



INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION

February 14, 2005

President  
James A. Taglia  
Nor-Lakes Services  
Midwest, Inc.

First Vice President  
James L. Kudis  
Allegheny Petroleum  
Products Company

Treasurer  
Greg T. Julian  
Advanced Lubrication  
Specialties

Second Vice President  
Anwer Hussain  
CHS Inc.

Immediate Past President  
Paul P. Converso  
Battenfeld Grease & Oil  
Corporation of N.Y.

Executive Director  
Celeste M. Powers, CAE

General Counsel  
Jeffrey L. Leiter

Honorable J. Dennis Hastert  
27 River Street  
Battavia, Illinois 60510  
Attention: Ryan Tate

Dear Mr. Speaker:

The Independent Lubricant Manufacturers Association ("ILMA") requests a meeting with you in your Battavia office to discuss two matters that are adversely affecting independent participants in the lubricants industry and that are within the jurisdiction of the Federal Trade Commission ("FTC"). These two matters are summarized below.

### **Introduction of ILMA**

ILMA, established in 1948, is a national trade association of 142 manufacturing member companies, consisting largely of small businesses, ranging in size from fewer than 10 to more than 200 employees. As a group, ILMA member companies blend, compound and sell over 25 percent of the United States' lubricant needs and over 75 percent of the metal removal fluids utilized in the country.

A lubricant is a liquid or solid substance used to reduce the friction, heat and wear between solid surfaces. ILMA members manufacture automotive, truck, marine, aircraft and industrial engine oils; transmission fluids; hydraulic fluids; greases; general industrial oils; power equipment oils; process oils; metal removal, treatment, protecting and forming lubricants; and rolling oils.

In order to manufacture a lubricant, ILMA member companies purchase oil and synthetic lubricant base stocks and a wide range of additives. ILMA member companies then compound and blend the base stocks with the correct additives in the proper proportions to produce a lubricant with the desired characteristics for a particular job.

651 S. Washington Street  
Alexandria, VA 22314  
phone: 703/684-5574  
fax: 703/836-8503  
email: [ilma@ilma.org](mailto:ilma@ilma.org)  
web: [www.ilma.org](http://www.ilma.org)

ILMA members are diverse. A large proportion of our membership manufactures automotive lubricants for original equipment manufacturers and for the retail market, either under their own labels or through contract packaging arrangements. Many produce lubricants for metalworking and heavy industrial machines, while others supply lubricants for mining, textiles, food processing, electronics, as well as many other industries.

Independent lubricant manufacturers by definition are neither owned nor controlled by companies that explore for or refine crude oil to produce lubricant base stocks. Base oils are purchased from refiners, who are also competitors in the sale of finished products. Independent lubricant manufacturers succeed by manufacturing and marketing high-quality, often specialized, lubricants. Their success in this competitive market also is directly attributable to their tradition of providing excellent, individualized service to their customers.

### **ExxonMobil "Price Squeeze"**

The first matter we would like to discuss with you is the steps that can be taken in the House of Representatives to direct or convince the FTC to evaluate the effectiveness of the remedy it put in place to ensure a competitive base oils market when it entered into the consent agreement with Exxon and Mobil in their 1999 merger. The Association believes that the base oils market in the U.S. is no longer competitive and that this particular remedy needs to be revisited by the Commission.

ILMA would like to present information to you, showing how price competition no longer exists in the base oils market that the FTC sought to protect in 1999. In addition, independent lubricant manufacturers are suffering irreparable harm today from a "price squeeze" being "engineered" by ExxonMobil. While ILMA cannot prove that ExxonMobil is selling its finished lubricants "below cost," the dominant oil company in the lubricants industry is using its market power in a deliberate grab of market share that is aimed at independents. In our meeting, ILMA would provide you with evidence of this significant price squeeze and the "but for" for merger such behavior would not be taking place.

### **DaimlerChrysler ATF+4**

ILMA and the Automotive Oil Change Association ("AOCA") complained to the FTC at the end of 2003 about the unfair marketing practices of the DaimlerChrysler Corporation in its sale of its ATF+4 automatic transmission fluids. Staff from the Commission's Bureau of Consumer Protection answered the two associations' complaints, finding that the automaker had not violated the Magnuson-Moss Warranty Act. Further, the Commission staff did not address evidence submitted by ILMA that DaimlerChrysler was tying the bulk sale of its ATF+4 (needed to maintain the car's warranty) to the dealer's purchase of two viscosity grades of Mopar engine oils.

Honorable J. Dennis Hastert  
February 14, 2005  
Page 3 of 3

The Association believes that the Commission staff gave short shrift to ILMA and AOCA's complaints. The consumer and the Association's members are being harmed. If unchecked, DaimlerChrysler's practices will be adopted by other auto, truck and equipment makers. We understand that the Energy and Commerce Committee may hold hearings this spring on the Magnuson-Moss Warranty Act. Accordingly, we would like to discuss with you what steps ILMA needs to take to have this matter considered by the Committee and revisited by the FTC.

\* \* \* \*

We look forward to the opportunity to discuss these two matters with you. Hopefully, your schedule would permit a meeting within the next few weeks.

Sincerely,



Celeste M. Powers, CAE  
Executive Director

cc: ILMA Board of Directors  
Jeffrey L. Leiter, Esq.