



Department of Justice

FOR IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 4, 1998
WWW.USDOJ.GOV

AT
(202) 616-2771
TDD (202) 514-1888

JUSTICE DEPARTMENT ALLOWS JOINT PURCHASING OF ELECTRIC POWER BY TEXTILE MANUFACTURERS

WASHINGTON, DC -- The Department of Justice today approved a proposal by the Textile Energy Association (TEA) to allow textile manufacturers to purchase some or all of their energy needs through a joint purchasing agent.

The proposed joint purchasing arrangement represents a response to what TEA's members perceive will be the eventual deregulation of energy markets in the U.S. and particularly in the southeastern region of the country. The establishment of a joint purchasing agent is designed to enable the members to reduce the significant transaction and information costs associated with purchasing power in a deregulated market. The agreement will extend to a substantial group of industrial power consumers located primarily in the Southeast, as well as to textile customers.

As proposed, the arrangement would allow TEA to choose an independent joint purchasing agent and negotiate with that agent a model contract that will benefit all members. Each member will sign separate "adoption" agreements allowing the agent to provide various forms of service relating to the purchase of energy and, on an individual basis, offer analysis of each members' energy needs.

The agent will purchase various forms of energy including electricity, gas, compressed air, and chilled water for its members. Power will be purchased from various sources nationwide depending on which source offers the best market price at any particular time.

TEA's proposed joint purchasing program will include several operational safeguards designed to lessen the anticompetitive potential of joint purchasing arrangements. In addition to being independent of TEA's members, the agent will maintain the confidentiality of individual members information about their energy needs.

TEA's individual members will remain free to purchase all, or part, of their energy requirements independently of the joint venture, and will continue to conduct all other aspects of their businesses independently of one another.

The Department's decision was stated in a business review letter issued by Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division.

Klein concluded that it was unlikely TEA's members would be able to exercise any market power with respect to their proposed joint purchases of energy.

"Even if the joint purchasing agent purchased all of its members' needs, it would account for no more than 2.1 percent of all industrial energy consumed in the Southeast and only 1.43 percent of all industrial energy consumed in the U.S. Nor would the aggregate demand of TEA's potential members exceed ten percent in any individual fuel market," said Klein

In addition, Klein noted that the proposed joint purchasing was unlikely to reduce selling rivalry amongst TEA's members because the total energy purchases of all TEA's members constituted but seven percent of their revenues, a percentage too small, under general antitrust analysis, to raise concerns about adverse effects on textile price rivalry.

Under the Department's business review procedure, a person or organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the activity as a violation of federal antitrust laws.

A file containing the business review request and the Department's response may be examined in the Antitrust Documents Group of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Washington, D.C. 20530. After a 30-day waiting period, the document supporting the business review will be added to this file.

###

98-403