REPORT OF THE GASOLINE STUDY COMMITTEE

INTRODUCTION

In August 1950, there occurred a sharp break in the pattern of operation usually associated with retail gasoline price wars affecting the New Jersey area. Climaxing the up and downhill trend of price competition which had permeated the retail sales level of this industry for months, the dealers themselves went out on strike. In this manner they protested a cutback in the usual margin of profit per gallon of gasoline, citing numerous dealers who would either be forced out of business or compelled to curtail services and reduce their staff. Their complaints were brought to your attention, and you appointed the undersigned members of this Committee to fairly ascertain whether the general public had been the beneficiary or victim of the price wars.

The Committee held an organizational meeting on Thursday, September 7, 1950, in the offices of the New Jersey State Department of Labor and Industry, Room 744, Industrial Office Building, 1060 Broad Street, Newark, N. J. at 4:00 p.m. Percy A. Miller, Jr., Commissioner of Labor and Industry, and Walter T. Margetts, Jr., Treasurer of the State of New Jersey, were present and volunteered whatever services they might render in forwarding the work of the Committee. Miss Gertrude Walsh was appointed recording secretary.

At the very outset, it was the consensus of opinion among committee members that more valuable information might be obtained for our consideration if the meetings were conducted informally and off the record. We, therefore, informed those who wished to present themselves before us that there would be no record kept of their discussions, but that they might contact the press if they felt compelled to make public the nature of their testimony. Under this arrangement, we secured a detailed insight as to the complex structure of retail gasoline sales operation, marketing and pricing. While we were without means of insuring the appearance of individuals whose knowledge might prove useful, we can truthfully report that we received praiseworthy cooperation from all with whom we came in contact, and that all seemed anxious to contribute to our understanding of the problem in a constructive way.

Though our investigation may appear to have been somewhat limited, we did not feel compelled to request funds or a larger staff. We should cite, however, the outstanding contributions of Aaron K. Neeld and Armond J. Salmon, Jr. of the Division of Taxation and Finance of the Department of the Treasury, whose periodic surveys and detailed reports furnished us the information which we could not have otherwise obtained. We have, in addition to including such reports, also included all pertinent written testimony of record as well as certain statistical material furnished us by interested parties. They are to be found in the four individual files accompanying this report.

From the outset, it was rather obvious that the general public did not quite understand the function of our Committee. In referring to the general correspondence file, you will note a generous share of the letters devoted to inquiries relative to our whereabouts, activities and meetings. While most of the people who wrote took time to include constructive criticism as to the operation of laws affecting retail gasoline sales in other states, the tenor of their suggestions led us to believe that the public concept of our committee work was an obligation to take steps to end the price war.

To the contrary, while our research has led us through many widely divergent fields, we have felt compelled to hold to our first consideration, --that of the effect of these gasoline price wars, good or bad, on the public itself. We have considered all phases of gasoline production and marketing, but in reaching our conclusions we definitely wish to point out that we have treated those connected with such operations as a minor segment of the state's population, regardless of the private or commercial essentiality of the product they control.

Thus, in making this report, we have not forwarded one single recommendation that would benefit other than a majority of the population of New Jersey. In this case, the majority is represented by the gasoline consumers and not the marketers.

CONCLUSIONS

1. We conclude that the general retail price levels of graded and branded gasoline are somewhat artificial in nature, and not responsive to the governing economic law of supply and demand. The relative stability of prices under "normal" conditions, and the lack of price reduction when a surplus market exists, tends to prove the fact that prices are governed more by mutual understanding between associate, affiliate and even competitive marketing agencies than by economic factors.

However, the price at the retail level is sufficiently high enough to permit enterprising competition on the part of those who can market either branded or unbranded gasoline more cheaply. Being built upon artificial support, then, it is not unlikely that gasoline price wars are the result of the collapse of this price structure agreement. A parallel could be drawn in this case, citing the spirited nationwide competition between department stores when certain fair trade practices were held invalid by the Supreme Court of the United States.

2. We conclude that during the eventful days of the various gasoline price wars since August 1950, the dealers themselves have conducted their competition on a most wholesome basis, there being but one instance of unlawful misrepresentation and substitution of the gasoline product offered for sale throughout the state.

3. We conclude that in view of the above mentioned competition, the public benefitted through lower prices. Some services were evidently curtailed, but the gasoline delivered met the specifications usually posted for public consumption in

the gasoline stations.

4. We conclude that the dealers themselves are in an unenviable position, but, though their income from the sale of gasoline has visibly declined due to the closing of the gap between cost and sales price through the pressure of competition, it is a matter between the dealer and the company he represents and not a problem calling for some form of governmental control.

First, any legislation fixing the margin of profit would tend to be in opposition to our fundamental concept of free enterprise, and unduly affect the future price of the commodity.

Secondly, any legislation recognizing fair trade prices would cripple the constant effort that should be expended toward the reduction in price of this product so essential in daily commerce and in our private lives. The emphasis should be placed on the obtaining of the lowest possible price and at the same time, bettering the quality of the product offered. Price fixing with its artificial support is an invitation to maintain the status quo.

Finally, such actions would reward a minority group and at the sacrifice of the interest of a majority.

5. We conclude that although New Jersey is among the nation's leading statewide markets for petroleum products, the marketing field is somewhat overcrowded, a factor which itself leads to spirited competition for sales. This same condition has been noted in other retailing fields since World War II, and in every instance, however unfortunate it may seem, some of the older firms with high operating costs, as well as the newer, less

experienced firms were driven out of business, being unable to meet the demands of competition.

RECOMMENDATIONS

1. We heartily recommend that only those marketing laws now applicable to the retail sales of gasoline in the State of New Jersey be utilized in governing the extent of the widespread sporadic competition among dealers. These laws protect the consuming public from unfair practices of substitution, and to some extent control the employment of out-sized "circus-like" or misleading price posters. The State is now adequately prepared to administer and apply these laws through the services of personnel already at work and familiar with these problems, and without the additional cost that would be necessitated by new legislation, new techniques, and additional personnel.

2. We urgently recommend that the gasoline industry guide itself toward the end that the public might be assured to the maximum extent possible of a continual flow of this essential product from refineries to the consumer with the least possible interruption and at a competitive price. Such public-mindedness on the part of this giant industry would certainly be a guarantee to the dealer that his problems would not go unnoticed by the producers he represents, and further assurance to the consumer that a gasoline propelled vehicle is a dependable means of transportation.

PRESS RELEASE P.M. PAPERS JUNE 14, 1951

In releasing the report of the Gasoline Study Committee, Walter T. Margetts, Jr., Treasurer of the State of New Jersey today stated that the Committee consisting of Robert C. Crane, of Elizabeth, Chairman; Albert F. Howard of Essex Fells and Otto L. Straub of Short Hills appointed to undertake a study of the retail gasoline price wars within the State of New Jersey, had transmitted the annexed report to the Governor, Alfred E. Driscoll.

In their letter of transmittal the Committee stated "While this report was for all purposes and intent substantially completed in December 1950, we have been privileged in the intervening period to review our findings in the light of more recent events including reduction of posted tank-wagon prices by the producers. Thus we have had the opportunity of comparing retail sales of gasoline alternately under conditions considered normal by the trade and under the pressure of price wars.

"However, we are impressed by the fact that present events are merely a continuation and not an end result of the unstable conditions prevalent nine months ago, and therefore conclude that this report should be made without delay."