

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)
)
 Exxon Corporation,)
 a corporation,)
)
 and)
)
 Mobil Corporation,)
 a corporation.)

Docket No. C-3907

Mobil Corporation

4. Respondent Mobil is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal place of business at 3225 Gallows Road, Fairfax, Virginia 22037.
5. Respondent Mobil is, and at all times relevant herein has been, engaged in the business of refining, transporting, distributing, and marketing crude oil and refined petroleum products, including gasoline, jet fuel, other light petroleum products, paraffinic base oil, and jet turbine oil, in the United States.
6. Respondent Mobil is, and at all times relevant herein has been, engaged in commerce as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affecting commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

The Proposed Merger

7. Pursuant to an Agreement and Plan of Merger dated December 1, 1998, Exxon and Mobil agreed to a merger between Mobil and a wholly owned subsidiary of Exxon. As a result of this agreement, Exxon will acquire 100 percent of the issued and outstanding voting securities of Mobil, and will merge the two companies into a new corporation to be known as Exxon Mobil Corporation. Based on the value of the securities at the time of the agreement, the transaction is valued at approximately \$80 billion.

Trade and Commerce

8. Relevant lines of commerce (*i.e.*, product markets) in which to analyze the effects of the proposed merger are:
 - a. the marketing of motor gasoline;
 - b. the refining and marketing of gasoline that meets the specifications of the California Air Resources Board (“CARB” gasoline);
 - c. the bidding for and refining of jet fuel for the U.S. Navy;
 - d. the terminaling of gasoline and other light petroleum products;
 - e. the pipeline transportation of light petroleum products;
 - f. the pipeline transportation of crude oil;

- g. the refining and marketing of paraffinic base oil; and
 - h. the production and sale of jet turbine oil.
9. Motor gasoline is a fuel used in automobiles and other vehicles. It is manufactured from crude oil at refineries in the United States and throughout the world. There is no substitute for motor gasoline as a fuel for automobiles and other vehicles that are designed to use motor gasoline.
 10. CARB gasoline is a special low-pollution formulation of motor gasoline mandated by the California Air Resources Board pursuant to California state law. No other formulation of motor gasoline may be sold for use in California. There is no substitute for CARB gasoline as a fuel for automobiles and other vehicles that use gasoline in California.
 11. Navy jet fuel (sometimes referred to as “JP-5”) is a specialized fuel used by the U.S. Navy for its jet airplanes. Navy jet fuel requires more stringent specifications than other types of jet fuel because of the dangers associated with storing fuel, and aircraft that contain fuel, aboard ships. There is no substitute for Navy jet fuel for use in U.S. Navy jet airplanes.
 12. Terminals are specialized facilities with large storage tanks used for the receipt and local distribution by tank truck of large quantities of gasoline and other light petroleum products. There are no substitutes for terminals for the storage and local distribution of gasoline and other light petroleum products.
 13. Refined product pipelines are specialized pipelines for the transportation of refined light petroleum products, including gasoline, diesel fuel, jet fuel, and home heating oil. Colonial Pipeline Co. (“Colonial”) and Plantation Pipe Line Co. (“Plantation”) own and operate the pipelines that are the most economical means of supplying light petroleum products to the inland portions of the States of Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia and Tennessee (*i.e.*, the portions of those states more than 50 miles from ports such as Savannah, Charleston, Wilmington and Norfolk) (hereinafter the “inland Southeast”). Exxon owns approximately 49 percent of Plantation, and has equal control of the board of directors of Plantation with Plantation’s other owner. Mobil owns approximately 11 percent of Colonial, and designates a member of Colonial’s board of directors. There are no substitutes for Colonial and Plantation for the transportation of light petroleum products to the inland Southeast.
 14. Crude oil pipelines are specialized pipelines for the transportation of crude oil from production fields to refineries or locations where the crude oil can be transported to refineries by other means. The Trans-Alaska Pipeline System (“TAPS”) is an 800-mile pipeline used to transport crude oil from the Alaskan North Slope to port facilities at

Valdez, Alaska, from which the crude oil can be transported to refineries on the West Coast of the United States. TAPS is owned primarily by seven major refiners. Exxon owns approximately 20% of TAPS, and Mobil owns approximately 3%. The only way that crude oil can be transported from the Alaskan North Slope to port facilities at Valdez is through TAPS.

15. Paraffinic base oil is a refined petroleum product that is used as the principal component, or “base stock,” of most finished lubricant products, including passenger car motor oil, heavy duty engine oil, and automatic transmission fluid. There is no economic substitute for paraffinic base oil as the base stock for those products.
16. Jet turbine oil is a specialized ester-based lubricant used to lubricate jet aircraft engines. There are no substitutes for jet turbine oil in lubricating jet aircraft engines.
17. Relevant sections of the country (*i.e.*, geographic markets) in which to analyze the proposed merger are the following:
 - a. The northeastern United States, consisting of the District of Columbia and the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia, and smaller areas contained therein, including but not limited to the following metropolitan areas: Hartford, New Haven-Bridgeport-Stamford-Waterbury-Danbury, and New London-Norwich, CT; Dover and Wilmington-Newark, DE; Washington, DC; Bangor, Lewiston-Auburn, and Portland, ME; Baltimore, MD; Barnstable-Yarmouth and Boston-Worcester-Lawrence-Lowell-Brockton, MA; Atlantic-Cape May, Bergen-Passaic, Jersey City, Middlesex-Somerset-Hunterdon, Monmouth-Ocean, Newark, Trenton, and Vineland-Millville-Bridgeton, NJ; Albany-Schenectady-Troy, Dutchess, Nassau-Suffolk, New York, and Newburgh, NY; Allentown-Bethlehem-Easton, Altoona, Harrisburg-Lebanon-Carlisle, Johnstown, Lancaster, Philadelphia, Reading, Scranton-Wilkes Barre-Hazleton, State College, and York, PA; Providence-Warwick-Pawtucket, RI; Norfolk-Virginia Beach-Newport News and Richmond-Petersburg, VA; Burlington, VT; and smaller areas contained therein, where the merger would reduce competition in the marketing of motor gasoline, as alleged below;
 - b. The following metropolitan areas in the State of Texas: Austin, Bryan/College Station, Dallas, Houston, and San Antonio, and smaller areas contained therein, where the merger would reduce competition in the marketing of motor gasoline, as alleged below;
 - c. The State of Arizona and smaller areas contained therein, where the merger would reduce competition in the marketing of motor gasoline, as alleged below;

- d. The State of California and smaller areas contained therein, where the merger would reduce competition in the refining and marketing of CARB gasoline, as alleged below;
- e. The West Coast of the United States, where the merger would reduce competition in the bidding for and refining of jet fuel for the U.S. Navy, as alleged below;
- f. The metropolitan areas of Boston, MA, Washington, DC, and Norfolk, VA, where the merger would reduce competition in the terminaling of gasoline and other light petroleum products, as alleged below;
- g. The inland Southeast and smaller areas contained therein, where the merger would reduce competition in the transportation of refined light petroleum products, as alleged below;
- h. Locations at which crude oil from the Alaskan North Slope is refined, including the States of Alaska, California, and Washington, where the merger would reduce competition in the transportation of crude oil produced on the Alaskan North Slope to port facilities at Valdez and intermediate points, as alleged below;
- i. The Territory of Guam, where the merger would reduce competition in the importation, terminaling and marketing of motor gasoline and other light petroleum products, as alleged below;
- j. The United States and Canada, and smaller areas contained therein, where the merger would reduce competition in the refining and marketing of paraffinic base oil, as alleged below;
- k. The world, where the merger would reduce competition in the manufacture and sale of jet turbine oil, as alleged below.

Market Structure

- 18. The marketing of motor gasoline in the northeastern United States, including the District of Columbia and the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia, and smaller areas contained therein, including but not limited to the metropolitan areas of Hartford, New Haven-Bridgeport-Stamford-Waterbury-Danbury, and New London-Norwich, CT; Dover and Wilmington-Newark, DE; Washington, DC; Bangor, Lewiston-Auburn, and Portland, ME; Baltimore, MD; Barnstable-Yarmouth and Boston-Worcester-Lawrence-Lowell-Brockton, MA; Atlantic-Cape May, Bergen-Passaic, Jersey

City, Middlesex-Somerset-Hunterdon, Monmouth-Ocean, Newark, Trenton, and Vineland-Millville-Bridgeton, NJ; Albany-Schenectady-Troy, Dutchess, Nassau-Suffolk, New York, and Newburgh, NY; Allentown-Bethlehem-Easton, Altoona, Harrisburg-Lebanon-Carlisle, Johnstown, Lancaster, Philadelphia, Reading, Scranton-Wilkes Barre-Hazleton, State College, and York, PA; Providence-Warwick-Pawtucket, RI; Norfolk-Virginia Beach-Newport News and Richmond-Petersburg, VA; Burlington, VT, would be either moderately or highly concentrated as a result of the merger. The proposed merger would significantly increase concentration in each of these markets.

19. The marketing of motor gasoline in the metropolitan areas of Austin, Bryan/College Station, Dallas, Houston, and San Antonio, TX, and smaller areas contained therein, would be either moderately or highly concentrated as a result of the merger. The proposed merger would significantly increase concentration in each of these markets.
20. The refining and marketing of CARB gasoline for sale in the State of California, and smaller areas contained therein, would be moderately concentrated as a result of the merger. The proposed merger would significantly increase concentration in each of these markets.
21. The marketing of motor gasoline in the State of Arizona and smaller areas contained therein would be moderately concentrated as a result of the merger. Exxon has contractual rights to reacquire stations owned by a competitor. The proposed merger would provide the merged firm with an incentive to reduce the ability of that competitor to compete.
22. The bidding for and refining of jet fuel for the U.S. Navy on the West Coast of the United States is highly concentrated. The proposed merger would significantly increase concentration in this market.
23. The terminaling of gasoline and other light petroleum products is highly concentrated in the metropolitan areas of Boston, MA and Washington, DC. The proposed merger would significantly increase concentration in both of these markets.
24. The terminaling of gasoline and other light petroleum products is highly concentrated in the Norfolk, VA metropolitan area. Mobil controls a wharf that is the only means by

26. The market for transporting crude oil produced on the Alaskan North Slope through TAPS to Valdez and intermediate points is highly concentrated. The proposed merger would significantly increase concentration in this market.
27. The importation, terminaling and marketing of gasoline and other light petroleum products in the Territory of Guam is highly concentrated. The proposed merger would significantly increase concentration in this market.
28. The refining and marketing of paraffinic base oil in the United States and Canada would be moderately concentrated as result of the merger. Exxon is the leading firm in this market. The proposed merger would significantly increase concentration in this market and enhance Exxon's position as the leading firm.
29. The worldwide production and sale of jet turbine oil is highly concentrated. The proposed merger would significantly increase concentration in this market and leave Exxon as the dominant firm.

Entry Conditions

30. Entry into the relevant markets in the relevant sections of the country is difficult and would not be timely, likely or sufficient to prevent the anticompetitive effects that are likely to result from the proposed merger.

First Violation Charged

31. Exxon and Mobil are actual and potential competitors in the marketing of motor gasoline in the northeastern United States, consisting of the District of Columbia and the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia, and smaller areas contained therein, including but not limited to the metropolitan areas of Hartford, New Haven-Bridgeport-Stamford-Waterbury-Danbury, and New London-Norwich, CT; Dover and Wilmington-Newark, DE; Washington, DC; Bangor, Lewiston-Auburn, and Portland, ME; Baltimore, MD; Barnstable-Yarmouth and Boston-Worcester-Lawrence-Lowell-Brockton, MA; Atlantic-Cape May, Bergen-Passaic, Jersey City, Middlesex-Somerset-Hunterdon, Monmouth-Ocean, Newark, Trenton, and Vineland-Millville-Bridgeton, NJ; Albany-Schenectady-Troy, Dutchess, Nassau-Suffolk, New York, and Newburgh, NY; Allentown-Bethlehem-Easton, Altoona, Harrisburg-Lebanon-Carlisle, Johnstown, Lancaster, Philadelphia, Reading, Scranton-Wilkes Barre-Hazelton, State College, and York, PA; Providence-Warwick-Pawtucket, RI; Norfolk-Virginia Beach-Newport News and Richmond-Petersburg, VA; and Burlington, VT.

32. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the marketing of motor gasoline in the northeastern United States, and in smaller markets contained therein, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
- a. by eliminating direct competition in the marketing of motor gasoline between Exxon and Mobil;
 - b. by increasing the likelihood that the combination of Exxon and Mobil will unilaterally exercise market power; and
 - c. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between the combination of Exxon and Mobil and their competitors in the northeastern United States;

each of which increases the likelihood that the price of motor gasoline will increase in the northeastern United States and smaller areas contained therein.

Second Violation Charged

33. Exxon and Mobil are actual and potential competitors in the marketing of motor gasoline in the following metropolitan areas in the State of Texas: Austin, Bryan/College Station, Dallas, Houston, and San Antonio, and smaller areas contained therein.
34. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the marketing of motor gasoline in the relevant metropolitan areas in the State of Texas, and smaller areas contained therein, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
- a. by eliminating direct competition in the marketing of motor gasoline between Exxon and Mobil;
 - b. by increasing the likelihood that the combination of Exxon and Mobil will unilaterally exercise market power; and
 - c. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between the combination of Exxon and Mobil and their competitors in the relevant metropolitan areas in Texas;

each of which increases the likelihood that the price of motor gasoline will increase in the relevant metropolitan areas in Texas.

Third Violation Charged

35. Exxon and Mobil are potential competitors in the marketing of motor gasoline in the State of Arizona. Exxon sells motor gasoline in Arizona through a distributor to which Exxon sold its owned retail gasoline stores, and does not retain any significant control over that distributor's price or output. Pursuant to that sale, Exxon has a contractual right to reacquire those stores in the event the distributor re-brands the stores to any name other than Exxon. The merger would provide the merged company with the ability and incentive to reduce competition in the State of Arizona by exercising or threatening to exercise this right.
36. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the marketing of motor gasoline in the State of Arizona and smaller areas contained therein, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. by eliminating potential competition in the marketing of motor gasoline between Exxon and Mobil; and
 - b. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between the combination of Exxon and Mobil and their competitors in Arizona;

each of which increases the likelihood that the price of motor gasoline will increase in the State of Arizona.

Fourth Violation Charged

37. Exxon and Mobil are actual and potential competitors in the refining and marketing of CARB gasoline in the State of California, and smaller areas contained therein.
38. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the refining and marketing of CARB gasoline in the State of California, and smaller areas contained therein, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. by eliminating direct competition in the refining and marketing of CARB gasoline between Exxon and Mobil;

- b. by increasing the likelihood that the combination of Exxon and Mobil will unilaterally exercise market power;
- c. by increasing the degree of vertical integration between the refining and marketing of CARB gasoline; and
- d. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between the combination of Exxon and Mobil and their competitors in California;

each of which increases the likelihood that the price of CARB gasoline will increase.

Fifth Violation Charged

- 39. Exxon and Mobil are potential competitors in the bidding for and refining of jet fuel for the U.S. Navy on the West Coast.
- 40. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the refining of jet fuel for the U.S. Navy on the West Coast in violation of

Sixth Violation Charged

41. Exxon and Mobil are actual and potential competitors in the terminaling of gasoline and other light petroleum products in the Boston, MA and Washington, DC metropolitan areas.
42. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the terminaling of gasoline and other light petroleum products in the Boston, MA and Washington, DC metropolitan areas in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. by eliminating direct competition in the terminaling of gasoline and other light petroleum products between Exxon and Mobil;
 - b. by increasing the likelihood that the combination of Exxon and Mobil will unilaterally exercise market power; and
 - c. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between the combination of Exxon and Mobil and their competitors in the terminaling of gasoline and other light petroleum products in the Boston, MA and Washington, DC metropolitan areas;

each of which increases the likelihood that the price for terminaling of gasoline and other light petroleum products will increase in the Boston, MA and Washington, DC metropolitan areas.

Seventh Violation Charged

43. Exxon and Mobil are potential competitors in the terminaling of gasoline in the Norfolk, VA metropolitan area. Mobil controls a wharf that is the only means by which a competing terminal can receive gasoline by marine vessel.
44. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the terminaling of gasoline in the Norfolk, VA metropolitan area in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

- a. by increasing the likelihood that the combined Exxon and Mobil will deny access to the Mobil wharf to their competitor, thereby raising the cost to that competitor of receiving gasoline;
- b. by increasing the likelihood that the combination of Exxon and Mobil will unilaterally exercise market power; and
- c. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between the combination of Exxon and Mobil and their competitors in the terminaling of gasoline in the Norfolk, VA metropolitan area;

each of which increases the likelihood that the price for terminaling of gasoline will increase in the Norfolk, VA metropolitan area.

Eighth Violation Charged

45. Exxon and Mobil, through their ownership of and board representation on, Colonial and Plantation, are actual and potential competitors in the transportation of refined light petroleum products to the inland Southeast.
46. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the transportation of refined light petroleum products to the inland Southeast in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. by eliminating direct competition between Colonial and Plantation in the transportation of refined light petroleum products to the inland Southeast;
 - b. by providing the combined Exxon and Mobil with access to sensitive competitive information of both Colonial and Plantation; and
 - c. by increasing the likelihood of, or facilitating, collusion or coordinated interaction between Colonial and Plantation, or between the owners of each;

each of which increases the likelihood that the price of transporting refined light petroleum products to the inland Southeast will increase.

Ninth Violation Charged

47. Exxon and Mobil are actual and potential competitors in the transportation of crude oil through TAPS from the Alaskan North Slope to Valdez and intermediate points.

48. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the transportation of crude oil from the Alaskan North Slope through

Eleventh Violation Charged

51. Exxon and Mobil are actual and potential competitors in the refining and marketing of paraffinic base oil in the United States and Canada.
52. The effect of the proposed merger, if consummated, may be substantially to lessen competition in the refining and marketing of paraffinic base oil in the United States and Canada in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. by eliminating direct competition between Exxon and Mobil in the refining and marketing of paraffinic base oil;
 - b. by increasing the likelihood that the combination of Exxon and Mobil will unilaterally exercise market power; and

each of which increases the likelihood that the price of jet turbine oil will increase in the United States and throughout the world.