

ABA Oil Mergers Panel

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The views expressed herein are not purported to reflect those of the
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Lessons from Oil Mergers Conference

- Policy goals made clear:
 - 1. Estimate effects of consummated mergers
 - Regression with dummy variables
 - “Matching” or “Differences-in-differences”
 - Price-concentration
 - “Treatment” approach
 - 2. Predict effects based on observables
 - What explains different effects?
- Difficulties
 - We challenge anticompetitive mergers
 - Mergers are not randomized

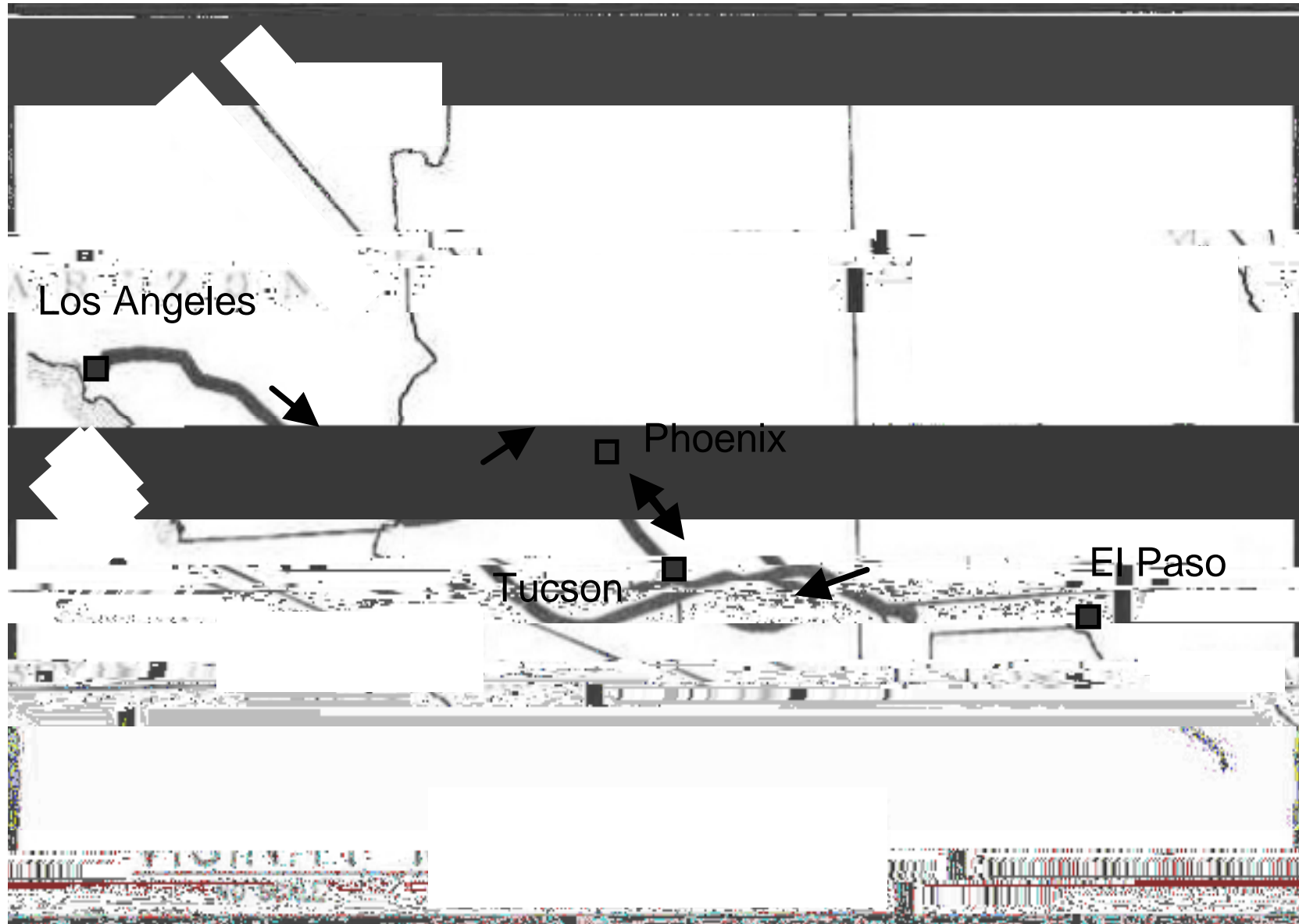
Identifying a Merger Effect Requires Assumptions

- “Matching” methodology assumes
 - Control cities unaffected by merger
 - But affected by same unobservable shocks
- Regression methodology assumes
 - Demand and supply controlled for
 - Control variables have similar effects in areas affected and unaffected by merger
 - Relationship between price and control variables unaffected by merger

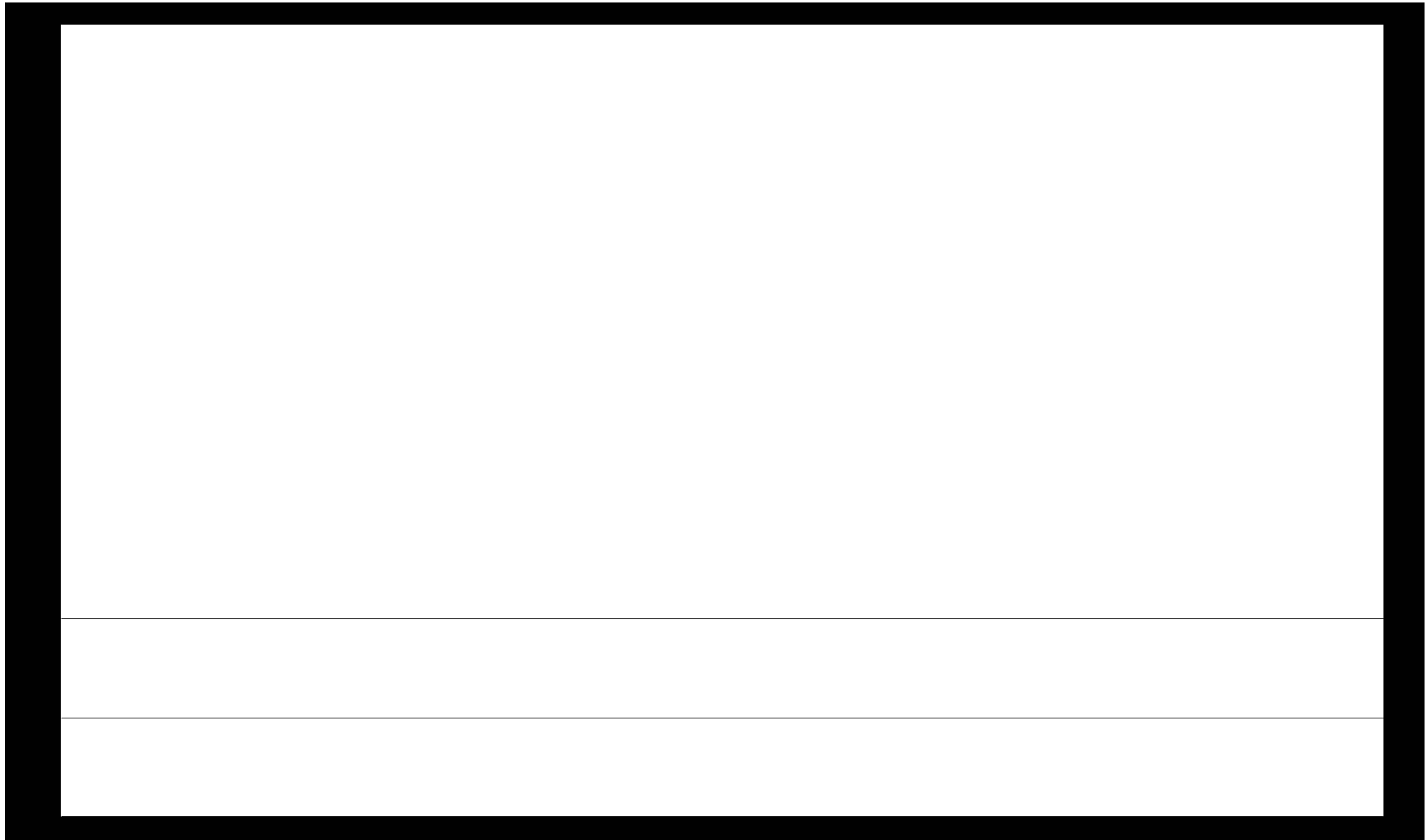
Anatomy of a Supply Disruption

- On July 30, 2003, the Tucson-to-Phoenix section of the pipeline from El Paso ruptured.
- The outage reduced the volume of gasoline delivered to Phoenix by 30 percent
- August 23, partial service resumed.

Arizona Pipeline Map



The Collapse of a Conspiracy



Louisville: Std. Dev. / Mean

