately apparent. Facilities constructed by the electric company to satisfy its summertime peak created a need for additional wintertime load. The heat pump, designed to provide heat in the winter and cooling in the summer, emerges as a new competitor in the field of space-heating, long dominated by gas, oil and coal. In an attempt to promote this equipment, special winter rates as low as 1¢/kwhour are offered in the Southwest by an electric company.

The inroads made by electric heat are not as yet of great significance to its competitors but, instead, serve as

a reminder of the aggressiveness of the electric industry in entering this field.

The result of an impartial study, recently directed by Paul E. Mohn of the U. of Buffalo School of Engineering to obtain information and statistics on the operation of an electric-heated school and a gas-heated school under the same climatic conditions, is very revealing. The university undertook the study as a public-service project because it believed that the information which could be obtained would be of great importance to school planners and administrators. Two schools, both new and located five-miles apart near Lake Erie, were chosen for the test. One is heated by a gas-fired, forced circulation hot-water system and the other by electric unit ventilators. Although the buildings were functionally identical as schools, weekly use of the gas-heated school for nonacademic purposes after regular class hours was 30 per cent greater than in the electric-heated school. Despite this factor which led to increased fuel usage in the gas-heated school, the annual costs of heating the gas-heated school were less than half those of the electrically heated school. In addition, data obtained from the school board's records indicated that the initial cost of the gas-heating system was less than that of the electric system.

The gas companies have not assumed a defensive attitude in this encroachment in one of the energy markets they feel best qualified to supply. Gas men believe that, when the facts are known and a free choice is available, the American public will continue to choose the most economical fuel which provides the result desired.

The American Gas Assn., through its promotion, advertising and research program commonly known as PAR, is providing the gas industry with dynamic leadership in its efforts to get its story across to the energy-consuming public. These efforts are being met with considerable success.

A look at some gas statistics for 1959 reveals some of the areas of competition with the electric business. Shipments of gas water-heaters during 1959 set an all-time record with 2,954,000 units, up 10½ per cent from the previous year. Gas-range shipments aggregated 2,010,000 units, or 6 per cent greater than in 1958. Gas central-heating-equipment shipments of 1,357,000 units set a new record and were almost 21 per cent higher than in 1958. Gas-dryer shipments of 476,700 units also set an all-

time record, up almost 26 per cent over 1958.

Gas refrigerators are coming into their own with continuing research and the entry of the Norge Div. of Borg-Warner into the field. Norge now is producing and selling gas refrigerators and dryers, as well as gas ranges and water heaters.

Perhaps the most important of the new developments has emerged in the field of air conditioning. Several established companies are now producing and marketing units for commercial as well as residential use. Here is a relatively untapped market for the gas industry which could very well go a long way toward solving the winter peak problem of the gas industry (which was the problem of the electric companies not too many years ago).

Gas vs Oil

The natural-gas industry and the oil industry, while engaged in a competitive struggle at the distribution level to supply the energy requirements of the space-heating and industrial markets, are allied in many ways at the production level. In fact, most of the large producers of natural gas are the oil companies, and most of the discoveries of new gas reserves in the past were the incidental result of the search for oil. This is not necessarily true today. Because of the rapidly increasing demand for gas and the marked increases in prices being paid for gas at the wellhead, producers are now exploring actively for gas. Of course, it is not possible to drill exclusively either for gas or for oil, but there are certain depths, locations and formations where finding one or the other is more likely. In spite of the rapid increase in the price of gas at the source in the past few years, producers generally are of the opinion that current prices being paid are still too low. The coal industry understandably supports this view while the gas industry, at the pipeline and distribution level, is apprehensive lest continuing increases in the price of gas paid to producers result in eventual prices at the consumer level too high to compete with the other fossil fuels and with electricity.

While the oil and gas industries have certain interests in common, this does not preclude bitter controversy when other interests are diverse. A case in point is the recently built gas pipeline from Texas to Florida. The original application to construct the system was contested by over 50 intervenors, including representatives of

the oil interests. The Commission found that Florida's dependence on imports consisting chiefly of petroleum products brought in by tanker and barge made it vulnerable to interruptions of the single source of supply and was undesirable from a competitive standpoint.

The House-Heating Market

Perhaps a look at recent statistics in the area of house heating will shed some light on comparative costs of the competing fuels. The Independent Natural Gas Association of America conducts an annual survey of consumer fuel costs for house heating which includes representative cities throughout the U. S. The cities or areas are chosen in as many states as possible where oil or coal is in actual or potential competition with gas for the house-heating markets. Of the 62 cities or areas included in the 1959 heating-season survey, no coal figures were reported for four cities; thus, there are 58 consuming areas where season house-heating costs for all three competitive fuels may be compared. For the 58 areas where house-heating costs of all three competitive fuels are shown, gas cost least in 38 areas, coal in 14 and oil in 5, with gas and coal costing the same in one area.

The fact that natural gas has taken from oil the house-heating market that oil took away from coal can hardly be disputed. In 1949, residential customers using gas for house heating made up only 35.5 per cent of the total. In 1959, only 10 years later, this figure had increased to a fraction under 66 per cent. This trend shows no signs of abatement. There were 19½-million gas house-heating customers served during 1959, a gain of 6½ per cent over 1958, and it is estimated that this figure will climb to over 23 million by the end of 1962.

The oil people's reaction is that the price of natural gas has been held to an artificially low level by the intervention of the FPC. Of course, this contention was not possible before the middle of 1954, the date of the Phillips Supreme Court decision which placed the producers under the jurisdiction of the FPC.

Competition with Coal

The principal objectors to expansion of the natural-gas industry have been organizations representing the coal and railroad industries.

In the face of increasing competition from oil and natural gas, the coal industry's role as the chief sup-

plier of the nation's energy market has been in constant decline for many years. In 1940, coal supplied more than 50 per cent of the energy market. But by 1951, coal had lost its top position to oil which in that year captured 37.9 per cent of the market while coal had dropped to 35.8 per cent. In 1957 coal dropped back to third place when natural gas moved ahead by supplying 27.8 per cent of the market to coal's 27.1 per cent. The end of 1959 found oil the largest supplier of energy in the U. S. with 42.7 per cent of the market, natural gas in second place with 29.9 per cent, followed by coal and water power with 23.5 per cent and 3.9 per cent, respectively.

Each time Transco has sought a FPC certificate to expand or to add new natural-gas reserves, the coal people have appeared before the Commission and opposed granting the certificate. Some of these perennial intervenors are: United Mine Workers of America; Anthracite Institute, a trade association of anthracite coal producers; National Coal Assn., a trade association of bituminous coal producers; and Fuels Research Council, Inc., a voluntary nonprofit corporation whose membership included in 1956 the National Coal Assn., Anthracite Institute, Baltimore and Ohio Railroad, Cambria and Indiana Railroad, Pittsburgh and Lake Erie Railroad, Reading Co., The Pennsylvania Railroad, Union Pacific Railroad, Norfolk and Western Railroad and the Virginian Railway. The primary objective of the intervenors is, of course, to achieve a denial of the certificate sought, since such a certificate is necessary for the pipeline to increase its sales. Even though the coal interests might fail to achieve this goal, they are able to prolong and delay the proceedings and thereby delay the construction of facilities necessary to increase gas deliveries.

In addition to opposing expansion of almost any gas service, the coal interests' biggest guns are brought to bear on the gas industry's interruptible industrial sales. The cry is heard repeatedly that such sales are made at give-away prices and that the small gas consumer is forced to pay higher prices for gas to make up the difference. Nothing could be further from the truth. Gas systems are necessarily designed to meet peak day requirements during the winter heating season. By keeping pipelines operating as close to capacity as possible all year round, gas companies are able to sell gas to domestic consumers at lower

prices than would be possible otherwise. Restriction of interruptible industrial sales would result in higher prices for small consumers because their rates would then have to pay "the whole freight". This simple economic principle directly contradicts the coal interests' contention that domestic gas consumers are charged higher rates to subsidize sales to industry.

The coal industry does not stand alone in its desire to recoup its former status as the nation's chief supplier of energy. Coal has to be moved from the coal field to the consumer; and, since coal is shipped primarily by rail while oil is being moved by pipeline and tanker on an increasing scale, it is not difficult to identify the ally. The coal-carrying railroads not only are reviewing their own energy needs with conversion to coal in mind, but also have established low tariff rates for hauling coal to large consumers at specific locations where natural gas and oil are available for industrial uses. Since freight charges on each ton of coal purchased constitute a substantial portion of the delivered cost, reductions in such charges can be, and often are, the determining factor in the consumer's choice of the most economical fuel to supply its needs. If the fact is kept in mind that these low freight rates are provided only to the large consumer of coal, the often-repeated charge that the coal industry is the victim of unfair competition through the gas companies' sales of off-peak gas to the industry at the expense of the small gas consumer loses any semblance of validity.

Although the coal industry is seeking government intervention in its efforts to enhance its competitive position, there should be no feeling that it is relying solely on political action to achieve this end. In the U. S. there are a variety of laboratories engaged in coal research programs. The U. S. Bureau of Mines is responsible for more than one-half of the efforts in this area. All segments of the gas industry should be aware of the necessity of maintaining prices at a level low enough to compete for the industrial load because it is this load that makes possible service to domestic and commercial gas customers at reasonable and competitive rates.

Ironically, the present close alliance of the coal and railroad interests stems from the loss by the coal industry of its heretofore greatest coal customer, the railroads. Dieselization of railroad engines has brought about a reduction in coal consumption by the railroads

from the wartime peak in 1944 of almost 139 million tons to barely over 2½ million tons in 1959. During the same period, the coal companies were able to increase deliveries to the growing electric companies from 80 to almost 156 million tons. It is not difficult to see why the coal interests view electric generation as their salvation and their hope for the future. Optimistic forecasts of the future of electric space-heating are being made, even to the point of visualizing all the homes in the nation being supplied with electric heat. In view of the fact that every Btu of electric heat consumed in the home requires a larger number of Btu's of coal in the electric generating boiler, it is understandable why the coal people are unconcerned when a coal-burning furnace is changed in favor of an electric heating system in the areas where electricity is generated by the use of coal.

This use, however, seems somewhat at odds with the theory of the "National Fuels Policy" which purportedly would insure the maximum use of our fuel resources. This policy, enthusiastically being advocated by the coal interests, would use the power of government to allocate markets and customers to coal at the expense of gas and oil. The coal interests' strategy provides for a congressional committee to study the needs for a "National Fuels Policy". This would result inevitable in the creation of a "National Fuels Administration" to administer the policy determined. The coal industry's proposal is dangerous and has no place within a free-enterprise system.

The coal industry's oldest argument is that gas and oil supplies are too limited and valuable to be "wasted" on "inferior" industrial uses.

Since 1883, there have been scores of expert predictions that we were about to run out of gas or oil. Each turned out to be wrong. This year American consumers will use more gas than ever before. Yet proved reserves have grown right along with consumption so that they were at an all-time high of 262-trillion cu ft, as of Jan. 1, 1960.

The answer to this apparent contradiction is simple. Under our present national policy of free competition among fuels, increased consumed demand for gas and oil helps spur exploration and development of new sources. Of course, there is an ultimate limit to our reserves of every energy source. Experts estimate gas reserves anywhere from 1,000 to 1,500 trillion cu ft; but, in any event, the

limit is a high one and generations away. Long before that time, the gas industry's accelerated research programs will have yielded new economic supplies of synthetic gas for consumer use.

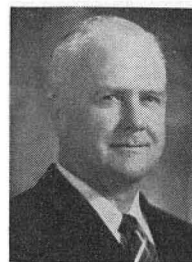
Conclusion

A statement made by John A. Ferguson, executive director of the Independent Natural Gas Assn. of America, before a joint congressional committee, Oct. 16, 1959, pretty well sums up the feelings of the gas industry on this issue.

This Association desires the record to show that the proposals urged by the coal interests as a "national fuels policy" are in our opinion inimical to the best interests of the Nation and the principles which have made it strong.

For more than 20 years these interests have sought by every means available either to prevent the introduction of natural gas service into new market areas or to prohibit its use for industrial purposes, or to require the prices to be increased so high that fuel consumers will be forced to turn to coal. In short, the major purpose of their program has been based on the theory of denying or prohibiting fuel which competes with coal from being used for certain purposes and denying the American consumer the right to choose between available fuels at competitive prices.

We do not believe that such a program has any place within a free-enterprise system. The natural gas industry has never interposed opposition to any proper Government research nor fair inquiry into any business activity for legitimate purposes of Government or the best interests of the Nation. We will not, however, passively submit to the development of a program conceived and instigated for the purpose of artificially restricting our business for the benefit of our competitors and at the expense of fuel consumers. ★★★



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DISCUSSION

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Quinn in his presentation dwells at length on the coal industry's advocacy of the desirability of a "National Fuels Policy", holding that the results of such a policy, as he sees them, would be "un-American".

There is now no such policy and there may never be. But there definitely is a "National Natural-Gas Policy" and it has a definite and concrete aim: holding down — or cutting — the wellhead prices of gas and thus permitting the pipeline and distribution segments of the business to expand farther than otherwise would be possible at the expense of oil and coal. The instruments in carrying out that policy are the Federal Power Commission and the Federal courts. Consider a situation where a new organization plans a major pipeline. To acquire the necessary reserves it contracts to pay 22¢/thousand to the gas owners. When the application for certification is considered, the pipeline company is ordered to pay not over 18¢. This difference of 4¢ is equivalent to \$1.00/ton in coal price. So long as that pipeline operates, coal is confronted with this handicap in the market-place. The situation described is not far-fetched. Actions already in the record show that it is anything but.

One fact is immediately apparent — the field price of gas is not fixed by the free play of economic forces — a fact which Quinn makes much of,

as though he and the gas industry alone were fighting for such a principle against the rapacious and un-American coal and oil industries.

In reality, he and other pipeliners and the gas distributors parade a nonexistent virtue while benefiting from an outstanding example of interference with the free play of economic forces. Coal comes into the market arena bare-handed. Natural gas comes in with a set of brass knuckles forged in a Federal arsenal, stamped with the "Great Seal of the United States" and issued with a Federal hunting license. Coal has no Federal agency behind it holding down the price of labor, of equipment, of operating supplies or of raw coal in the ground. It pays the going rates arrived at by the full and free play of economic forces while pipeliners and distributors benefit from a government lid on field prices. There is little or no evidence that they are unhappy with this advantage — a result of direct interference with normal economic processes.

Coal has exerted great effort and made heavy expenditures to keep the cost of its product down, improve its quality and thus strengthen its competitive power by offering a better product at a more attractive price. Yet the gas industry — or some segments at least — seems to be attempting to make this also seem somehow reprehensible. As an example, a distributor representative at the Interfuels

Session* intimated that reduced freight rates by railroads, in combination with low coal prices made possible by modern equipment and methods, constituted "dumping" of coal into natural gas markets. First, it might be observed in passing that the freight reductions are voluntary actions by the carriers and are not imposed by government fiat for the benefit of coal. Second, in the region where this distributor operates, electric utilities have recently opened two new coal mines and greatly expanded an existing operation, the extra coal replacing gas. This effectively explodes the "dumping" charge. Coal is just cheaper.

Hard work and heavy expenditures to keep cost down and quality up have earned coal the right to try to serve the heavy fuel markets and any others it economically can. Yet in spite of this work and this investment, it could be barred from these markets by the mere stroke of an FPC pen cutting wellhead gas prices. Government fiat, as it already is doing, would establish the competitive market — not the free play of economic forces. Surely it should be easy to agree that coal is not unreasonable in asking for a study of such a situation and what it means — not only from the national standpoint, but also from the standpoints of the industries involved.

*Interfuels Session of the 91st Annual AIME Meeting held in St. Louis, Feb. 26-March 2, 1961.

Author's Reply to Ivan A. Given

Given's extraordinary commentary on the author's paper casts serious doubts as to whether he has really read it or, at the least, if he took the time to evaluate carefully the statements contained therein.

At the outset, the record should be set straight with reference to Given's charge that contained in the presentation is the allegation that the policy (National Fuels Policy) advocated by the coal industry was "un-American".

The author desires that it be clearly recognized that he used no such catch phrase with its inherent implications. The statement was that the policy had no place within a free-enterprise system.

The whole of Given's rebuttal is devoted essentially to the "revelation" that the natural-gas industry is regulated, whereas the author in his paper devoted several pages to outlining the history of the regulation of the indus-

try, including the regulation of producer gas prices by the Federal Power Commission.

The following statement made by Given with reference to the regulation of producer field prices is no less than amazing, coming as it does from an editor of a national trade magazine who by the very nature of his job must keep abreast of such issues. "There is little or no evidence that they (the pipeliners and gas distribu-

tors) are unhappy with this advantage (regulation of producer field prices) — a result of direct interference with normal economic processes”.

Advantage, indeed! Consider the following excerpts from the annual reports to stockholders of the author's own company, Transcontinental Gas Pipe Line Corp., one of the largest of the natural-gas transmission pipelines.

The 1954 report contained the following.

The Company's ability to purchase new gas during the year was *severely handicapped* by the issuance of the Federal Power Commission's Order No. 174, applicable to gas producers. The full effect of this order on the industry will not be known for some time, but the company is striving to work with its producers, customers and the Commission in every way possible to *solve our mutual problems*.

The following was contained in another section of the same report.

In spite of great confusion incident to the assuming of jurisdiction over producer sales of gas by the Federal Power Commission under the Supreme Court decree, the Company has been able to maintain its gas reserves at a level sufficient to support the new expansion program, and at prices which can compete successfully with alternate fuels and other pipelines in its market areas.

In the 1955 annual report, the following appeared.

The uncertain status of Federal Power Commission regulation during

1955, as it affected gas producers, made it extremely difficult to obtain additional gas supplies. The Company, however, continues to work with its producers and customers as well as the Federal Power Commission in seeking a satisfactory solution to the many problems which have arisen from this phase of regulation.

Finally, the 1956 report contained the following.

The supply of gas continues to be a difficult problem because of the Federal Power Commission regulation of producers. The Company was able to increase its reserves during the year although many producers are still unwilling to commit new gas supplies to interstate pipelines until the regulatory process has been clarified. *Nothing short of new legislation by Congress will ease this difficult situation.*

These are but a few examples from the official reports of one company which represent the feelings of a large segment of the gas industry. How, then, can regulation be called an “advantage” and how can it be said that there is little or no evidence that the gas industry is unhappy with it?

Given's comments would give the impression that the coal interests do not like regulation as applied to the natural-gas industry and are fighting for the free play of economic forces. However, the record is perfectly clear that the virtuous coal interests who dislike regulation are perennial inter-

venors before the FPC in opposing the efforts of Transcontinental, as well as other pipeline companies, to expand or add new natural-gas reserves, and such opposition is not based upon the free play of economic forces.

In Given's dissertation on coal's great efforts to keep the cost of its product down (which, incidentally, the gas industry certainly regards as laudable), he concludes with the contention that: “Coal is just cheaper”. This statement echoes the coal peoples' continual and exuberant proclamation that natural gas is pricing itself out of business.

All right, if this is true the coal industry has nothing to worry about. Let us get on with the competitive process — each industry extolling the virtues of its own product — and let the public decide to which use each fuel will be put. Let the coal industry cease its demands for a “National Fuels Policy” which would inevitably dictate to the ultimate consumer the fuel he must use for each particular need. The red tape engendered by such a policy would result in further delays in the expansion of the productive capacity of our nation at a time when we can ill afford it. This is, after all, a Republic. Let those of us in the industry take heed of Benjamin Franklin's warning and do what we can to keep it. ★★★