JOINT PUBLIC MEETING

before

ASSEMBLY CONSUMER AFFAIRS COMMITTEE

AND THE

ASSEMBLY ENERGY AND ENVIRONMENT COMMITTEE

To investigate the recent increases in retail gasoline and heating oil prices, and to develop legislative initiatives which will prevent New Jersey consumers from being victimized by illegal price gouging in the future

August 27, 1990
Room 424
State House Annex
Trenton, New Jersey

MEMBERS OF ASSEMBLY CONSUMER AFFAIRS COMMITTEE PRESENT:

Assemblyman David C. Kronick, Co-Chairman
Assemblyman Neil M. Cohen, Vice Chairman
Assemblyman Walter J. Kavanaugh

MEMBERS OF ASSEMBLY ENERGY AND ENVIRONMENT COMMITTEE PRESENT:

Assemblyman Robert G. Smith, Co-Chairman
Assemblyman Neil M. Cohen, Vice Chairman

ALSO PRESENT:

Assemblyman Fred Scerni
District 2

Assemblyman Joseph A. Mecca
District 34

David L. Sallach
Office of Legislative Services
Aide, Assembly Consumer Affairs Committee

Spiros J. Caramalis
Office of Legislative Services
Aide, Assembly Energy and Environment Committee

* * * * * * * * * * *

Meeting Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton New Jersey 08625

<u>RESCHEDULING OF</u>

SPECIAL COMMITTEE MEETING
TO PROBE OIL PRICE INCREASES

The

Assembly Consumer Affairs Committee
and the
Assembly Energy and Environment Committee
will hold a joint meeting on

<u>MONDAY, AUGUST 27, 1990 beginning at 1:30 p.m.</u>
<u>at the State House Annex, ***ROOM 424.</u>***

To accommodate those interested parties who are participating in the annual meeting of the Coalition of Northeastern Governors on Thursday, August 23rd in Boston, Massachusetts, the special committee meeting has been rescheduled for Monday, August 27th.

The purpose of this joint committee meeting is to investigate the recent increases in retail gasoline and heating oil prices and to develop legislative initiatives which will prevent New Jersey consumers from being victimized by illegal price gouging in the future.

The public may address comments and questions to David L. Sallach, aide to the Assembly Consumer Affairs Committee, or Spiros J. Caramalis, aide to the Assembly Energy and Environment Committee. Persons wishing to testify should contact Selena Lewis, secretary, at (609) 984-0231. Persons presenting written testimony should provide 10 copies to the committee on the day of the hearing.

Issued 8/17/90

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

TABLE OF CONTENTS (continued)

Page

APPENDIX (continued):

* * * * * * * * * *

mjz: 1-156

ASSEMBLYMAN ROBERT G. SMITH (Co-Chairman): Good afternoon. My name is Bob Smith. I represent the 17th Legislative District. I am co-chairing this meeting with Assemblyman David Kronick from Hudson County. We have on the panel, starting on my right: Assemblyman Joe Mecca -- Joe, if you would just raise your hand; on our left, Assemblyman Neil Cohen from Union County, and Assemblyman Walter Kavanaugh from Somerset County.

We have a list of witnesses, so we will keep our comments very brief. Assemblyman Kronick has asked that I express to the assembled audience that there are a number of issues that we want to take a look at today. The first issue is whether or not, in fact, gasoline gouging has occurred and continues to occur in the State of New Jersey, and are our citizens being taken advantage of? And secondly, should we, as a State, have a gasoline gouging statute, one providing for strict penalties and fines in the event the State can show that gasoline gouging has occurred, and also requiring the return of illegal profits in the form of treble damages?

In addition to that, what should the State of New Jersey be doing to encourage energy conservation in the future, so that we are not continually at the mercy of foreign oil supply and foreign oil crises?

That, Mr. Co-Chairman, is a brief overview, as we understand the issues. Is there anything you would like to add to that?

ASSEMBLYMAN DAVID C. KRONICK (Co-Chairman): Thank you, Assemblyman Smith. I would like to just make a formal statement. You have pretty much covered it. The purpose of this joint public meeting is to determine if New Jersey's consumers are being abused, and whether the sudden escalation of gasoline and heating oil prices is justified? Since the Iraqi invasion of Kuwait on August 2, gasoline prices in New Jersey have risen approximately 11 cents to 20 cents a gallon, and what is most disturbing is that gasoline prices were up three cents to five cents or more per gallon just two days after the invasion. Now critics charge that many oil companies showed little restraint and took advantage of the crisis in the Middle East by gouging the consumers of New Jersey.

It is my belief that the increased prices of gasoline are unwarranted and were premature, if one considers that there is no supply problem in the State and oil inventories are relatively high. Speculation of future prices should not result in higher prices for oil which was purchased at lower prices prior to the invasion.

In addition, there is a lack time between four to six weeks from the date oil is purchased to the time it reaches the shores of the United States and is refined. Therefore, the existing reserve should have delayed the price increases. Perhaps today we are going to hear something else that will discount what I just said, because I learned a little something over the past few days that will perhaps temper what I have just said. So I want to qualify that.

Many of the citizens contend that the oil companies have overreacted and overcharged, and if this is proven, then the State must take action now to prevent gasoline price gouging in the future.

Okay, without any further ado, I think we will call our first speaker, and that will be Mr. Douglas Eakeley, First Assistant Attorney General. Mr. Eakeley, please.

ASST. ATT. GEN. DOUGLAS S. EAKELEY: Good afternoon. I am very pleased to be here this afternoon on behalf of the Attorney General, Robert Del Tufo, who, unfortunately -- or, unfortunately for me perhaps, but not for him -- is in Washington this afternoon conferring with our drugs czar, Mr. Bennett, and a number of other attorneys general about the national drug policy.

In any event, I have been asked to come before you to describe for you the evolving role of the Attorney General's Office in responding to the recent and disturbing increases in the prices of gasoline and home heating oil.

Governor Florio has wisely and swiftly moved to mobilize the appropriate department heads to monitor the gas and oil markets for telltale signs of unfair practices or collusion among retailers, wholesalers, and refiners. At present, State and Federal investigative efforts have been focused primarily on the retail and refinery levels, but we are finding that we need a great deal more information about the middlemen, the wholesale firms that distribute petroleum products to the retail outlets where, as we all know, the consumer ultimately bears the burden of any unfair pricing activity.

We are working closely with the Division of Consumer Affairs and the Board of Public Utilities to monitor pricing activities at all levels, to determine whether those prices are the product of a normal response to market conditions or the result of illegal actions. We are also making sure that we coordinate our efforts with those of our sister states and the Federal government.

Patricia Royer, Director of the Division of Consumer Affairs, will detail for you our policing of the market under the Consumer Fraud Act. But I want to talk to you about our perspective on worrisome prospects for petroleum supplies due to the current crisis in the Gulf.

The essential fact about oil is that it is an international commodity of prodigious importance to Western economies. It is traded on world markets on a spot and futures basis, as well as under more stable contract arrangements. But it was often the focus of superpower politics. The potential for supply interruptions is always with us, given the crucial role played by oil products in industrial economies and global rivalries. Obviously it is imperative to police the marketing of this vital product for signs of conduct that could eventually victimize consumers. And it is equally obvious that the primary job of policing belongs to the Federal government, given the horrendous economic mischiefs that could be caused by overconcentration in the market, or by collusion, and the global nature of the product itself.

That is why we joined the attorneys general of 35 other states last week in insisting that the Federal government take the lead in monitoring the petroleum industry at the refinery level. On August 20, in the wake of surging gasoline prices and the reemergence of energy-crisis-related scams, the National Association of Attorneys General convened a special meeting in Washington. The NAAG members agreed on a 15-point plan of action. It is difficult to underestimate the deterrent effect of the concerted attention of so many law enforcement agencies nationwide. Aside from our monitoring and enforcement initiatives in New Jersey, a cooperative effort involving the Federal government and our sister states is essential to obtain a global view of the petroleum markets and identify possible national patterns of collusive pricing.

Ideally, consumer protection efforts would be taken up by state governments, the Federal government, and the 50 states acting together. I won't take the time to go into all 15 recommendations of the National Association of Attorneys General, but I would like to highlight some of them for you.

First, we have asked that the Federal government create a task force encompassing every Federal agency that deals with the petroleum industry, to examine the way spot market pricing and commodity futures training affect retail pricing.

Second, Congress was asked to amend its antitrust laws to provide treble damages for indirect purchase or recovery in the event of illegal price fixing. Incidentally and closer to home, we are currently looking at similar changes to New Jersey's antitrust laws to provide for the elimination of what we call the "indirect purchase or doctrine" here in the State. That would authorize the Attorney General, among other things, to initiate suit on behalf of consumers who are victimized by antitrust activities at levels beyond their immediate sellers.

In addition, the Federal government was urged by the National Association of Attorneys General to give top priority to its antitrust investigation of refiners, both independent and integrative, particularly with respect to deliberate attempts to manipulate the market in this troubled time.

Thirdly, to enhance the efforts of individual states, the Federal government was recommended to create a clearinghouse for the exchange of enforcement information about suspect pricing practices of wholesalers, retailers, and refiners, as well as the impact of such practices on the petroleum-dependent industries such as transportation.

Fourthly and finally in this regard, we have also called upon the oil industry to exercise voluntary restraint, cooperating with Federal investigations, and holding down on the price of replacement fuel to the best of their ability.

As I said before, Pat Royer is here waiting to tell you about her war against unconscionable price increases at the pump. In the course of our enforcement actions and our research on the reach of our antitrust statute, we believe we have found potential gaps in our enforcement powers and, Assemblyman Smith, I think this directs itself a little bit more to the questions which you declared to be the purpose of this meeting. We are in the process of looking, ourselves, at the desirability of a new anti price gouging proposal, to see whether or not we need this additional weapon in our arsenal of law enforcement weapons.

We understand that you are working on such a proposal. We look forward to working with you -- with both

Committees -- in coming up with something that might serve as a model for all states. On the one hand, we have the antitrust laws that provide us with the authority to police the market for collusive activities. These, as I said, could be enhanced by the elimination of the indirect purchase or doctrine, and by the vesting of the Attorney General with the parens patriae authority to sue on behalf of consumers. That is something I expect we will be discussing with you in later months.

On the other hand, we have the antitrust laws which are there, perhaps not as a last resort, but rather difficult to enforce, because it is very often difficult to detect, and then prove, price-fixing conspiracies, but durable weapons indeed. Equally durable is the New Jersey Consumer Fraud Act. That Act permits us to investigate and prosecute cases of unconscionable actions such as price gouging at the consumer level. In other words, we are firmly of the view that price gouging at the pump is adequately covered by the Consumer Fraud Act and indeed, as Ms. Royer will discuss shortly, we are already taking steps under that Act to investigate some of the more salient possibilities of price gouging that we have seen so far.

On the other hand, the Consumer Fraud Act is arguably directed, almost exclusively, at the consumer level of price gouging. While one can make an argument, again, that extends the Act to reach price gouging at the intermediate or refinery level, it is not so clear and we do not have any case law interpreting the Act to permit us to go after price gouging if it occurs, as an example, at a wholesale level selling to a retail level, because neither, obviously, is a consumer.

Our proposal that we are looking at now would supplement the New Jersey Consumer Fraud Act, expanding its applicability in cases of abnormal disruption of the fuel market. It would apply the Consumer Fraud Act's unconscionable commercial practices concept which, as I said, applies to consumers, to transactions between refiners, distributors, and retailers. This would significantly, we believe, improve our power to police the market.

Retail sales are already subject to the terms which, incidentally, provide for fines, civil remedies, and treble damages. Our proposal would speak specifically to the actions of refiners and distributors, explicitly including them within the scope of the Consumer Fraud Act, and simultaneously alerting the industry to the concerns shared by all branches of government over potential price gouging and unconscionable burdens on consumers.

A successful bill would set up automatic violations where there is a gross disparity between the price at the time of the sale and that immediately before the disruption, or a gross disparity between the price at the time of the sale and that otherwise available in the trade area, or when there is a gross disparity in the seller's markup or a profit margin at the time of the sale and that immediately prior to the disruption, provided, of course, that those disparities are not attributable to increased costs.

A strong bill would also forbid any actions which would create fuel shortages, and would require periodic reporting of fuel storage levels and prices. Such data would be a powerful tool to prevent collusive pricing in the future. Never again would we be in a position of suspecting illegal pricing but have no hard data to rely upon. Here I am talking primarily at the wholesale level. We have good field investigation at the retail level. The Federal government does a pretty good job in collecting information at the refinery level. The BPU does a very good job indeed as well, but there is this gap just in the information available to us with respect to the nature and structure of the wholesale and distribution aspect of the fuel market in this region. Again, I am talking about both gasoline and home heating oil structure, pricing, and information.

Finally, our proposal would require fuel merchants to disclose the price of fuel prior to delivery. This provision would give purchasers the opportunity to reject delivery if there has been an unsatisfactory change in price, and ensure that consumers could take delivery with full knowledge of the price, rather than being forced to accept and pay for products which are unreasonably priced. Again, this is in response to something we have seen in the past, but have seen much more recently in the delivery of home heating oil at prices that are, when delivered, higher than those which had been quoted even the preceding day on the telephone.

As you can see, we intend to attack this problem on a broad investigatory and enforcement front. We want to work with your Committees toward this goal, and are confident that together we can create and implement a strong anti-gouging statute.

Thank you for the opportunity to testify before you today. If there are any questions, I would be happy to try to answer them.

ASSEMBLYMAN KRONICK: Thank you, Mr. Eakeley. Do any members have questions? Yes, Assemblyman Kavanaugh?

ASSEMBLYMAN KAVANAUGH: Thank you, Mr. Chairman. For clarification, Mr. Attorney General, I wonder if you could give us a breakdown of the various levels? You used the term, "refiners, wholesalers, retailers," and then you brought in distributors. I wonder if you could give us how that breakdown -- those levels are on gasoline, and also then on home heating oil? What do you mean by-- As far as a refiner, I think it would be the same on gas and oil. Wholesaler on gas and oil-- I wonder what you mean by that, and then distributor gas and oil, and retailer?

ASSISTANT ATTORNEY GENERAL EAKELEY: I can't be terribly precise because we aren't terribly precise when we get to the intermediate level, and there are several different levels within that intermediate level. But the refiners are either the integrated refiners, such as Exxon, for example, or the independent refiners who sell -- distribute their products to the market through patterns utilizing the services of wholesalers; actually so do the integrated refiners, as well. The retailers, obviously the home heating oil services delivered to the homes, or the gasoline stations delivered to the motorists. The word "distributor" is intended to pick up everyone virtually in-between the refiner -- the refiner of the product -- and the retail. There is no precise way to define it, other than by the functions we use -- wholesaler or distributor.

ASSEMBLYMAN KAVANAUGH: Through you, Mr. Chairman, as far as fuel oil, don't you think it is a little different? In most cases, fuel oil is from the refiners to the retailers, or the "distributors," where with gasoline there is the possibility that you would have a wholesaler in the middle there? So, even though it is an oil product, as far as the distribution method, there is somewhat of a difference between No. 2 home heating oil and gasoline.

ASSISTANT ATTORNEY GENERAL EAKELEY: I can't-- That may be, but I don't know the answer to that.

ASSEMBLYMAN KAVANAUGH: All right. Well I mean, as far as in our discussions if this goes through, I think it should be understood that there is.

The other point, through you, Mr. Chairman, is: You said a "price prior to delivery," when talking about home heating oil. In most cases, dealers, in order to keep their overhead down -- those who are full service dealers -- have automatic delivery customers who are on degree days. What would your intent be if someone has -- say, the average dealer -- if he has 1000 or 1500 or 2000 accounts, with the vast majority of those on automatic delivery? Would you then ask that prior to making delivery each day, or the night before, on his home heating customers, he would try to reach them by telephone and say, "The price of oil is such and such"?

ASSISTANT ATTORNEY GENERAL EAKELEY: Our concern is with what would border on, or constitute an unconscionable practice; advising a consumer that the home heating oil is available at a particular price, and then delivering it and charging another higher price without prior notification, a practice which would also prevent the consumer from shopping around and finding a cheaper source of product.

ASSEMBLYMAN KAVANAUGH: Through you, Mr. Chairman, the only thing is -- another thing as far as clarification -- I think with what you are going to do, the end result would e a higher cost to the consumer if you would mandate that a retailer would have to have, on his automatic delivery customers, either a call or something. In most cases, it would be very difficult to locate people, either during the day or during the evening. You would have to put on another shift in order to do that. These are points, I think, in the discussion where we have to be very careful about what decisions we are going to make.

ASSISTANT ATTORNEY GENERAL EAKELEY: I agree with that entirely. I should emphasize that this is a proposal that we are considering. Obviously, any proposal can bear improvement, and in order to do that it is important to discuss it and its possible ramifications.

ASSEMBLYMAN KAVANAUGH: Mr. Chairman, I think I should clarify that, as a 15-year member of the Legislature, I am also a retail home heating oil distributor, and a member of the Fueler Merchants Association, just for the record.

ASSEMBLYMAN KRONICK: I was going to mention that you had-- I thought it would be important that the Attorney General know that.

ASSISTANT ATTORNEY GENERAL EAKELEY: I sensed that I was dealing with an expert.

ASSEMBLYMAN KRONICK: We have an expert sitting up here, yes. Are there any further questions?

ASSEMBLYMAN SMITH: Just a brief one, if I might, Mr. Chairman. Mr. Eakeley, most of the-- You mentioned gaps in coverage in our existing statutes. A question on that: First of all, normally when we think about gasoline gouging or consumer fraud, we normally think of the remedy as civil damages; some kind of monetary penalty or return of illegal profits. But if you look at the big picture, I mean, in effect, a theft is being committed on the public, and we have other statutes where theft is involved which provide for criminal incarceration. When this Committee considers the appropriate statutory relief for this problem, does the Attorney General, at this point, have a position on whether or not we should also consider criminal penalties as one of the appropriate provisions of the statute?

ASSISTANT ATTORNEY GENERAL EAKELEY: I don't think we have a position on it now but, if I may, I would like to offer this one observation: One of the beauties of the Consumer Fraud Act -- and New Jersey was really in the forefront of the country in establishing the centerpiece of our consumer protection legislation-- One of the beauties of that Act is that in order to take enforcement action, we need not prove intent or purpose or, really, for that matter, an expectation of the injury to be caused. That is a very effective provision if you are going to go after speedy and efficient relief. Once you start talking about criminalizing something, you make the burdens of proof much greater, and I am not sure how much more you get given the fact that we are able to obtain treble damage recoveries under the Consumer Fraud Act as it now stands.

ASSEMBLYMAN SMITH: It would be very helpful if the Attorney General's Office could provide the Committee, through the Chairs, a memorandum indicating the gaps in coverage that the AG's Office feels should be filled, so that as we try to fashion the statutory remedy, we will have, in writing, from the AG's Office, where you feel those corrections can be made.

ASSISTANT ATTORNEY GENERAL EAKELEY: Our preliminary reviews are in my testimony. I had hoped we would get to the Committee, in advance of my testimony, my prepared remarks, but we will be happy to at least start with that and then work with you very closely after that.

ASSEMBLYMAN SMITH: With a more detailed memo to follow?

ASSISTANT ATTORNEY GENERAL EAKELEY: Yeah.

ASSEMBLYMAN SMITH: Great.

ASSEMBLYMAN COHEN: Mr. Chairman?

ASSEMBLYMAN KRONICK: Yes, Assemblyman Cohen?

ASSEMBLYMAN COHEN: Is there anything to preclude the State from bringing a civil RICO action?

ASSISTANT ATTORNEY GENERAL EAKELEY: No.

ASSEMBLYMAN COHEN: So it is possible that the RICO statute could be utilized to fill in any potential gaps which exist?

ASSISTANT ATTORNEY GENERAL EAKELEY: It is available and potentially available, as is criminal RICO, for that matter. Again, in terms of proving a RICO violation compared to a violation of the Consumer Fraud Act, it is quite a bit different. I should just add that we are also looking at enhancements to civil RICO, but in a different context.

ASSEMBLYMAN KRONICK: Assemblyman Scerni, do you have a question?

ASSEMBLYMAN SCERNI: Yes, thank you, Mr. Chairman. Mr. Attorney General, you have offered three areas of automatic violation in your testimony today when certain price disparities arise. In your opinion, would those particular areas cover anticipatory profits?

ASSISTANT ATTORNEY GENERAL EAKELEY: What do you mean by--

ASSEMBLYMAN SCERNI: Let me dress up what I mean by anticipatory profits, or speaking along the same lires.

One analysis of recent events with the Gulf crisis is that the crisis developed and, in fact, no shortage of crude oil occurred, but in anticipation of some suspected future shortage, that is an anticipated shortage, prices basically went up. This occurs even though at the particular time that it happens, there is no change in demand; there is no change in supply. Quite the contrary, rather than a change in supply, we look around the international world and we see that certain of the OPEC members are amenable to expanding supplies.

So what we really have is the oil industry responding to some anticipated shortage that may or may not occur, and that as a result of that, prices rise immediately, even though the costs previously paid by the oil companies for a product that is now being sold were considerably lower. Would you consider the areas that you have proposed a remedy for that kind of profit taking?

ASSISTANT ATTORNEY GENERAL EAKELEY: Not unless it gets to the point where it would constitute what we call a "gross disparity," either a virually unconscionable increase in the profits that are not merely the result of an anticipation of a shortage to come, but rather something that demonstrates that the company taking the pricing decision has chosen to exploit the situation and, in effect, gouge the consumer.

Now, anticipating additional costs is fine. One of the experiences we had that came out of the crisis with home heating oil after our very cold December last year was, prices rose very rapidly indeed, and then didn't come down again. It is one thing to anticipate extra costs and to bear them, but then when the prices of the crude oil return to hopefully a lower norm, one would expect to see the same kind of alacrity to lower prices as it was to raise them. But we are really just attempting to take a rifle shot at gross disparities that would constitute unconscionable conduct.

ASSEMBLYMAN KRONICK: I would like to mention something: It is my understanding from the industry -- and I think there are many people who do not understand this -- that the prices paid are not-- When it is shipped from the Persian Gulf, for example, they are really replenishment prices. The shipment takes approximately 45 days, I understand, and therefore when it arrives here, it is the price of that fuel -- that crude oil. I am sure you are aware of this in your looking at the situation.

ASSISTANT ATTORNEY GENERAL EAKELEY: Well, I think the spot market reflects future delivery costs. Obviously, Scott Weiner, President of the BPU, is much more qualified to discuss those pricing variations than I. But as I understand it, you've got people who are out there in the spot market right now paying spot-market prices for replacement crude, and passing on those costs. There is some discretion as to whether or not to charge for current deliveries in anticipation of the future costs upon delivery.

ASSEMBLYMAN KRONICK: For purposes of definition, what would be your definition for price gouging? How would you define it?

ASSISTANT ATTORNEY GENERAL EAKELEY: Other than unconscionable or gross disparity?

ASSEMBLYMAN KRONICK: That's broad, but I guess maybe for now that is the best we can--

ASSISTANT ATTORNEY GENERAL EAKELEY: What we tried to do is define "unconscionability" in this context to mean pricing that is exploitative, that is out of line with the rest of the industry, that is unjustified by any cost increases of the same magnitude.

ASSEMBLYMAN COHEN: Is it similar to Potter Stewart's comment concerning obscenity; that is, "I know it when I see it"?

ASSISTANT ATTORNEY GENERAL EAKELEY: Yes, and we have been able to live very happily with the Consumer Fraud Act for more -- for almost 20 years as a consequence.

ASSEMBLYMAN KAVANAUGH: Mr. Chairman, would it be similar to an attorney, one charging $50 an hour and another charging $500 an hour?

ASSISTANT ATTORNEY GENERAL EAKELEY: I hope that was rhetorical. (laughter)

ASSEMBLYMAN COHEN: Yes, it was rhetorical.

ASSEMBLYMAN SMITH: Yeah, that was rhetorical.

UNIDENTIFIED MEMBER OF COMMITTEE: It was an attempt at comedy.

ASSISTANT ATTORNEY GENERAL EAKELEY: Now that I am a public interest lawyer, I can smile at the rhetoric.

ASSEMBLYMAN KRONICK: I think, Mr. Attorney General, that if there are no further questions-- (no response) There being none, thank you very much for your input.

Our next speaker will be Scott A. Weiner, President, Board of Public Utilities.

S C O T T A. W E I N E R: Good afternoon.

ASSEMBLYMAN KRONICK: Good afternoon.

MR. WEINER: Thank you for the opportunity, ladies and gentlemen, to participate today, and to contribute by providing a brief overview with the role of the Board of Public Utilities during the past few weeks with respect to the Persian Gulf crisis, and again, to the Board's role in energy policy formation in the State in general.

I think as all members of the Committee know, the Board of Public Utilities, and myself as its President, is now responsible for carrying out and developing the State's energy policy and initiatives. There has been a lot of discussion in the past few weeks, and again just a while ago, regarding the nature of the oil market and pricing, things and factors that go into pricing decisions, and with the Committee's indulgence I am going to forego some comments in that area -- and I will be happy to respond to questions-- I see sitting behind me many representatives of the oil industry who I am sure will provide their own views.

Suffice it to say that I would like to make a few observations, and also comment -- or follow-up on a comment that Assistant Attorney General Eakeley just made. In general, New Jersey has not been suffering from any supply problems, nor has the rest of the country. There has been an approximate four million barrel per day deficit caused by the shutoff of shipments from Iraq and Kuwait. Some of that has been made up by Saudi Arabia. As we meet here today, it is my understanding that OPEC is continuing its deliberations as to whether or not it will increase deliveries and production. In addition, there has been some consumer response and conservation response in the United States.

So, for the time being, we can assume that the reaction we have seen has not been to an actual supply problem, nor do we foresee in the immediate future, absent significant change in events, or circumstances, any concern over supply. However what we are seeing in New Jersey -- what we are experiencing here and, in fact, throughout the country -- is, I suggest, the natural and national result of the lack of any meaningful energy policy both here in New Jersey and also throughout the nation as a whole.

For years, the attitude of the Federal government has generally been to let the market take over in these situations and, in fact, it did this with a vengence during the past few weeks. While we certainly support the actions of the Attorney General, as well as the Federal Trade Commission, the U.S. Department of Energy, and others, which have initiated the investigations that Assistant Attorney General Eakeley has referred to, the situation here in New Jersey and, in fact, throughout the Northeast and, in fact, throughout the whole country, are a direct result, I would suggest, of that lack of meaningful policy and lack of initiative during recent years.

In New Jersey during recent years, there has been an alarming disinterest in energy policy here at the State level. I think we can look to the organization of the State's energy policy function and the recent experience over the past couple of years in the funding that has been provided. As you know, some years ago, the New Jersey State Department of Energy was abolished. Those functions remained in what was then known as the Division of Energy Conservation and Planning, which was placed within the Department of Commerce. Although then Commissioner Putnam, I am sure, did a more than adequate job in trying to attend to those issues, I will tell you from my firsthand experience as a member of Governor Florio's Cabinet, that there simply is no substitute for having a Cabinet level energy portfolio, and that has been indicated today and through the recent weeks.

Similarly, during Fiscal Year 1988, State funding for energy activities within New Jersey was approximately $2 million. In Fiscal Year 1989 and Fiscal Year 1990, it decreased to $104,000. That is a funding level that we had to maintain in this coming year's budget -- this current year budget. We feel confident that we will be able to meet our responsibilities, given the merger of the State energy planning functions at the Board of Public Utilities. I have said, and I want to reiterate, that I am often the envy of my colleagues around the country because here in New Jersey now we have placed within one department -- one area, if you will -- both the responsibility for utility regulations, as well as energy policy and planning, and that the energy that one would anticipate is, in fact, taking place.

True, money that has been made available through Federal grants, through oil overcharge funds, as well as, I think, management efficiencies that we have gained through that merger-- I can report that we will continue to meet our responsibilities in this area.

Needless to say, New Jersey has a very big stake in the outcome of energy planning and policy, and I come here today to assure you and, through you, the members of the Legislature, that Governor Florio is not only committed to seeing that New Jersey is well protected, but also to ensuring that New Jersey takes a leadership role nationally in helping to address these questions as a matter of national policy.

Let me take a few minutes to just review New Jersey's response effective August 1, when the Kuwaiti invasion occurred: That day, our energy planning staff-- I would just like to take a moment, as an aside, and introduce to the Committee, Dr. Fred Grygiel, who is sitting behind my righthand shoulder. I think Dr. Grygiel is known to many of you. Dr. Grygiel is the Chief Economist at the Board of Public Utilities. In that capacity, among other things, he oversees the day-to-day activity of our energy planning and policy activities.

But Dr. Grygiel immediately mobilized our staff, and we began daily price monitoring. Again, let me point out that the price monitoring activity was meant to provide a very important market commodity, and that is information. As I pointed out a couple of weeks ago in the days following the invasion, oil is a free market commodity. We have all learned, probably more that we knew before, about how free that market is, and all of the things that it responds to. The oil industry as a whole had indicated to us during meetings we held that because of market reactions they were, in fact, exercising restraint.

Without getting into that debate, it became clear to us that the appropriate response for New Jersey was to enter into a market-based environment with market-based tools. That was information, the ability to shop around, and price around. There simply was no substitute for information. To that end, the Board of Public Utilities and the Division of Consumer

Affairs linked efforts and began what I think has been a very effective means of trying to get that information out to the public, so that the public market -- the consuming market -- can take its business to where it saw fit. I know Director Royer will be talking more about that.

The day following the invasion, Governor Florio asked that I convene a series of meetings with representatives of the oil industry, in order to learn firsthand how they were planning to respond both from a pricing point of view as well as from a supply point of view. Those meetings were initiated on Wednesday, the 8th of August, and have continued since then to as recently as today.

Let me just summarize by saying that in those meetings we -- the staff of the Board -- have attempted to learn precisely how an oil company, both at a retail and oil distributor level, makes its pricing decisions. We have acquired some of that information. I will tell you it is similar, and consistent with everything we have heard in the public domain. I don't think there is anything surprising or shocking in that information. I am sure that many of the people sitting behind me will comment on that.

Also at these meetings we have communicated the Governor's resolve that he will take all steps necessary to ensure that New Jersey consumers are protected, are not gouged, and we have reiterated the Governor's call that he made on August 9 that the oil industry, at all levels, exercise restraint at this time of national crisis, and work with us and the State government and with the consumers of New Jersey in order to hold down these problems.

On the 9th of August, Governor Florio also communicated with his colleagues at CONEG and, as a result of that communication, an agenda item was put on last Thursday's agenda to discuss energy policy with the Northeast Region. As many of you I think know, and as has been reported recently, as a result of the Governor's initiative, there has now been formed a working group known as the Northeast Energy Working Group, representing each of the CONEG states, and at the Governor's request, I am going to have the honor of trying to pull this group together and provide for some regional planning -- regional interaction. I suspect I will be communicating with my colleagues in the other CONEG states during the week.

There are a number of issues that the Governors discussed last week that the respective energy commissioners will be following up on. I want to touch on a few of them because they are important. One is the use of the Strategic Petroleum Reserve. Again, there has been a lot of public discussion about the appropriateness of that reserve for price stability. The Governor made his view clear last week that it is an appropriate use, along with the other CONEG Governors. But as important as that is the fact that the legislation in Congress -- the Strategic Petroleum Reserve -- is out for reorganization. Hopefully we have all learned from this event how important this Strategic Petroleum Reserve is.

A somewhat little known fact is how the petroleum reserve works. In the event that there would be a determination to utilize the reserve and get those commodities into the marketplace, as a general statement there would be an auction of the amount of commodity that would be put into the marketplace. There could be bidding, and then it would enter. However, the current legislation allows the Secretary of Energy to take 10% of any allocation and reallocate that as he sees fit. We are very concerned, here in New Jersey as well as in the Northeast, that at present there are no regulations, no guidelines, calling for how the Secretary is going to make that determination. I think as one looks at the Northeast, there is dependence, continuing dependence on oil -- foreign oil, particularly from the Gulf region -- the need to keep mass transit operating, and all the reasons why we need oil in this area, which make it important that we strive to make sure that there are regulations in place, or guidelines adopted; that those criteria are given appropriate weight, in the unfortunate event that we should ever have to call upon the Strategic Petroleum Reserve.

We will also be working together at the region to make our input, because of the realities of the Northeast, knowing the terms of the formation of a national energy policy, and probably most concretely, will be working among the states in order to take a look at and analyze the various states' energy policies and reaction policies and emergency preparedness policies, to see how we can learn from the best of each other, and also provide for coordinated regional responses.

There has been some talk -- and it is only in the talking stages, but I think it is an important concept -- to think about a Regional Product Reserve, if you will, our own Regional Strategic Petroleum Reserve, to ensure that the Northeast is adequately supplied.

In short, we will be working together, with the Governor's leadership, to see that the problems of New Jersey and the problems of the Northeast are kept in the forefront of the formation of any policy both here at the State level, as well as at the national level.

In addition to those activities which are specific responses to the Kuwaiti invasion and the ongoing activities in the Persian Gulf, I think the Committee knows that there have been many ongoing initiatives that have been started over the past few months dealing with energy policy and energy conservation, and let me again just briefly mention those, and then I will be happy to respond to any questions from the Committee:

Assemblyman Smith, when we last met -- I guess two or three weeks ago -- I reported that the BPU was almost ready to transmit the draft of the Energy Master Plan to the other

Commissioners who serve on the Master Plan Committee. I can now report that that transmittal has taken place. On September 6, there will be a meeting of the staffs of the various Master Plan Commissioners to review that draft document. I anticipate a meeting of the Commissioners the week following, so that by the third week of September, I anticipate a Master Plan will be out in the public domain, and we will also, at that time, be able to announce a public hearing schedule, another common period, all as we have discussed, leading, as a working target, towards adoption of a Master Plan before the end of this calendar year.

We have also been, at the Board, reviewing the emergency regulations which have been in place regarding energy allocations in the event of an emergency, whether it be a supply emergency as a result of oil shortages, or, frankly, as a result of a natural disaster -- an earthquake, a fire, or some other result that would curtail energy delivery to any part of the State. We have been working on those reviews currently, and just last week the Board hosted a meeting with executives from each of the State's utilities to explore the possibility, in conjunction with the State's Office of Emergency Management, of appropriate clearinghouses and field offices, if you will.

Conservation will hopefully now not just reemerge as an issue of 1990, but once and for all will emerge as part of the public policy fabric of the State and of the nation. To that end, again the Board has initiated a rule, making regarding conservation with utilities to take a look at the incentives which would be provided both to consumers, ratepayers, and utilities alike to promote additional conservation. The Energy Master Plan will be replete with suggestions as to how the State, as a matter of public policy to the executive branch and the legislative branch, can achieve that goal. In today's paper, there is a report of the findin'‘s of a conservation analysis team, a consulting project initiated by the Board to evaluate the conservation projects previously approved by the Board over the past number of years. Those projects have shown both some successes that have exceeded our expectations, as well as those that have fallen well below. The importance of that document is that it will serve as a concrete tool for us as we evaluate ongoing programs.

Mr. Chairman, let me conclude at this point and just invite any other questions or comments which the Committee may have.

ASSEMBLYMAN KRONICK: First I want to thank you. I can see, Mr. Weiner, that it is unlikely that you and your staff have had a summer vacation. You have been hard at work protecting the consumers of New Jersey.

MR. WEINER: We have tried to cycle some R&R through.

ASSEMBLYMAN KRONICK: That is important. I was just wondering, you know, even though we are in the summer -- and today is certainly a hot, humid day-- I guess we could start thinking also about winter, and I was wondering what we are prepared to do come the heating oil crisis repeating itself?

MR. WEINER: Well, we are hoping that it won't, of course. High on our list of items that we have been monitoring during the past number of weeks has been the impact of home heating oil. The Home Heating Oil Association, at both the retail and wholesale levels, has been in constant touch with the Board. I think everyone learned a lesson from last year.

Now, as you know, Assemblymen, there are a number of pieces of legislation that have been proposed as a result of last December's experience. In part, I like to think they were initiated by a study done by the Board and the former Division of Energy. We are continuing to work at a staff level with your staffs to refine that legislation. The importance there is information -- making sure that information is available in a meaningful way. I think Assemblyman Kavanaugh's comment about the reality of how do you move information, particularly in the area of long-term contracts, is an important one, and one that we have been looking at. But to produce information, and also take a look at ways -- and the Board is continuing its evaluation of requiring minimum on-site inventories of oil for interruptable customers, building up in-state supplies, both at an in-state level and at a consumer level for large industrial users and also, as I pointed out, through possibly a regional reserve-- These are things that we will be looking at.

Among the important things that can take place to help to alleviate, or mitigate against a future event like last December, other than controlling the weather, of course, is getting more natural gas into the State. We have been very active in supporting the Iroquois Project, in trying to get more supplies into New Jersey in that way. As I have said on numerous occasions in correspondence to the Federal Energy Commission, as well as to some of our legislators in New Jersey, the Northeast region needs all the gas it can get, whether it is from domestic supplies, Canadian supplies, or otherwise. As we begin to balance out our energy sources, I think that will help us.

However, Assemblymen, there is one thing you must keep in mind: There are two factors that are very real. One is the weather, and the other is the market. Those are two realities we face both in home heating oil, as well as with gasoline and other petroleum products.

ASSEMBLYMAN KRONICK: Thank you. I will open the questioning to the panel. Assemblyman Smith?

ASSEMBLYMAN SMITH: Mr. Weiner, I thought one of your comments was particularly on the mark, and that was with regard to the tremendous decrease in energy planning and conservation functions in State government over the past several years. I can remember, as a member of the Minority party in the Legislature, the Minority party fighting vigorously to keep the Department of Energy as a separate Cabinet Department within

State government, and saying at that time that just because we don't have a crisis now, does not mean that we should not be doing long-term energy planning and conservation.

I am not pleased to be here today saying, as a group, to the citizens of the State, "We told you so," but we really did. You know, there is a saying: "If someone does it to you once, shame on them. If they do it to you twice, shame on you." We, as citizens, have been subject, in 1973, 1979, and now 1990, to the continuing reality that we are completely vulnerable with regard to our energy supplies; that our economy is dependent upon the decisions of people all over the world outside of the United States. That is absolutely an untenable situation.

The comment you made that I thought was so much on the mark was your comment that there was a need for a Cabinet level function to not only regulate energy, but to determine policy; that you, as the President of the Board of Public Utilities, are the envy of your colleagues because both of those functions have been consolidated in your current position. It would seem to me that one of the things we should be thinking about as a Committee, is whether or not we need to reestablish the Department of Energy as a Cabinet level position, with the consolidation of those functions as you have described, so that the Board of Public Utilities' President is the key to our energy policy and regulation in the State of New Jersey. I think that would put the correct emphasis on the problem, and would begin to reestablish the fact that New Jersey needs to do long-term energy conservation and planning. This we have not done, unfortunately, in the last administration, and it is time to reemphasize that.

So, one of the things that we are going to look at is whether there is that need, and we would appreciate anything that you might be able to forward to us.

MR. WEINER: Sure. Let me make an initial comment, if I may.

ASSEMBLYMAN SMITH: Please.

MR. WEINER: As you know, I do serve as a member of the Governor's Cabinet.

ASSEMBLYMAN SMITH: Right.

MR. WEINER: And, under the structure that has been put together by Governor Florio, those two portfolios, if you will, are very active inside the Cabinet room--

ASSEMBLYMAN SMITH: Right.

MR. WEINER: --and, of course, are working with him. In terms of the ongoing discussion as to whether or not the Board of Public Utilities or some new structure should be at full departmental status, I think it is safe to say that right now we, in fact, function like that, notwithstanding the fact that we do not have the status. And I will tell you, having served in my position for seven months, I know that I would benefit from more than a few more months' experience before I was in a position to make any recommendations along that line.

The important message I want to leave with you today is, that singular goal of merging the portfolios and having it at Cabinet rank has been achieved in this administration. How that eventually becomes institutionalized--

ASSEMBLYMAN SMITH: Whether it is called that or not.

MR. WEINER: Whether it is called that or not, that, in fact, is happening. And how that becomes institutionalized, if it needs to become institutionalized, is something which I would ask the Committee to just give a little more time for us all to get some experience, to see how they merge. For seven months' experience, I'll tell you, it has worked very effectively, and the merger of energy policy and utility regulation within one group has been very effective and is now bordering on exciting. I look forward to some very exciting things as we enter the next year.

ASSEMBLYMAN SMITH: My last question: It becomes pretty clear that the only way we are ever going to become energy independent, is to institute some very vigorous energy conservation measures. Does the Board of Public Utilities and the Master Plan deal with that, and could you give us a 30-second summary of what we can look forward to?

MR. WEINER: You can look forward to what I hope you will think is a very good in-depth analysis of the problem. I think it does -- in all seriousness, Assemblyman-- Energy independence is an important goal. I don't know if it is attainable. I don't think we will ever be truly independent. "Energy secure" might be a better choice of words. The message we are trying to convey within the Master Plan, is that the citizens of New Jersey-- Unfortunately, the public policymakers of New Jersey have not had the opportunity to control our energy future, both from a consumption level, as well as from a public policy level. This is going to require important new initiatives on the part of the integration of decision-making in the executive branch of the Department of Transportation, my agency, the Department of Environmental Protection, Commerce and Industry, all the things that one anticipates. And yet I am happy to report that this energy has taken place now at the drafting level. What we are trying to produce, and what we anticipate we will produce in September, is a discussion document that we do not envision to be the final word, but to lay out some of the issues and some of the concerns and the criteria that have to be debated, because in this document -- the 1990 document -- we have not yet received the active input from the energy industries, the utilities, the oil companies, the public at large, yourselves, as members of the Legislature.

I am very excited about the process. I think it will lead us to a blueprint to lead to New Jersey's energy security, and hopefully be a model throughout the Northeast.

ASSEMBLYMAN SMITH: Thank you.

ASSEMBLYMAN KRONICK: Thank you. Any other members? Assemblyman Cohen?

ASSEMBLYMAN COHEN: I am curious as to your counterparts across the country, as to what their feelings are, what information they have received? Are prices going up similar to what they are in New Jersey in Iowa, Arkansas, Washingon, or is this something that is conincidenally peculiar to a major area that utilizes a lot of motor vehicle traffic and such?

MR. WEINER: I think it is fair to say that the experience, in a general sense, has been felt throughout the country. On the other hand, it is going to be localized. There has been extensive commentary that the economies of the Northeastern states are very reactive to the state of oil prices. We are seeing that here in New Jersey, as well as throughout the region. Different parts of the country will respond differently based upon their oil consumption patterns. There was a very interesting article in Saturday's New York Times that dealt with the impact of oil prices and utility prices to the extent that oil is the feedstock of electric generation. It was interesting to note that New Jersey was next to last on the list of Northeastern states. In New Jersey, 13% of our electric generation comes from oil; 11% if you bring in our out-of-state purchases.

There are lots of implicit energy questions there, but I think, Assemblyman Cohen, it is safe to say that the experience has been felt generally throughout the country, but its impact is localized based upon the economy. There are some states which have been identified -- our own continental oil producing states within the continental United States -- that would serve to gain in terms of an upturn of the economy as a result of oil prices going up.

ASSEMBLYMAN COHEN: I am just curious in terms of whether gasoline prices in New Jersey are somewhat disproportionate to those prices in Iowa?

MR. WEINER: Well, I can't tell you about Iowa offhand, but I will, for example--

ASSEMBLYMAN COHEN: Pick a state.

MR. WEINER: --share with you an experience I had in Massachusetts when I was trying to take a few days of that R&R that I discussed. I happened to be on Nantucket Island. Nantucket Island is an island where everything has to be barged in. When we arrived on the island, around the seventh or sixth of August, gasoline was selling for $1.61 a gallon. When I returned to the island to rejoin my family on Saturday, the barge had come in and gasoline had gone up to $1.81 a gallon, telling me two things: that the impact there was a little more dramatic than we had been experiencing here for all of those geographic reasons, but also it was a firsthand example of one of the things I have been told during my series of meetings, and that is the retailer's price upon delivery. Gasoline will always be higher.

New Jersey, I think the Northeast -- I wouldn't just single out New Jersey -- has experienced some greater price impacts than some other states, and I will be happy to provide you and the Committee additional information in that regard.

ASSEMBLYMAN COHEN: I would ask that we obtain information concerning pricing in other states--

MR. WEINER: Sure.

ASSEMBLYMAN COHEN: --taking a geographic look. I would ask the same question of Consumer Affairs Director Royer--

MR. WEINER: Sure.

ASSEMBLYMAN COHEN: --before she comes to testify, that we could obtain that same information, too. I mean, it is just so interesting that gasoline prices for cars go up around June 1. They never go up in November. Heating oil-- I have never seen heating oil go up in August. It seems to be an interesting coincidence, and perhaps we can more information in the future.

MR. WEINER: I will leave it to other witnesses who may testify to explain why, but again, keep in mind that we are operating in a market and that is not surprising -- that the market is going to respond that way. There are other issues as to how price elastic -- the experience seems to be in prices going up and how the elasticity seems to slow up when they are going down. The point I want to make is not that there is necessarily a quick, easy analysis of a good guy/bad guy situation, but that there is a market at work. As we saw in the home heating oil, the retail sector, back in December, served as something of a shock absorber for the price impacts that were being hit. Prices were going up, but not at the same rate they were going up at the wholesale level. And as prices began to go down at the wholesalers' spot level, we found out that retail prices were going down slower.

Now, the argument that was presented on behalf of the industry, which has some ring of merit to it, was that as they absorb those losses in the front end of the spiral, they are going to recoup some of the loss by lessening the decline. What is important in the experience I have had over the past few weeks, is that the consumers in New Jersey -- not just in New Jersey, but I think nationwide -- were prepared to respond to higher prices, recognizing that the events of the day were to cause higher prices. What nobody anticipated was that it was going to happen as quickly and as fast as it did, notwithstanding the inventory levels, not withstanding all of the things that the Chairman mentioned before.

ASSEMBLYMAN KRONICK: Do any other members have questions? Assemblyman Scerni?

ASSEMBLYMAN SCERNI: Mr. Weiner, is it fair to say that the BPU does not regulate gasoline prices?

MR. WEINER: It's very fair to say.

ASSEMBLYMAN SCERNI: Should it?

MR. WEINER: No, not at this time.

ASSEMBLYMAN SCERNI: Why?

MR. WEINER: Well, I would like to go by analogy. There are many reasons why one regulates. The traditional reason for utility regulation is to provide an artificial competition in the presence of a monopoly. Whatever problems we may have in terms of monitoring gasoline prices and being concerned about the market response, they are not because of competition. The potential for competition is there, and one need only look to the experience we have had in the State with the solid waste industry, where there was a need for regulation which was identified some 20 years ago, but the model that was picked was traditionally utility regulation. When that model was picked, it was like trying to put a square peg in a round hole.

The problem in the solid waste industry to the extent that it was competition, was not because there was a natural monopoly occurring. It was because there was a very unnatural monopoly occurring, which required a different type of response. I think that in the first instance what we need to do in terms of the oil industry is make sure-- We have a multifaceted approach. Make sure we are getting the type of information we need, both as public policymakers and as consumers to make intelligent decisions; to make sure that our enforcement agencies -- the Division of Consumer Affairs, the Attorney General's Office are armed with the tools they need in the event of aberrational pricing, and to very clearly articulate what our public policy goals are and regulate around those goals. Price regulation of gas at the retail level, I am not ready to support yet.

ASSEMBLYMAN KRONICK: Assemblyman Mecca?

ASSEMBLYMAN MECCA: Good afternoon, Mr Weiner.

MR. WEINER: How are you?

ASSEMBLYMAN MECCA: Part to your testimony was involved in discussion that Assemblyman Smith picked up on. That was the question of whether a separate Cabinet position would be something that would help this State, and perhaps the other states, by implication, and also whether we need a separate energy policy in this State? By spending eight months in goverment in your position now, is that what you hear from the public, that we need more government, that we need -- that the public's resolve is to have the government grow to handle all problems like the one that has arisen in the last month?

MR. WEINER: I don't know that the government has to grow, and again I am going to limit my remarks to the situation here in New Jersey, because my experience -- and I have talked to my colleagues -- is that more often than not, the general model is that there will be a governmental function, a public utility commissioner, or a public utilities that deals with energy regulation -- utility regulation. There will be a separate Department of Energy on an energy function -- sometimes a departmental status, sometimes not -- and then there will be environmental concerns and transportation concerns. If there is a natural synergy between any two which are energy policy and energy regulation-- That is what has now occurred in New Jersey. As I pointed out, as a member of the Governor's Cabinet, in fact, we have that today. We are providing -- we, this administration -- I think the type of leadership, in terms of energy policy and formation that, quite frankly, has been lacking in the past few years. We have been doing it-- If you compare our current $104,000 appropriation in that area to a $2 million appropriation just two years ago, we are doing it through management efficiencies; we are doing it through the synergy of utility regulation and energy, policy planning.

I do think what people are recognizing -- and hopefully one of the by-products of the Persian Gulf crisis will be resolved within this country -- that energy policy is important and it can no longer be shoved to the side and just left to the whims of the market to send appropriate price signals. That is a favorite phrase of people. But that as a society, we have to commit ourselves to energy conservation.

There are things that could be going on now. The concept of home sealoffs-- That is an important one that seems to have lost its sexiness, if you will, but it is no less important. A simple concept that somebody was talking about today is keeping tires inflated at the proper air pressure. That can save literally hundreds of thousands of barrels of oil a day in this country -- if all tires are properly inflated. Little things. Other important things: alternative fuels; the use of renewable resources; energy conservation. These are things, I think, which our New Jersey communities are going to be looking to the Governor, to myself, to all of you, and to all of our colleagues, to provide some leadership and direction toward. I think we can do that, have done that so far this year, without incurring a growth in government.

ASSEMBLYMAN MECCA: Would a separate New Jersey policy be something that would be effective without an adequate Federal policy?

MR. WEINER: I think it would have to coincide with the Federal policy. As I indicated, we anticipate that New Jersey and Governor Florio will be in the forefront of both the national policy, as well as developing a State policy. But there are things that we can be doing here, things like providing incentives for our State's utilities, to provide meaningful conservation programs; promoting opportunities within the State; looking at the State government's own use of energy in terms of retrofitting buildings, in terms of our automobile fleets, and other things we can be doing.

As I said, a national energy policy is very important, and nothing can substitute for it. But to the extent necessary, we want to see New Jersey leading the way toward that national policy.

ASSEMBLYMAN MECCA: Thank you.

ASSEMBLYMAN KRONICK: Thank you very much, Mr. Weiner. Did I see another hand? Yes. Assemblyman Kavanaugh has a question. This will be the last question.

ASSEMBLYMAN KAVANAUGH: A Republican viewpoint. Thank you.

ASSEMBLYMAN KRONICK: Another point of view.

ASSEMBLYMAN KAVANAUGH: Thank you. I would just like to thank you, Mr. President, for showing the credibility of the retail oil dealer when you bought up your December example. As you know, the retailers who have storage put oil into storage at lower prices and passed them through to the customers, without gouging. After the storage had to be replenished at higher prices, they again had to continue those prices until the storage was replenished at a lower price. But it shows that they are credible in maintaining their margins.

The example that you brought up on interruptables is something that I would like you to have some insight on, because one of the reasons for the spike-- Public Service and other utility companies which have these interruptables-- I am somewhat concerned when we talk about gouging where they brought people on-line at a lower profit to use up the excess gas, and then when things got tight in December, without notice, they told these people that they would have to go to other fuels-- The lack of notice, as an example, the schools with tanks at minimum, caused havoc in the market. The loss of the gallonage which would have been available to the retail people went into the industrial area, the commercial area, the school areas. I think the example that was given was that some million-and-a-half gallons a day was just for Public Service interruptable customers.

I was wondering if you have any intention, or anything there, that we could have some type of notice where a person who is on the interruptable contract would make a decision prior to the season, or with a notice, so that they would not cause -- which was much of the reason for the spike in the costs of home heating costs--

MR. WEINER: We are looking at that whole area. As I mentioned, one of the things we are looking at is possibly requiring minimum inventories for interruptable customers in the event there is a requirement to move to the alternate fuel, in this case we'll say oil; that there is some on-site inventory, so that their entry into the market won't be instantaneous as what we saw in December.

We are looking at notice provisions. Of course, the theory behind interruptable pricing and supply is to decrease oil consumption while gas supply is plentiful, and only when the gas supplies get tight, to move off of gas back onto the alternate fuel, sometimes oil. In the case of one oil independent electric generator that is being proposed in Linden-- That will be butane as an alternate fuel, but there are these alternates.

Again, a second solution, or second way to address the problem, is to get more gas into the State through the construction of additional pipelines. It is something which we have been working on very hard here during the past couple of months, which the CONEG Governors are also working on.

So I think, Assemblyman, a combination of those two things will work. We have received a lot of resistance initially to minimum inventory levels of alternate fuel, understand at this cost impact. I am about at the point of arriving at a recommendation that we can't afford not to. It is somewhat of an added cost, but given the experiences we have had, we have to maintain those minimum levels.

ASSEMBLYMAN KAVANAUGH: Another question, through the Chair: In the Governor's tax package there was A-3612, which had to do with 2.75% of the gross receipts exempting home heating oil, which amounts to some three cents a gallon. Have you made any recommendations, or have any recommendations come out of the Governor's Office where we would possibly have a temporary suspension because of this hike in gas for the benefit of the customers in New Jersey -- where he could hold that and suspend it so they would be able to put this three cents savings into their pockets?

MR. WEINER: No, nothing has come from the Board yet. I am not aware of anything that has come out of either the Governor's Office or Treasurer Berman's Office. I am sure if it does, you will be among the first to know.

ASSEMBLYMAN KAVANAUGH: Thank you.

ASSEMBLYMAN KRONICK: Thank you very much.

MR. WEINER: Thank you very much, Mr. Chairman.

ASSEMBLYMAN KRONICK: Our next speaker has to catch a plane. I understand he represents the oil industry, from Amoco Oil Company, Mr. John Bergman. We are going to shift over now to the industry side.

J O H N C. B E R G M A N: Thank you, Assemblyman Kronick and Assemblyman Smith for the opportunity to appear here today. I am John Bergman. I am with the Amoco Oil Company. With me is John Valesano, who is the Manager of Supply for our company of both raw material and finished product. I thought that if members of this Committee had some specific questions concerning supply issues, he might be better qualified to respond than I might be.

I do have a prepared text and testimony. If you will bear with me, I will refer to that, and then I will be happy to answer questions from members of the Committee, should you desire to ask them of me.

ASSEMBLYMAN KRONICK: Have you given the Committee copies of your prepared testimony?

MR. BERGMAN: We distributed the copies.

ASSEMBLYMAN KRONICK: Okay, you have distributed them. Thank you. You may begin.

MR. BERGMAN: Thank you. As I said, I am John Bergman, with Amoco Oil Company. I am here today to present our company's view of why gasoline prices have risen in recent weeks and in the past month.

I would also like to mention that I had the opportunity to discuss this issue on August 17 with the Board of Public Utilities in Newark, represented by two of the gentlemen who are here today. I understand that Governor Florio charged the Board of Public Utilities with the task of gathering that information.

Before I get too far along, however, I feel it is important to keep a sense of perspective on this whole issue. Gasoline prices are a much bigger story than just the gasoline prices by themselves, and as we sit here the Mideast situation certainly remains up in the air and extremely perilous, and the danger of war is ever present. Obviously, we all hope that it doesn't come to that. I am certain that you share the concern we have for the safety of the many people in the armed forces who are in the Middle East.

Since Iraq's invasion of Kuwait and the resulting turmoil in world energy markets, Amoco Oil Company has wholeheartedly accepted President Bush's request of all U.S. petroleum companies to show extra prudence and restraint in their pricing activities.

On August 9, Amoco froze its nationwide wholesale price increases -- not decreases -- for gasoline, distillates, and jet fuel. The freeze was lifted on August 15. Since then there have been increases in certain markets and, although Amoco's wholesale prices in New Jersey have increased only two cents a gallon from August 15 to the 23, world crude prices have increased about 10 cents a gallon in that time frame.

For quite a while, Amoco's wholesale product prices have lagged behind crude oil price increases. For about five weeks prior to Iraq's invasion of Kuwait, crude oil prices increased about 11 cents a gallon due to an OPEC production decision. During that time, Amoco's wholesale gasoline prices in New Jersey were essentially flat. The invasion of Kuwait and worldwide supply concerns pushed crude oil prices sharply higher, roughly another 12 cents a gallon from August 1 through August 9, at which time Amoco announced its price freeze. For this entire period, crude oil prices increased over 20 cents per gallon, while Amoco's wholesale product prices increased about 10 cents a gallon nationwide, and about eight cents in the State of New Jersey.

Also, I should mention here that New Jersey's new gross receipts tax on gasoline of about 3% -- or, I'm sorry, three cents a gallon, went into effect on July 1, and we don't think that that should be ignored in any discussion of factors that influenced retail gasoline price increases.

Amoco has, and will continue to price its products in a prudent and responsible way during this period of exceptional market volatility. Nevertheless, prices have increased recently, and there is no getting around the fact that major U.S. oil companies are easiest to blame for the situation. I sincerely hope that my remarks today will illustrate that there are many, many forces influencing retail gasoline prices.

I want to emphasize how important New Jersey is to Amoco Oil. We supply about 13% of the motorist gasoline sold in this State. That makes us the number four marketer here. We supply North Jersey from our terminal at Carteret, New Jersey, which is at the end of the Colonial Pipeline, the main petroleum products pipeline from the Gulf Coast to the Northeast. South Jersey is supplied by our terminal in Philadelphia, Pennsylvania.

We have 323 Amoco branded service stations in New Jersey: 193 of them being leased by independent dealers; and 123 being controlled by Amoco branded jobbers or wholesale distributors, some of whom are represented here today. Seven service stations are operated directly by Amoco.

Amoco dealers and jobbers are independent businesspeople who set their own retail prices according to competitive conditions. Stations controlled by Amoco -- the seven that I mentioned -- also price according to local competition.

Now, we often remark on how competitive the market is. I should actually say "markets," rather than "market," because there is competition at every level. There is competition in the crude oil market, wholesale product markets, and in the retail market, as evidenced by the buying prices you see at your local service stations. While the markets are related, they don't always react at the same time or with the same speed.

We are continually charged, as an industry, and also as a company, with making an unjustified profit on crude oil that was pumped out of the ground and paid for 45 days prior to the time it was used, or the time it takes for a tanker to reach the United States from the Persian Gulf. Now, this might sound logical, but it really doesn't square with the facts anymore. The truth is, there is really no such thing as old oil or delayed pricing.

More than 80% of the world's crude oil is priced on delivery according to a formula based on spot market prices. When we contract for a cargo of crude oil, we don't know what it is going to cost us until it is delivered to one of our refineries, and, Assemblyman Kronick, I believe you commented on information you received within the last few days concerning that fact. That, by the way, is a change from 10 years ago, or from the time of the last shortage when, in fact, contracts were established ahead of time on price as well as on volume. Those situations have changed, and I commend you for getting that information and relaying it during this hearing.

Higher crude oil costs have to be reflected in wholesale refined product prices, in order to allow us to earn enough to replace the higher cost crude oil to keep our system going. These replacement costs are reflected immediately.

Our service station dealers are caught up in the same forces as we are. A dealer sets retail prices with an eye toward replacement costs also. Events in the Mideast have pushed crude oil prices to a five-year high. This has meant higher gasoline prices for consumers, and I know that our customers and the consumers do not like this. We certainly can't blame people for that. None of us like higher prices on anything we buy. But it might help to remember that the market forces can drive prices down, as well as up. Perhaps you recall how crude oil prices fell abruptly in 1986, when Saudi Arabia increased its production beyond what the market could absorb. Back then, we had crude oil in the $9 to $10 per barrel range, which was reflected in correspondingly low retail gasoline prices. In fact, those developments greatly accelerated the influence of the spot market, since people were increasingly unwilling to hold fixed price contracts for oil priced at the time of production.

Now, a lot is being written today about global corporations and the global economy. Plenty of this is academic wishful thinking, but the oil business is the real thing. We say that, in fact, it is truly global. In the current situation, events in Iraq are reflected at retail service stations in Newark with astonishing speed, as worldwide communications are almost instantaneous.

The spot market for crude oil reflects the minute-by-minute opinion of literally thousands of interested people. Today, with a serious threat of war in the Persian

Gulf, there is a huge degree of uncertainty, which has resulted in a much more volatile market, as well as higher crude oil prices. Crude oil, no matter where in the world it is produced, is priced on the world market. Persian Gulf oil is low production cost oil. In the United States it is high production cost oil. No matter what it costs to produce it, the price for crude oil is set on a world market. The United States imports about half, or 50% of the oil it refines. Simply put, the U.S. must pay the world price for oil to keep the refining system moving.

I began my remarks by saying that Amoco has pledged to price its products in a prudent and responsible manner. We have done that, and will continue to do that. However, pricing below the market can cause a run on supplies. Above all else we want to avoid such a situation, which is harmful to Amoco, to our dealers and jobbers, and to our customers, whom we are very concerned about. Supply questions do not get the same attention, obviously, as pricing questions do, but they should because they are every bit as important in these uncertain times.

For the Committee, I would also parenthetically like to commend our dealers and our jobbers or distributors for the prudence which they, too, have exercised during these times, because I do not sense that they have acted in any way other than as the response that was called for by the President.

Thank you, Mr. Chairman.

ASSEMBLYMAN KRONICK: Thank you, Mr. Bergman. I would like to just pick up on what you have said. I have a chart here that shows the major oil companies -- their prices on January 1 -- and it takes us through August 24. I realize that you people have really held the price. Now, I know that market conditions and competition are all influencing factors. But if we take the bottom line, that is the year-to-date increases -- this is from January 1, 1990 to August 24 -- according to this chart, your company went up 19 cents, whereas with another company, the high is 29 cents. That is almost-- What would that be? A 40% or 50% increase.

What I don't understand is, in the State of New Jersey, and we know that you have locations throughout the State and that prices vary from South Jersey to North Jersey-- How can you have this disparity in prices? How can you explain that, with some rationale? That is what I am--

MR. BERGMAN: I don't know the chart you are referring to, and you said, "oil prices." Now, are you referring to crude oil prices? Are you referring to heating oil prices? Are you referring to gasoline prices?

ASSEMBLYMAN KRONICK: This is from the retailers. This is gasoline retail.

MR. BERGMAN: Gasoline prices at retail?

ASSEMBLYMAN KRONICK: Yes, sir.

MR. BERGMAN: I can't respond to that. I do not know what the retail price levels have been in this State over time, as we do not, in effect, set the retail price. If those are average surveys that are conducted by AAA, or some other monitoring organization--

ASSEMBLYMAN KRONICK: By the retailers.

MR. BERGMAN: Pardon me?

ASSEMBLYMAN SMITH: That is information provided by the New Jersey Gasoline Retailers Association, Mr. Ferrara.

MR. BERGMAN: Yeah. Are they--

ASSEMBLYMAN SMITH: And they were wholesale price increases, according to Mr. Ferrara. Why don't we give him a copy of this so he can take a look at it? (speaking to Assemblyman Kronick)

ASSEMBLYMAN KRONICK: Could staff get Mr. Bergman a copy? (no audible response)

MR. BERGMAN: That would be fine.

ASSEMBLYMAN KRONICK: You know, what is interesting on this chart -- and we will give you a copy, sir -- the low was 15 cents, and the high was-- That is almost 100%. This is where I have trouble. I know that within a state you can have a disparity of 10%, 15%, 20%, but how do you come up with 100%? That is where I have trouble. I am just wondering if you could take a look and maybe make some comment.

MR. BERGMAN: Yeah. This shows that our prices increased from January 1 to July 31, 10 cents a gallon.

ASSEMBLYMAN KRONICK: Yes, sir.

MR. BERGMAN: Okay? I don't know the dates on which those prices occurred. Then, from August 1, or the Iraq Kuwaiti invasion, which was August 1 or 2--

ASSEMBLYMAN KRONICK: Right.

MR. BERGMAN: --to August 9, an additional six cents-- Those prices, of course-- Are they average increases, or were they at a point in time, because there have been some price decreases during the past year as well.

So, if you pick two points in time, you can see that there might be an increase or a decrease. Are they weighted average prices? Do they reflect all the changes, or do they reflect just certain points in time? I don't know the answers to that. It is not worth debating. There have been gasoline price increases since August 1. The reason there have been increases is because crude oil prices have gone up since the end of June roughly 30 cents a gallon. And when crude oil prices go up at that rate, product prices are sure to follow.

ASSEMBLYMAN KRONICK: I follow that. My question, of course, comes back to: What is the relationship of the crude to the price per gallon at the pump? Now, it is my understanding-- I think it is-- Is it 12 cents per barrel? (no response) So, for every $5 increase in crude, it is 12 cents at the pump. Would that be correct? (no response) Which means that all oil companies would pay the same.

MR. BERGMAN: Okay. First off, there are 42 gallons in a barrel of crude oil, so if you hear prices quoted in dollars per barrel, if you divide that by 42 cents, you get the per gallon cost. The gasoline production today in the industry from crude oil is-- On a gallonage equivalent basis--

JOHN VALESANO: The country produces about seven-and-a-half million barrels of gasoline per day out of a crude run capacity of about 15. So about 50% of the crude oil turns into gasoline, on national average.

MR. BERGMAN: However, if you just ran gasoline from crude-- What would your response be to that, John?

MR. VALESANO: Well, if you ran gasoline from crude oil, it would depend on the complexity of the refinery, and that is where you may get into some of the differences. If you get a very complex refinery that has what we call "significant downstream gasoline producing capacity," one can get a yield of, say, 75% gasoline. However, if you have a very simple topping refinery, you will get a much lower percentage of gasoline. You will get more heating oil and more residual fuel as a result. So, different refiners will have different economics for producing gasoline.

ASSEMBLYMAN KRONICK: Let's see if any other members have questions. Assemblyman Smith?

ASSEMBLYMAN SMITH: First, I think the comment was made that you really are perhaps picking on the petroleum industry, the oil refiners, a little too hard. So many things, again, impact the price of gasoline, and, "We are going to make you aware of all of those impacts. It really isn't us." I find that terribly hard to believe; terribly hard to believe. And, I have to tell you, your past-- When I say, "You," not Amoco. But the industry's record is horrendous.

New Jersey, in the last five years, has, at its disposal, $100 million of Exxon oil overcharge moneys which were collected by the Federal Justice Department due to oil overcharges back in the '80s, which were gouged from people in New Jersey, and returned to people in New Jersey.

When I hear the industry saying, "How can you believe it is us?" I look at that case, and I also look at the recent hearings that we have had on oil spills in the State of New Jersey. It clearly came across that there was one motivation in the industry and that was profit only, and profit first, not putting any investment into safety or protecting the public or protecting the environment. So I have to tell you that your record is not such that you shouldn't get very close scrutiny.

Now, with respect to the overall implication of your comments, the overall implication is that you are just simply passing along increases to us. Do you know who doesn't believe you? The buyers of the shares of the major oil companies of America. While our stock market in the last three weeks, as a result of the oil crisis, has gone down 500 points, the stocks of the oil companies of America have increased between 10% and 20%. That is not based on a premise that all we are going to do is pass along the prices that we have been exposed to. That is on the premise that your profits are going to substantially increase.

In addition to that, I point out for your edification an article in <u>The Bergen Record</u> which quotes George Dawson from the Public Utilities, where he says that the average profit margin that gasoline wholesalers were collecting was 26.2 cents per gallon, almost double last year's 13.3 cents per gallon. That means there is room for a squeeze. Someone in New Jersey -- and if you are claiming it is not you, the refiners-- Someone in New Jersey, whether it is the refiners, the wholesalers, the distributors-- Somebody is taking the people in the State of New Jersey for a terrible ride. What we are trying to find out today is, who is that person, or what is that group of people?

In addition to that, you made the comment -- it is contained in your written testimony -- that certainly the New Jersey gross receipts tax on gasoline has to be considered -- less than three cents per gallon -- since it has had a major impact. Well, that went into effect July 1. On July 1, we didn't see it as a tremendous increase in the price of a gallon of gasoline, between 10 cents, 20 cents, or 30 cents per gallon, depending on where you got it. So I have to respectfully differ with that comment.

Fourthly, your comment that the spot market instantly translates into higher prices is absolutely unacceptable. I mean, it is true that while oil is in transit it can be sold many times, but it is also true that in New Jersey there are hundreds of thousands, perhaps millions of gallons of storage capacity for gasoline, for the finished product, that was in the ground or in the aboveground storage tanks in New Jersey when Kuwait was invaded, and which was purchased at a certain price, which was refined at a certain price, and which was about to be sold to the consumers of the State of New Jersey at a certain price, which was far less than the price it was sold for.

All right, so don't -- you know, respectfully -- give me the baloney that the spot market and speculators are the reason why those prices instantaneously increased. If that reasoning applied-- Do you know that today a barrel of crude decreased by $3 a barrel, decreased by 3%.

MR. BERGMAN: That is correct.

ASSEMBLYMAN SMITH: Am I going to see a 10% decrease in the price of a gallon of -- or, a 10% decrease in those increases tomorrow at the pump? No, I'm not, nor are the citizens of the State. So the argument that it is speculators increasing the price instantaneously strikes me as absolutely fallacious. So, respectfully, you know-- I have listened to you, but the comments you have made have been, at least to me, incredible.

Mr. Chairman, that is all I have to say.

ASSEMBLYMAN KRONICK: Thank you. Do you want to respond, Mr. Bergman?

MR. BERGMAN: I respect Assemblyman Smith's position and his comments. I don't think that a three-cent increase in gasoline tax for the State ought to go unmentioned at a time when prices didn't rise. I also think that an increase of 11 cents a gallon in crude oil during the month of July without any price increase other than a tax increase should go without mention. I also would ask Assemblyman Smith if he is aware of the fact that all of the storage tanks in the State of New Jersey are not necessarily here for serving this State? There are refiners in this State who have storage at their refineries, but are making products that are shipped to other states.

Our Carteret terminal is able to store approximately three days of the need for the consumers in the State of New Jersey. Any time we miss a five-day cycle on the Colonial Pipeline, we are running on tank bottoms. I think there is a lot of misinformation as to how much storage and how much available product there is in our industry, and how long crude is stored before it is refined, and how long finished product is stored before it is sold. I think there are some misconceptions as to what those time frames are, and they need to be defined so that you folks have a clearer understanding of how the industry works.

ASSEMBLYMAN SMITH: Define them.

ASSEMBLYMAN KRONICK: You have the opportunity. I mean, you can start now.

MR. BERGMAN: The refinery system in the United States-- Our refinery system in the United States runs on a two- to three-day supply of crude oil. Any time there is a disruption of more than that period of time, our refineries stop. Our overall system has no more than a 21-day supply at any given point in time.

In the industry, if you look to see what gasoline levels were -- and I didn't check this morning, but last week they were about 214 million or 216 million barrels-- Two hundred million barrels are needed to keep the system functioning -- wet barrels that fill pipelines that are tank bottoms that keep everything in motion. We've got an industry here that operates on a continuous flow basis. It doesn't stop, and you don't build inventory up like the automobile business does, or some consumer product businesses do. It moves from the point of crude production into the consumer's vehicle, into an airplane, into a train, in a very short period of time, with a limited amount of storage or stop points. That is done in order to keep costs at the lowest possible level. And it is done because of competition in the industry.

I respect the Commissioner of Energy's comments that there seems to be lacking an energy policy in this country and in certain states. I respect and agree with those comments. That is part of the problem. I think, in deference to Assemblyman Smith's comments, that our industry, including the retailers and the distributors, responds quite well to the market in an industry that is as competitive as any industry there is. There are good times and bad times, not only in our industry, but in others. I don't think that anybody in our industry thinks that there has been anyone who has laid down on the job in the last 30 days, and I hope that no one on the Committee feels that.

ASSEMBLYMAN KRONICK: Thank you. I think we have another question. Assemblyman Cohen?

ASSEMBLYMAN COHEN: How much of the crude do you get from Kuwait?

MR. BERGMAN: Our company's crude runs prior to this were about 7%.

ASSEMBLYMAN COHEN: Seven percent of the crude?

MR. BERGMAN: Of our total crude requirements came from Kuwait.

ASSEMBLYMAN COHEN: Is that on a relatively constant basis?

MR. BERGMAN: In that range. John would be in a better position to answer that specifically.

MR. VALESANO: Yes, Assemblyman.

ASSEMBLYMAN COHEN: And the crude that you receive -- the 7%-- Your company serves all 50 states?

MR. BERGMAN: No, we market in 28 states and the District of Columbia.

ASSEMBLYMAN COHEN: So that 7% would be distributed over 28 states?

MR. BERGMAN: Well, it would be limited to, not all of our refineries, but our Gulf Coast, or our East Coast refinery, not our inland refineries.

ASSEMBLYMAN COHEN: Do you determine where the crude from Kuwait is going to be sent for refining?

MR. BERGMAN: Do we determine that?

ASSEMBLYMAN COHEN: Yes.

MR. BERGMAN: At the time we contract it, yes. We specifically buy crude oil for certain refineries from certain sources because of transportation, the physical location of the refinery, and the type of crude that that refinery is designed to run and to process.

ASSEMBLYMAN COHEN: Does the redirection of crude-- Let's say, instead of having a certain portion of it sent to New Jersey for refining, you redirect that certain crude to another part of the country. Does that add additional costs in some fashion? Can that impact on the market also in terms of availability?

MR. BERGMAN: Well, there are some very basic transportation and logistic situations. First off, any crude that comes from the Middle East has to come by ship. Most economically, then, that crude is refined at refineries that are in the Gulf Coast or on the eastern seaboard. We have a refinery at Chicago -- Whiting, Indiana, as an example -- which would not necessarily get Iraqi crude. We have one at Mandan, North Dakota, and it would be impossible to move that crude there for refining. So, generally, Mideast crude is delivered to the East Coast or the Gulf Coast. Alaskian or Slope crude is delivered to the West Coast. Crude that is produced within the center of the domestic United States -- Kansas, Oklahoma, whatever -- flows either south to refiners there or into the heartland for use in those refineries. Some companies use the price on date of deliveries; others take the price two days prior to delivery, the day of delivery, and the two days after, or a five-day average. It all depends on how they have written their contracts and how they have negotiated for their purchases.

ASSEMBLYMAN COHEN: Do you have your own tankers?

MR. BERGMAN: Do we?

ASSEMBLYMAN COHEN: Do you have your own tankers?

MR. BERGMAN: We have some but we, like everyone else, contract for shipments.

ASSEMBLYMAN COHEN: So, your tankers that will receive the crude in Kuwait's port--

MR. BERGMAN: As an example, or any port, correct.

ASSEMBLYMAN COHEN: As an example, and you get it at the port-- At that point in time, that is not a delivery for purposes of how much you are purchasing it for from Kuwait?

MR. BERGMAN: No. All that that ensures us is a volume amount -- one million barrels, 500,000 barrels, or whatever that might be. And we, in turn, ensure our credit worthiness though a letter of credit or a credit deposit. The price that is finally billed to us is determined as I just previously described.

ASSEMBLYMAN COHEN: So, if the Kuwait port gives you a million barrels and your tanker picks it up at Kuwait's port-- At that point in time, they are not charging you a particular dollar per barrel. They are not assessing you a particular dollar per barrel. They assess you in terms of your payment to them when it travels the next 45 days--

MR. BERGMAN: That is correct.

ASSEMBLYMAN COHEN: --to your refinery. Is that correct?

MR. BERGMAN: That is the amount-- Right.

ASSEMBLYMAN COHEN: You also indicated that other oil companies may deal with it in a different fashion for purposes of charging.

MR. BERGMAN: Well, I think you will see in my remarks that we estimate that about 80% of the crude is sold on the basis as I just described. I can't speak for anyone other than ourselves, of course.

ASSEMBLYMAN COHEN: But you know the industry.

MR. BERGMAN: Yes, and that--

ASSEMBLYMAN COHEN: And what we are trying to do is receive as much information, whether it is so with your company or with other companies.

MR. BERGMAN: Right, and our assessment is that about 80% of the crude changes on a price that is established on the day when that crude is delivered to a refinery, or taken into a--

ASSEMBLYMAN COHEN: Delivered to a refinery by your own tankers?

MR. BERGMAN: Or by contract tanker, or whatever -- you know, whoever it might be. Some companies own tankers; others have contract ships, whatever that might be. That is merely the transportation method. That has nothing to do at all with the price that is charged for the crude oil as such.

ASSEMBLYMAN COHEN: The risk of loss remains with whom -- Kuwait or with Amoco, when it is at sea?

MR. BERGMAN: The price fluctuation risk? With the seller.

ASSEMBLYMAN COHEN: If a tanker goes aground, you--

MR. BERGMAN: That's a different risk. That's a liability risk.

ASSEMBLYMAN COHEN: In terms of-- If you don't have-- You're saying that they don't charge you "X" amount of money per barrel--

MR. BERGMAN: Correct.

ASSEMBLYMAN COHEN: --until you take it to either the Gulf--

MR. BERGMAN: Right.

ASSEMBLYMAN COHEN: --or to New Jersey. Correct?

MR. BERGMAN: Right. That is correct.

ASSEMBLYMAN COHEN: What happens if you lose it at sea through the tanker?

MR. BERGMAN: I can't respond to that. That is outside my area of expertise. I don't understand the legal implications at that point in time.

ASSEMBLYMAN COHEN: I'm talking in terms of price.

MR. BERGMAN: The price? I could only speculate an answer that it would be whatever the price was the date the accident occurred, but I can't-- I don't know whether that is the right answer or not.

ASSEMBLYMAN COHEN: So the date of delivery of that incident would be--

MR. BERGMAN: Pardon me?

ASSEMBLYMAN COHEN: Well, if a tanker goes under in the Atlantic Ocean--

MR. BERGMAN: Yes?

ASSEMBLYMAN COHEN: --is the price of delivery to you as to where it ran aground and what was lost there? That would be the price of delivery?

MR. BERGMAN: I can't answer that. I don't--

MR. VALESANO: We take delivery after it goes through U.S. Customs. In the case we were citing from the Middle East, a lot of that is bought on a delivered basis, and it is not in our own tankers, so--

ASSEMBLYMAN COHEN: But you have it in your own tankers, from what I understand.

MR. VALESANO: No, well not in those specific instances. We do have some tankers. They do not come from the Middle East. They are mainly in the Mexican trade.

MR. BERGMAN: Well, you are using a Middle East example, but the same--

ASSEMBLYMAN COHEN: Well, Mexico and Venezuela aren't raising their prices.

MR. BERGMAN: No, they are.

ASSEMBLYMAN COHEN: I mean, as we speak, I understand that--

MR. BERGMAN: They are, and have raised their prices. All producers of crude oil have raised their price to a world level, based on a benchmark price. So, in fact, the oil that Mexico is producing, and that Venezuela is producing today, is being produced at the world price, whatever that might be.

ASSEMBLYMAN COHEN: Do you have domestic production?

MR. BERGMAN: Yes, we have.

ASSEMBLYMAN COHEN: Where does your-- The domestic production hasn't increased in terms of price, has it?

MR. BERGMAN: Yes, it has.

ASSEMBLYMAN COHEN: How much since the Iraq/Kuwait problem?

ASSEMBLYMAN KAVANAUGH: Double.

MR. BERGMAN: Just about double. In June, domestic-- The West Texas International price for crude was in the $13.50/$14 range. Most recently, it is in the $28/$29 range.

ASSEMBLYMAN COHEN: Well, is your domestic production less expensive than what we receive from Kuwait?

MR. BERGMAN: The cost on date of delivery? No.

ASSEMBLYMAN COHEN: What is your definition of "date of delivery" when you are doing domestic production -- your own refinery?

MR. BERGMAN: That's the date when the oil that we receive from our royalty holders, or from our contract buyers comes into our system. That happens everyday. As I said before, we only have a one-, two-, or three-day supply of crude, so the price is changing everyday at the time that deliveries are being made.

ASSEMBLYMAN COHEN: Do you export any of the domestic oil produced?

MR. BERGMAN: No.

ASSEMBLYMAN KAVANAUGH: May I ask one thing? Isn't it true that if your costs on domestic, if you had your own wells-- It would cost you $40 a barrel to bring that oil into your refinery, and you would only get $28 because your average would be on the benchmark price of the world?

MR. BERGMAN: Yes. Assemblyman Kavanaugh, yes. If that were the case, that is correct. If your costs were $40 and the market was $28, you would get $28.

ASSEMBLYMAN COHEN: In 1986, when Governor Kean signed into law the increase of eight to ten-and-a-half cents on the Motor Fuel Sales Tax, you didn't see the kind of rise that you are suggesting. It is occurring because of the petroleum products. Is that correct?

MR. BERGMAN: Let me see if I can follow your question. In 1986 there was an increase in--

ASSEMBLYMAN COHEN: The Motor Fuel Sales Tax, from eight cents to ten-and-a-half cents. We didn't have that-- You're saying there is a major factor in terms of the petroleum products? There wasn't when you had the increase in 1988 as to the Motor Fuel Tax.

MR. BERGMAN: Any time there is an increase, whether it is caused by tax or product price cost -- any time there is an increase -- it has an effect on the consumer. It also has an effect on demand.

ASSEMBLYMAN COHEN: Do you sell petroleum products from New Jersey and ship them elsewhere in the country?

MR. BERGMAN: No, we do not have a refinery in New Jersey.

ASSEMBLYMAN COHEN: Petroleum products? What type of petroleum products does your company have?

MR. BERGMAN: Well, in broad terms: gasolines; distillate products, which are heating oil products and diesel products in trucks and trains primarily; jet fuel for use in commercial airlines and in military aircraft; and then lubricating products. We do not make any of those products in the State of New Jersey. Our sales to consumers and to our dealers and our wholesalers in New Jersey-- Our products come primarily from our refinery in Texas City, Texas, which is at Houston, or on the Gulf Coast, with some small amount coming from a refinery at Yorktown, Virginia.

ASSEMBLYMAN COHEN: Do you have petroleum products that are manufactured outside the State of New Jersey but sold within the State of New Jersey?

MR. BERGMAN: Yes. Everything we sell here is made elsewhere.

ASSEMBLYMAN KAVANAUGH: And there are transportation costs and then pipeline costs.

ASSEMBLYMAN COHEN: Nothing further.

ASSEMBLYMAN KRONICK: Nothing further. Are there any other questions?

ASSEMBLYMAN SCERNI: Yes.

ASSEMBLYMAN KRONICK: Assemblyman Scerni?

ASSEMBLYMAN SCERNI: In your testimony, you indicated that Amoco froze its nationwide wholesale price on August 9.

MR. BERGMAN: Correct.

ASSEMBLYMAN SCERNI: Between the initiation of the prices, which was on or about August 1 through August 9, what was your per gallon increase?

MR. BERGMAN: On average, about six cents.

ASSEMBLYMAN SCERNI: Would it be fair to say that in that time frame -- from August 1 to August 7 or August 9 -- that you really did not observe any substantial demand-side changes? It was relatively consistent for the month of August for summertime gasoline consumption behavior?

MR. BERGMAN: Yes, demand wouldn't change on a daily basis. Demand changes over time, correct.

ASSEMBLYMAN SCERNI: Which means that the increase we see on a per-gallon basis is attributable during that time period solely to the supply side. Is that fair?

MR. BERGMAN: Yes, raw material costs rising rapidly.

ASSEMBLYMAN SCERNI: And, if I understand your testimony, the six cents per gallon increases in that one week was the result of the crude rising that much within that time frame. Is that correct?

MR. BERGMAN: Well, in fact, crude increased during that time frame probably twice that, 12 cents to 15 cents a gallon.

ASSEMBLYMAN SCERNI: And was that crude that you actually received or crude that you anticipated receiving?

MR. BERGMAN: It was crude that we received because, if you recall, I mentioned that during the month of July, crude costs went up 11 cents, while finished product prices stayed relatively flat.

ASSEMBLYMAN SCERNI: Well, then, the price increase we were seeing at the pump during the first week of August-- Was that attributable to July increases or August increases?

MR. BERGMAN: Both. The invasion of Kuwait by Iraq merely accelerated, or exacerbated a price increase that had started some 30 to 40 days prior, when crude oil production was reduced by a million-and-a-half barrels a day by OPEC members, and the crude price started to move from about $13.50 or $14 up to $16 or $17, without a corresponding increase in finished product prices.

ASSEMBLYMAN SCERNI: The gasoline that was pumped at the pumps during that first week of August-- That was gasoline that resulted from crude oil that was purchased sometime prior to, obviously. I think you have to agree with that.

MR. BERGMAN: Well, yeah, it was at some point in time, but you have to understand that the price that is set for finished products has to consider raw material on a replacement cost basis. There is no one who can stay in business and not price their products with their raw material costs based on what it is going to cost to replace that material. It would be fine if you were planning to go out of business at the end of your production cycle. Then that theory would work. But if you are going to stay in business over a long period of time and be here tomorrow and next week and next month, you've got replacement costs coming at you that have to be considered in your cost of doing business.

So, the replacement costs of these raw materials is an integral part of why the prices went up. It would be nice if the system were as pure and clean as what you would describe, and say: "Here is a barrel of crude that costs this much, and we got this much product from it. The price for that is that much, and the next barrel through--" It doesn't work that way, and it can't; it physically can't, and in theory it doesn't work that way.

ASSEMBLYMAN SCERNI: The consumer, be it in New Jersey or elsewhere, should be prepared to pay the price that is based upon current crude oil, notwithstanding what price the refiner paid for that crude oil.

MR. BERGMAN: Be prepared to pay the price based on a couple of things: one, which you just mentioned, is the raw material cost, which is part of every manufacturing process -- okay? -- whether it is in our industry or any other industry. But also marketing conditions. And the market conditions in our industry reflect three different, or four different layers, depending on what your viewpoint is. Those market forces are at work every single day, the same as raw material costs are changing every day. So, the combination of what really happens is those two things. Now, what really drives the price is the market conditions.

ASSEMBLYMAN SCERNI: Well, I think we just agreed that during this particular period of time, regarding the market conditions, the demand side didn't change in those seven days.

MR. BERGMAN: No, but the cost side did, dramatically. And, in fact, it had been changing for a number of days prior to that point in time.

ASSEMBLYMAN SCERNI: Let me just take a slightly different approach.

MR. BERGMAN: Okay.

ASSEMBLYMAN SCERNI: This is a curious question, if nothing else: At the time of the Exxon Valdez tragedy, did your per-gallon costs go up?

MR. BERGMAN: Yes, because the price of crude went up. I don't have any specific numbers to respond to you, but they are available if you want to get that.

ASSEMBLYMAN SCERNI: Did Amoco have any rights to the product that was lost by the Exxon Valdez?

MR. BERGMAN: No.

ASSEMBLYMAN SCERNI: So, notwithstanding the fact that you did not lose any crude as a result of that tragedy, your prices still went up?

MR. BERGMAN: The whole industry's did. The world price changed on that day.

ASSEMBLYMAN SCERNI: As a result of that tragedy?

MR. BERGMAN: Yes.

ASSEMBLYMAN KRONICK: I want you to know that this has really been Petroleum Industry Course 101. I think we are going to have a 102, but before we do that, Assemblyman Kavanaugh has a question.

ASSEMBLYMAN KAVANAUGH: Just one question.

MR. BERGMAN: Yes, Assemblyman?

ASSEMBLYMAN KAVANAUGH: You are probably using more fuel with that plane out there trying to get ready to leave.

You said that the Middle East oil came into New Jersey, yet your only refineries are down in Port Arthur and one in Whiting, Indiana. Is that correct?

MR. BERGMAN: No.

ASSEMBLYMAN KAVANAUGH: No. Do you have a refinery here in the East?

MR. BERGMAN: No, we do not have a refinery in New Jersey. The supply of finished products for New Jersey comes primarily from our Texas City refinery up the Colonial Pipeline, with an additional small supply from time to time coming from our refinery in--

ASSEMBLYMAN KAVANAUGH: Nebraska.

MR. BERGMAN: --in Virginia.

ASSEMBLYMAN KAVANAUGH: Oh, Virginia. All right. Where do the million barrels of crude that are brought into Carteret, or wherever you bring it in-- Where does that go?

MR. BERGMAN: We don't bring any crude oil into Carteret. We only bring finished product into Carteret.

ASSEMBLYMAN KAVANAUGH: All right. What is the product that you bring in from Kuwait?

MR. BERGMAN: We don't bring any finished products in from Kuwait. We buy crude oil in Kuwait--

ASSEMBLYMAN KAVANAUGH: You bring in crude.

MR. BERGMAN: --transport it to Texas City and refine it into gasoline or distillate or heating oil, and then ship it up to--

ASSEMBLYMAN KAVANAUGH: Okay, all right, because you had said that because of transportation, the Middle East oil would come to the East, the Alaskan Slope oil would come out to the West, and the--

MR. BERGMAN: Right. I was speaking in general terms for the industry as a matter of logistics -- crude oil logistics. It would be very difficult to take Middle East produced oil and move it to California.

ASSEMBLYMAN KAVANAUGH: So what you do, though, on your Middle East oil, is take it all the way down to Texas.

MR. BERGMAN: That is correct, by ship.

ASSEMBLYMAN KAVANAUGH: By ship?

MR. BERGMAN: It is hauled by tanker.

ASSEMBLYMAN KAVANAUGH: All right. Now, the next question: With the double hull tanker, which was sponsored by a former member of this house, and with the lack of barges, what do you see in the future -- because we are going to have problems in the future -- as far as the costs of transportation increases are concerned, which are going to be affecting the price of oil?

MR. BERGMAN: I am really not familiar at all with that side of our business. I know what I read, and in recent days just the insurance costs of tanker insurance coming out of the Middle East have increased dramatically because of the risks involved with the potential there for war and outbreak.

John, you may have some further comments.

MR. VALESANO: Well, I think, without being specific -- and I can't be -- that we are going to see higher costs. Any time there is any anti-spill legislation, double hull tankers, it is just going to add to the costs. I am not saying these things are not important; they are. But that is going to add to the consumer's costs of getting his product into his tank.

ASSEMBLYMAN KAVANAUGH: One final question, Mr. Chairman: What do you figure the transportation costs are on either a gallon, or break the barrel down to the 42 gallons-- What does it cost for a gallon of gas when you transport that finished product up the pipeline?

MR. BERGMAN: From one end of the line to the other, John?

MR. VALESANO: From the Gulf Coast to New Jersey is just under three cents per gallon.

ASSEMBLYMAN KAVANAUGH: Around three cents. Thank you.

ASSEMBLYMAN KRONICK: Assemblyman Cohen has a question.

MR. BERGMAN: Yes?

ASSEMBLYMAN COHEN: Can you provide the Committee with the crude oil costs of July 1, August 1, and August 15, as to the states that you do business in? We are just trying to get a sampling to see whether the costs in New Jersey are somewhat disproportionate to costs in Indiana and perhaps some other states. And maybe from that information we can glean other inferences or other information.

MR. BERGMAN: Okay. We can provide you with the West Texas Intermediate crude price, which is the benchmark price for crude used primarily from domestic producers on the Gulf Coast on those dates, because that is shown everyday in The Wall Street Journal. That is public information.

ASSEMBLYMAN COHEN: Is that only domestic, did you say?

MR. BERGMAN: Yes.

ASSEMBLYMAN COHEN: I'm speaking about the--

MR. BERGMAN: Well, all crudes have a price benchmark which is also quoted in The Journal, Saudi light, or Brent-North Sea, or North Slope crude. So, those prices are available, and we would be happy to provide them to you.

ASSEMBLYMAN COHEN: I'm talking about-- In other words, the crude you obtain from Kuwait, that you bring to the Gulf Coast, and that later goes back to New Jersey--

MR. BERGMAN: Right.

ASSEMBLYMAN COHEN: That is costed out at a certain amount because it is reflected, ultimately, at the pump. When I am asking whether you can produce it, I mean certain pricing information before the Kuwait matter, the day of the Kuwait matter, subsequent to the Kuwait matter, just to see what the impact of that Kuwait crude is in Indiana and some of the other 28 states you have noted. That may give us a better idea of what the impact is, if there is any, of the Kuwait invasion.

MR. BERGMAN: I will be happy to provide that information, along with any other information you people desire, either now or in the future. I would be happy to come back and meet with you again, and make our experts available to you, if you so desire. I can say this to you, Assemblyman Cohen, gasoline prices in the Midwest are considerably higher today than they are in the State of New Jersey.

ASSEMBLYMAN COHEN: I am just curious about what they were on August 1.

MR. BERGMAN: I would be happy to provide that to you -- those prices on August 1 -- and you will find that the New Jersey prices are not much higher than surrounding states, but less than in the Middle West, for instance.

ASSEMBLYMAN KAVANAUGH: Mr. Chairman, it should also be noted that is another applaud for self-service and full-service gasoline. That was one of the two states that still give full-service. In Indiana, I paid $149.9 at an Amoco station for getting out and pumping my own gas; paying here $1.24.

ASSEMBLYMAN KRONICK: Thank you for the plug. Do you have a plane to catch, Mr. Bergman? If not, I have a question.

MR. BERGMAN: I would be happy to take the question.

ASSEMBLYMAN KRONICK: Thank you. Would it be a reasonable assumption that all oil companies buying crude from the Persian Gulf pay the same on a given day because, you know, it went up and it is a certain price? So, whether it is Citco or Exxon, would it be about the same?

MR. BERGMAN: I can't answer that. I can only tell you that in our case, the way we buy our crude -- and we think that about 80% of the industry buys it in a similar way-- I certainly can't speak for any other oil company as to what prices they pay, because I don't know. There is a posted price that, in effect, any buyer that has credit worthiness can negotiate and buy product at that price, or close to that price. So, I can say that you can make an assumption that prices would be relatively the same.

ASSEMBLYMAN KRONICK: Thank you. That is the assumption I was looking for.

Now, you don't have a refinery in the East.

MR. BERGMAN: Correct.

ASSEMBLYMAN KRONICK: You have to ship to Texas. Do you refine it there and then transport it to New Jersey?

MR. BERGMAN: Correct.

ASSEMBLYMAN KRONICK: I would think that theoretically your costs would be greater than the companies that bring it into New Jersey and do the refining here. Is that reasonable?

MR. BERGMAN: Well, they may or may not be.

ASSEMBLYMAN KRONICK: May or may not be?

MR. BERGMAN: That is correct.

ASSEMBLYMAN KRONICK: Well, it comes back to-- When I first referred to this chart-- You did pretty well. You were only 19 cents -- if we accept these figures -- for the period January 1. Or, if we want to talk about the August period -- August 1 to August 24 -- nine cents. Whereas other companies, which I will not mention -- there are many here -- most of which, at least I know that some of them, have facilities in New Jersey, and yet they are far more than you.

I am trying to say, it seems that it may not be happening at that level and it might be occurring on the retail level that we see this greater disparity and inconsistencies. As far as your testimony, you have not shed any light that I can hang my hat on to try to understand that. Am I correct in that?

MR. BERGMAN: Well, I can only speak for our situation. You will have to ask that question of other companies and other members of the industry who might speak for the retailers or the wholesalers. What I have given to you are the facts associated with Amoco's position.

ASSEMBLYMAN KRONICK: In the industry, though, would you say that the technology for refining is pretty standard? Nobody has a major breakthrough that they are able to produce gasoline and all of the derivatives at far less than the other-- I mean, it is pretty standard, I would imagine. So you bring it on a ship first -- a cargo vessel. The costs have to be the same. You cross the Atlantic, the same distance, except if you are going to Texas, which means it will be on the water longer, so I think maybe a little bit more expensive. And yet, you are less than others.

So, if your industry production capability is comparable in all-- I am trying to understand this. Where is the big difference?

MR. BERGMAN: You've got two questions: One has to do with, are refineries all the same? In other words, are they all as efficient as each other. That is the way I heard your first question.

ASSEMBLYMAN KRONICK: Right, or within 10%, or something.

MR. BERGMAN: I will defer that to John.

MR. VALESANO: Well, I think you will find a wide variety of efficiencies among refiners. We like to pride ourselves as being one of the most efficient in the industry, and I think there are statistics that show that we are very efficient.

But I can't speak, you know, to just what that might amount to. There are differences in efficiencies; there are differences in the types of crudes that are bought. The sweet crudes, as we call them, the low sulfur crudes, are generally more expensive than the Middle East, or the sour crudes. However, in order to process the sour crudes, you must have a more sophisticated refinery to remove the sulfur since we have regulations on sulfur content for our product.

So, we have made the investment in our company to process those crudes, and hopefully that translates into savings for the consumer.

ASSEMBLYMAN KRONICK: Yeah, but sweet or sour, whatever refinery, they have to go through the same processing to end up, you know, with the final product.

MR. VALESANO: They do, but they pay a higher price for the sweet crude.

ASSEMBLYMAN KRONICK: They pay a higher price for the sweetener?

MR. VALESANO: For the sweet crude.

ASSEMBLYMAN KRONICK: Sweet crude?

MR. VALESANO: The sweet crude oil, sure.

ASSEMBLYMAN KRONICK: Right.

MR. VALESANO: So their costs of production of gasoline from those crudes are going to be higher.

ASSEMBLYMAN KRONICK: But for anybody using sweet crude that would be true, right?

MR. VALESANO: Right.

ASSEMBLYMAN KRONICK: So that's a constant, then?

MR. VALESANO: Some people use all sweet crude; some people use all sour crude; some use a mixture. So it is not a constant among suppliers.

ASSEMBLYMAN KRONICK: And then you end up with the same final product?

MR. VALESANO: Sure.

ASSEMBLYMAN KRONICK: So it is all in the processing and distillation?

MR. VALESANO: It is all in the processing and the complexity of the refinery you have to work with.

ASSEMBLYMAN KRONICK: Now that I am totally confused, are there any other questions? (no response) Okay, thank you very much, gentlemen.

MR. BERGMAN: Assemblyman, I'm sorry we left more confusion for you than answers, but I would continue to make this offer: If members of our company -- from the technical side, the marketing side, or the production side -- can come before you and help you to better understand our industry and what makes it run, we would be happy to do that, either on an individual basis or a group basis. Our job is to help you folks understand where we are coming from, so that together the answers are apparent.

We work with these things everyday, and it becomes quite apparent to us, and I can appreciate the position you are in of not being involved on a day-to-day basis. It is a complex industry; it is a very large industry, and a vital one to run the country. So we understand that, and we will be happy to help you through any of the deliberations you have. Merely make the request and we will respond as expeditiously as we can.

ASSEMBLYMAN KRONICK: Thank you, Mr. Bergman. We will defer to our in-house specialist first, Mr. Kavanaugh, first, and if he can't handle it--

ASSEMBLYMAN KAVANAUGH: You are making high profits in those convenience stores. That's the thing. Keep the price down.

ASSEMBLYMAN KRONICK: Thank you very much.

MR. BERGMAN: Thank you, gentlemen.

ASSEMBLYMAN KRONICK: Our next speaker -- and I am sorry to have kept her waiting so long -- will be Director Patricia Royer, Division of Consumer Affairs. Thank you for being so patient. They have a plane to catch, Ms. Royer. That is the reason for that. Thank you.

P A T R I C I A A. R O Y E R: Thank you for the opportunity to appear before you with reference to our oil and gasoline situation.

The Division of Consumer Affairs has three mandates in the area of consumer protection: First, to enforce our consumer laws; secondly, to educate and alert the public; and thirdly, to advise the Governor, the Attorney General, and the Legislature on matters affecting New Jersey's citizens in their role as consumers.

My report to you today covers the Division's activities since August 2, 1990 as they relate to the current oil and gas situation. On August 6, Governor Florio instructed Scott Weiner, President of the BPU, and myself to meet with representatives of the oil companies and the Retailers Association regarding the dramatic increases in prices that had occurred between the August 2 and August 6.

That meeting took place on August 8, and on August 9, based upon the input we provided, the Governor directed a three-pronged effort to deal with the diverse aspects of this situation. The Division of Consumer Affairs was directed to continue its investigation of "out of the ordinary" prices at certain stations, and on that date we served two Morris County gas stations with investigative subpoenas. The pump prices at these stations had been reported to us by consumers, and appeared to be substantially higher than prices in their market area.

The Division was also directed to publish, on a weekly basis, the high and low prices reported to us by consumers, in order to educate and inform the public. Consumers could then make choices and harness their marketplace power to send a clear message to retailers and to the oil companies which would encourage restraint and caution.

I would like to take just a few minutes to share with you the details of both of these directives which the Division followed. Consumers across the State began calling our offices in the Division of Consumer Affairs, Weights and Measures. Some were very angry, but most were merely just trying to ask for some help. What has happened in this situation has really become an example of public and private partnership.

Let me first speak about our published high/low report on pricing. The Division has now published two reports. I believe you have received copies of them in the packet we have submitted to you. The first report, which was published on August 17, was compiled based upon over 400 reports received from consumers from every county. The second report was based upon over 300 reports covering every county. These reports show a range of 40-cent to 43-cent differences in each grade of gasoline. On the top of the packet you have received is a graph which, in fact, shows the variations in last week's report in the ranges in each grade of gasoline.

Consumers and Division employees formed a partnership by participating with us in being alert to the prices and taking the time to call us or submit a written report. Each of the prices which we published was confirmed by a Consumer Affairs official prior to its publication. Our focus for these reports was to alert consumers to the choices which are available. Ten dollars spent at the pump can mean getting six-and-a-half gallons of gasoline or nine-and-a-half gallons of gasoline. The results of the report should signal retailers and distributors of the seriousness of both government and consumers.

I have been told, and have read, that retailers claim to be not passing the increases they are receiving on to consumers at the pump. However, they are also telling me that clearly it appears that some prices are out of line. Retailers are now calling the Division, reporting higher prices that they are observing in their own areas, and they are letting us know, also, of lower prices that they are charging.

This report is not intended to place blame, nor has it been interpreted by the public to do so. It serves the purpose of making consumers aware. Retailers and consumers alike recognize its value and its impact. Monitoring and reporting on the marketplace is one of the Division's most very basic roles.

Morris, Union, Atlantic, Essex, and Passaic Counties have shown to have the widest range of prices in each grade. Atlantic and Morris Counties have been the home to the highest reported prices, and Gloucester, Bergen, and Passiac have been the home to the lowest reported prices.

Let me now move on to our law enforcement directive. The New Jersey Consumer Fraud Act was passed in 1960 and has been supplemented thereafter. It gives very broad powers to the Attorney General, in order to protect the public and prosecute violators. In 1960, the Legislature recognized the imbalance which existed for consumers when up against companies or persons who used deceptive or unfair practices in sales or advertisements. To correct this imbalance, the Consumer Fraud Act was passed, and in 1967 the Office of Consumer Protection was created to enforce that law.

In 1971, the Division of Consumer Affairs was created, and the office, along with now some 30 different and distinct agencies, boards, and bureaus were combined under one entity for the overall protection and safety of the public.

In the Consumer Fraud Act, specifically 56:8-2, the Act makes an unlawful practice the act, use, or employment by any person of any unconscionable commercial practice, fraud, deceit, false promise, or misrepresentation in connection with the sale or advertisement of any merchandise. This Act has been found to be broad and flexible over the years, and has had the ability to adjust to the ever-changing marketplace in which we exist. The Act also gives the Attorney General, or his designee, the right to hold hearings, to issue subpoenas, to conduct investigations, and, of course, the right to file court actions. The Attorney General, in these actions, can seek injunctive relief, restoration of consumer moneys taken. He can also seek penalties up to $2000 for a first offense; to up $5000 for subsequent offenses.

It is under the powers of this law that the Division issued the investigative subpoenas and is currently conducting the investigation of the two Morris County retailers. There may or may not be additional subpoenas issued or the filing of court actions as a result of these investigations.

I welcome the input of these Committees, the support that has been shown by the consumers, and the continued participation of Division employees. I assure these Committees that the Division will not hesitate in exercising its responsibilities in law enforcement, education, and in advice to the Governor, the Attorney General, and this body.

Thank you again for the opportunity to appear before you.

ASSEMBLYMAN KRONICK: Thank you, Director Royer. Do any members have questions? Assemblyman Scerni?

ASSEMBLYMAN SCERNI: Director, you indicated that Morris and Atlantic Counties had the highest reported prices. Is there any indication as to why those prices would be higher in those counties?

MS. ROYER: That would be pure speculation on my part, in that these reports come to us from consumers. They are called in or they are reported in to us by employees of the Division or other branches of government. I would be speculating at this point.

Now we have issued, of course, two subpoenas to Morris County retailers. Perhaps when that investigation is concluded, I would then be able to answer that more fully.

ASSEMBLYMAN SCERNI: Is there any indication that there is a relationship in these higher priced areas between whether the retail outlet is independent or, in fact, operated by the oil company itself?

MS. ROYER: I have not received, up until this point, any indication that that would be the case.

ASSEMBLYMAN SCERNI: Just one additional question: With regard to the law enforcement aspect of it, you shared with us that there are potential penalties of $2000 to $5000. From your perspective, are those penalties sufficient to deter this kind of conduct?

MS. ROYER: The Consumer Fraud Act was passed in 1960, and $2000 and $5000 in 1960 had a tremendous impact and were very large deterrents to unlawful consumer practices. I think in the number of years since, they perhaps do not carry the same dollar weight that they did then.

ASSEMBLYMAN SCERNI: So we are dealing with the current problem with a 30-year-old penalty?

MS. ROYER: Well, there is some aspect of it that I would comment upon: The law does speak to "per offense," so it is up to $2000 per offense. Now, it would be up to the courts and, of course, up to if we were to file actions to determine what that offense may or may not be. An offense might be a sale of a tank of gasoline.

ASSEMBLYMAN SCERNI: Or, it could be every sale?

MS. ROYER: That is correct.

ASSEMBLYMAN SCERNI: Thank you.

ASSEMBLYMAN KRONICK: Thank you, Assemblyman. Assemblyman Mecca?

ASSEMBLYMAN MECCA: Through you, Mr. Chairman, thank you for coming, Ms. Royer.

I read the report, so I did a very comprehensive study of the prices around the State. It was very impressive. Let me point out, though, a very simple question: The range in difference between the highest and the lowest gas is about 43 cents or 44 cents. If you go to one station, you can perhaps pay a price, and if you go to another one you can pay 42 cents to 44 cents more.

What is the usual range? Is this out of the ordinary? What should we expect?

MS. ROYER: Our Division, of course, prior to this date, was not really tracking. We were not tracking this pricing. This was done as a special request. Perhaps the Board of Public Utilities would have that exact figure. However, just speaking from consumer experience and the input that I receive from consumers, it is definitely not 40 cents. I will be safe and say under 10 cents; perhaps under five cents.

ASSEMBLYMAN MECCA: Okay. Did the differences signal something to you as a consumer advocate, if you will, or as someone who is an expert in this field? What is this saying? What does this difference say?

MS. ROYER: Well, the difference from our aspect of publication is basically to say to the consumers, "Be aware that there is this amount of difference in the marketplace. Make your choices accordingly, and you have an opportunity to send some messages in making those choices."

From our law enforcement aspect, the Division looks at it a little bit differently, in that we were looking very closely at the highest prices that are being reported to us. We have, in fact, issued those two subpoenas to the two that were originally called to our attention. What that investigation will bring to us is an examination very precisely for very isolated incident what exactly brought about that large increase in pricing in a very short period of time. It gives us the opportunity to examine exactly what caused it with a fine-tooth comb, and that is precisely what we are doing.

ASSEMBLYMAN MECCA: Okay, thanks for now. I would like to get back to you later.

ASSEMBLYMAN KRONICK: Assemblyman Cohen?

ASSEMBLYMAN COHEN: Ms. Royer, will you be able to obtain information so that we can look at how Exxon gas stations, or any other companies within the community -- a particular community -- what their price ranges were? Just looking at part of your chart, in Union County super was being sold in Plainfield at a particular Exxon station for $1.19, and five minutes away in Rahway, an Exxon gas station was selling it for $1.69. That is a 50-cent disparity, which seems disproportionate by any stretch of the imagination, whether the problem is related to a tanker collapsing in the ocean or whether it is because of an invasion.

I think that if we can gain that information about how the same companies within the same town -- how they were charging during this period of time, perhaps we could get a better grasp on the reasons.

MS. ROYER: We will be happy to share whatever we are able to obtain with the Committee, if we do, in fact-- I will leave it at that. I am hesitating a little bit, though, only because of course we are the entity conducting the investigation and, as a result of that, there are some limitations on my comments to you.

ASSEMBLYMAN COHEN: Thank you.

ASSEMBLYMAN KRONICK: Thank you. Director, I have a question, please: Have you analyzed it on a geographic basis; that is, have you seen fit to break it down north, central, and south, and then, say, on a geographis basis, to see if there are incongruities within that?

MS. ROYER: We are beginning to do that, Assemblyman. We have not done that up to this point. Our role, as designated, was to receive information from the public and report it so that consumers would be aware of what is happening; be aware of the choices available to them. However, we are working with the Board of Public Utilities very closely. They do perform daily surveys that, in fact, speak to the average retail pricing in certain areas. Perhaps with a continued combination of our resources, we would be able to break that down for you, but we have not up to this point.

ASSEMBLYMAN KRONICK: Have you looked at any patterns within any particular oil company, you know, their pricing versus another, in the same geographic area, where their costs may be the same or similar, and yet there is a big spread at a particular location in a municipality?

MS. ROYER: Again, Assemblyman, that report you have in front of you reflects the calls in to us by consumers, and it reflects the high and low that is reported and then confirmed by investigators. However, in addition to that, the Division is looking at the aspects that you are identifying. I guess I wish to say to you that we are not looking at them based upon the report you have in front of you, because that report merely reflects consumer calls to us. It is not meant to be taken beyond that step.

Yes, we are looking at investigative reports that are coming to us through our Weights and Measures and our investigative staffs that look to those issues that you have asked about.

ASSEMBLYMAN KRONICK: Just one last question, please, on pricing: In Hudson County, I am looking at a high and low, and there is a spread of about 26% to 28%. Before this situation arose, would you have any idea what would be the normal spread in any location for gasoline? I would think, in my mind, that competition might dictate something like 10%. I can't imagine spreads to this degree.

MS. ROYER: Again, it is definitely-- I think we are all safe to say it is much less than what you are seeing in that report. Since we were not, as a Division, tracking pricing of gasoline prior to this initiation through the Governor, it would be a guess as to what that was. But I am sure I could obtain that information and give it to you, because it is available through the Board of Public Utilities. I am sure they would have it.

ASSEMBLYMAN KRONICK: Thank you. That would be interesting. Do any other members have questions?

ASSEMBLYMAN MECCA: Yes.

ASSEMBLYMAN KRONICK: Yes, Assemblyman Mecca?

ASSEMBLYMAN MECCA: Ms. Royer, you indicated that this information was called in to you. Do you know if your investigators are getting this information off the signs themselves or getting it right from the pumps?

MS. ROYER: Really, both aspects. First the calls come in to us through the public, or Division or other State employees prepare reports and call them in. In most cases what is supplied to us initially are the sign -- the street sign prices. Secondly, what happens is, before we publish the report, we send out an investigator to ensure that that is the posted price, because we are seeing changes occur so quickly in the marketplace that we want to be sure that the prices published are accurate.

The consumers, for the most part, are reporting to us what they are seeing on a sign, unless it is the lowest price. In fact, very often they are reporting what they paid at the pump.

ASSEMBLYMAN MECCA: Now, you indicated that Passaic County had a lower incidence of problems than the rest of the State.

MS. ROYER: Well, our report indicated that a station in Passaic County was one of the lowest in last week's survey -- when it was conducted.

ASSEMBLYMAN MECCA: All right. That doesn't have anything to do with where you might live, does it?

MS. ROYER: No, in fact, I won't mention what the retailer near my house is charging. It is not one of the lowest.

ASSEMBLYMAN MECCA: Okay. Thank you.

ASSEMBLYMAN KRONICK: Thank you, Assemblyman. Thank you very much, Director Royer.

Our next speaker will be the New Jersey Gasoline Retailers Association -- Jerry Ferrara.

J E R R Y   F E R R A R A: I guess I was getting a little itchy back there, although after listening to some of the shocked questions coming from the panel I don't know whether you needed me here completely or not.

I would like to start off by just giving you an idea how service stations are controlled. About 70% of the service stations in New Jersey are leased or owned by a major oil company. By that I mean they either lease the land and erect a station and franchise it out, or they own the land and station outright and franchise it to a dealer. So, inherently, owning and leasing reminds me of-- Old judges and lawyers will remember a fellow named Wisdom, who said that where the supplier is both the supplier and the landlord and, in those days, the banker, there happens to be a real inequality about what can be done.

At the present time, there are only six refiners left in New Jersey which directly supply New Jersey. That includes Amoco, of course -- their pipelines. There used to be 11. They divided up the country. I guess Scoop Jackson, before he died, said to me: "Would you say they are cutting up the pie?" I said, "Those are your words." So, what happened? You had Atlantic Richfield, Chevron. Chevron bought Gulf, and then decided to go out and battle it out on the West Coast with Atlantic Richfield, so we were down to six. We went down to five, but with the advent of another refiner called Coastal, we are back to six.

The strange part of it is, I just mentioned Amoco-- I got a kick listening to Amoco get nationwide publicity that they will not raise their price for a week, after they had done it already, and considering that they get probably nothing from the OPEC countries. They control the Alaskan crude, and they do a pretty good job of raising it when they have it.

We jump around, and we look around at who's gouging. As I told you, price increases started the day of the Iraq invasion. Gulf, which is not a prime refiner, raised their price on that Thursday at 12 noon, 10 cents a gallon. At 1:00, a dealer got a delivery and it was 10 cents a gallon more. I called the Gulf people to verify the price increase, and they said it was so. I had "New Jersey News" and Ted Sherman of The Star-Ledger on the line earlier that day asking what I thought about Kuwait and what had happened to us. I called them and I told them, "You've got a story." Within 20 minutes, I got a telephone call, and someone said, "No, that has been rescinded." So, they took that 10 cents back, and they only raised it four cents the next day.

We gave you a sheet to show the increases from January 1 to July 31. The wholesale price of gasoline went up the equivalent of 10 cents a gallon, while on July 31, crude oil was at $13 a barrel. Those are not my figures. I believe if you turn over your copy there, you will see it is National Petroleum News on the back of the price survey we gave you, and they tell you who got that profit.

Now, while I relate to that, I would like to relate to the fact that all of a sudden now we are looking at replacement costs. Back in January after we got finished with the heating oil fiasco and the rising prices-- The strange thing there was, heating oil was short, and prices went up because they had to replace it. Meanwhile, if you had an example of a million gallons of heating oil in stock, and a million gallons of gasoline-- A million gallons of heating oil were used because there was a freeze -- a weather freeze. What happened to the million gallons of gasoline? Did they get burned in the furnaces? Yet, the price of gasoline went up. They had to manufacture or buy more heating oil to replace what they had. If the bought it on the spot market, there was no need to buy gasoline; yet the price went up. The price continued to go up 10 cents a gallon.

Now we come to Iraq and Kuwait and they tell us that is the reason for it. Well, they have to make up their minds which way we're going. If they are going on replacement costs, then I say, conversely, what happened in the first six months of the year? Replacement costs went down; price increase went up. So somewhere or other, they have to decide which end of the game they want to play.

When you go down-- Let's take a quick look to try to explain the future, the spot market, and the contract market. I call the future market a trader's market or a crapshoot. You saw that they gamble on paper. Some of those guys never saw a barrel of oil if it fell over them, yet they buy and sell and trade. There is a question that some of our domestic people may go into the futures market to hedge on contracts they may have committed to supply a county, a state, or a municipality.

The spot market was normally what we would call a surplus market, where if there were surplus, and it could be from Kuwait -- Kuwait was a great one to sell finished product into the spot market -- or other companies had surplus, they weren't under contract, and they sold it there at whatever price they could get. There is no more spot market. There is no surplus. It is all at one price. The strange part of it is, the only time we found the majors entry buying in the spot market, is when finished product -- heating oil or gasoline -- were much less than what it cost them to refine it. By doing that, two things happen:

They get the product at a much cheaper price, check the grade before they ship it out to us, but by the same token, they dry it up a little bit so the independents can't buy it too cheaply and lower the market -- the retail market. So, either way, they play the game both ways.

We're talking about gouging, and I just heard Patricia Royer give you how the consumer works. The job relating to consumer pricing is great, but we can pick a price in Atlantic City that is 40 cents over the market of the price in North Jersey or the price in Burlington County. Number one, we don't know what the price relationship is. Is that pricing by a distributor? But it is unfair to the gasoline retailer to pick up the paper and have the average consumer think we are making 40 cents a gallon. When you hear the spot market relate it, they will tell you 88 cents a gallon. They don't tell you that there are 23 cents taxes. So, if anyone is caught in the proverbial squeeze, we are.

Let's get down to what everybody tries to hit us with, and tries to trip us up with: What about the gasoline that you have in the ground and you raise the price as soon as you get it? The average storage the (indiscernible), or the old storage in the old stations, was basically 12,000 gallons of storage. The brand-new stations-- Most of them have 24,000 gallon storage. Somewhere in-between, let's call it a 16,000 or 15,000 average.

The dealer, for economic reasons, or for (indiscernible) will take a delivery, and a delivery is 8500 to 9000 gallons. As a rule, for either one of those reasons, he does not order gasoline until he is down to about one-third of his capacity. If it is a 12,000 gallon storage, he has to go down to less than one-third because he couldn't take the whole 8000. If you don't take the whole load, you are in trouble. If it is 16,050, take an average of $16,000, he is down taking a delivery when it is four. He is going to make a lot of money if he gets an 8000 delivery in one minute before midnight and the price at 12:01 it went up a penny a gallon. All he's got in the ground could be an average of 4000 to 6000 gallons. Big deal! He is going to make $40 to $60. Why, a major company in the State of New Jersey, one penny a gallon, is $33 million.

Now, we are trying to steal a thing -- with all due respect to the Republican side -- trying to swat a mosquito on a elephant's rump. So the dealer is taking the rap because they read it in the paper, nobody, but nobody, including the Public Utilities, has ever come out and said, "The wholesale price of gasoline has gone to 'X' number of dollars." I give John Bergman credit. He is getting a little bit better than he was before. He at least told you they went up 12 cents.

As I said, I admired the President of an oil company way back who told me, when I challenged him back in '73, "How can you do this to our country, raise the price when you didn't pay a nickel a barrel more?"-- He looked me straight in the eye, and said, "Profit is the name of the game." While I used to think he was something terrible, I wish I saw him here today. At least he was honest. He told me what the game was.

Assemblyman Smith, you hit the nail on the head when you came to stock. Where did it go? I had to convince some major newscasters for "Network News" to buy oil stock in 1983, that it was going to go and go and go, and that is where the relationship showed a true profit. Stock bought at $29 in '83, Exxon, went all the way up into the '80s and came back down again, so it wasn't a bad deal.

Coming back to what we are looking at, what can you do? Unfortunately, you are in one hell of a spot. During the crisis, we had price control. I have shouted and screamed that there were billions of dollars of overcharges. In fact, one company made sure that two major newspaper reporters wouldn't print anymore of what I said about them stealing the margin. Isn't it strange that after '89, that still to this day, the states are reaping a harvest and some of the dealers are getting some money back, and they are finding out what some of the overcharges were? That was under price controls.

I don't know how you are going to regulate this market, without some kind of a control. Ms. Royer was honest. She said she can only cover consumers. The Deputy Attorney General said the law pertains to the consumer, which again puts us -- the little guy -- under the burden. Two dealers they cited -- and I am not defending them, believe me -- did not raise the price with the advent of Iraq and Kuwait. We were getting bombed with people complaining, yet they were buying there, way back six months ago. Whether they are right or wrong, that is their problem to justify their cost increases. One fellow claimed to me, "I am paying $8000 a month rent," which could conceivably be the trouble. But again, we have those two examples, with 4000 dealers out there. If you find 100 of those 4000 dealers who passed on more than the increase given to them, I'll pay for all your campaign financing in the next round, and today that is pretty expensive. That is a public pledge, not privately or anything.

In essence, I am frustrated. My dealers are frustrated. I have tried to cover all the little issues that I can. Distributors are caught in a bind. I will let Freddy Sacco defend them, but we have one distributor charging his people 10 cents more than the increase he got from the oil companies, than the dealer would get in a comparable -- I mean, the oil company direct supply station. Yet he can be held out as the highest price. He may not be a gouger.

I have tried to cover all of the issues in the shortest period of time, because I really wanted to get across to you some of the things that are out there other than the oil companies. You have asked the right questions. I am hopeful that some other thing-- We touched the petroleum reserve. The total reserve -- the strategic reserve -- happens to be a pet project of mine. If you ever checked with Bill Bradley when he got elected, I handed it over to him because he could follow it through. We tried -- I know he tried, I tried -- to promote it in Congress, to fill that petroleum reserve a little over a year ago when Mexican crude was so cheap, but it was turned down by the administration at that time. They just didn't want to do it. Why, how, politically, I am not even going to get into that.

The story of who supplies it, is Canada, Mexico, Venezuela -- Venezuela is part of the OPEC countries -- and then comes Britain. When they said, "How much does Amoco take?"-- The supply from Kuwait and Iraq combined -- this entire country -- ranges from between 5% and 7%. We have the Alaskan reserve. Some years ago, they wanted to ship it. Pete Williams, the Senator, wanted to have an amendment to ship it to Japan as a swap from what would come from Iran. Fortunately, we were able to kill that thing, because when Iran blew up in smoke, Japan was the largest buyer. Today, Japan buys from Kuwait, and trade papers indicate that Japan claims they've got nine months' reserve.

I don't see any reason here for anyone to panic, or that we are going to have a shortage; that the public is going to be in lines to get gasoline. I don't care if the thing drags on for six months, there is no reason at all to anticipate long lines. I would charge the Committee here to keep their eyes closely on where the prices are going.

My answer to you, and my answer to any question from the reporters-- What do we look for in the next couple of weeks? The same thing I predicted back in August -- seven. They took the five cents a gallon. They are going to take a penny at a time as you go. In the past two weeks, they took over four cents. Some companies, one day after another -- in the space of three days -- raised it three cents a gallon. That hasn't been reflected on the street. That hasn't been told to the public by the BPU, by the consumers, by the Attorney General. Nobody said that that price of gasoline has kept going up to the individual dealer, and, in turn, to the consumers.

With that-- You have allowed me to go on and on, and I will answer any questions you've got.

ASSEMBLYMAN KRONICK: Thank you, Mr. Ferrara. I just want to find out where you came up with this 8% Persian Gulf-- The figures I have are something like 25% overall is coming from the Persian Gulf. So, are you saying that--

MR. FERRARA: Wait a minute. I said Iraq and Kuwait, just those two countries.

ASSEMBLYMAN KRONICK: Well, if you add the other Persian Gulf countries--

MR. FERRARA: Oh, no, no, combined.

ASSEMBLYMAN KRONICK: Do you agree with the 25% figure?

MR. FERRARA: Yes, only that portion of it. One other thing I asked your Committee Aide to distribute-- We gave you a set of invoices, several copies. That is before and after, up to the present time; before August 1 and up to, I believe, August 24. Take a look at them and find out where the increases come from. You will see that the dealer is paying the increase, and he is not gouging anybody. I defy anybody to go out and find any real gouging on the part of the dealer.

ASSEMBLYMAN KRONICK: Thank you very much, Mr. Ferrara. Are there any questions from the Committee members?

ASSEMBLYMAN SMITH: Yes, one or two.

ASSEMBLYMAN KRONICK: Yes, Assemblyman Smith?

ASSEMBLYMAN SMITH: Mr. Ferrara, what-- First of all, there are no limits on what a gas station retailer can charge on a gallon of gasoline. Is that correct?

MR. FERRARA: There are no limits on anybody, whether it be the major or the gasoline retailer. We do work on a flat margin. We work on a margin basically. That is the trend. They don't take a percentage of any increase. Frankly the dealers have used the same per gallon margin of profit for the last five years.

ASSEMBLYMAN SMITH: And what is that?

MR. FERRARA: The range today-- It could range today anywhere from 12 cents to 18 cents per gallon.

ASSEMBLYMAN SMITH: And that is for the retailer?

MR. FERRARA: That is for the retailer.

ASSEMBLYMAN SMITH: All right. How about-- From your knowledge of the industry, how about the distributor, the wholesaler? What do they normally mark up on a gallon of gasoline?

MR. FERRARA: The distributor? That range, depending on the market-- I would rather you challenge Fred Sacco with that question--

ASSEMBLYMAN SMITH: I will ask Fred.

MR. FERRARA: --because there are differences of opinion from me and others as to what that is. When the honeymoon is there, everybody is making money. When the pressure comes on, everybody-- Everybody but the majors. The distributor gets a squeeze play, and he got one in this trip here. There is no question in my mind that, in some instances, he got it. Whether they have absorbed any of it, whether it has taken away some extra cream they had or not, that I can't tell you. I mean, I could play it either way. I know one distributor, and I turned it over to a consumer. I said, "Go chase this guy. He is 10 cents over the same amount that a dealer would pay directly to supply the company." I could use him as a shining example and blame all distributors, but that is not so.

ASSEMBLYMAN SMITH: Would it be fair to say that if a retailer charged more than 18 cents profit for their cost of gasoline that in your opinion that would be considered gouging?

MR. FERRARA: Well, no, because each one-- I said the average. He needs 15 cents to break even.

ASSEMBLYMAN SMITH: Well, what is the point at which you consider gouging to be gouging?

MR. FERRARA: Gouging, in my opinion, would be if right now--

ASSEMBLYMAN SMITH: Right.

MR. FERRARA: --we could show that he raised the price much more than what he was charged by the retailer -- the oil companies. That, to me, would be gouging.

ASSEMBLYMAN SMITH: Yeah, but what is "much more"? Define it.

MR. FERRARA: I don't care, a penny more, two cents more, not the 10 cents or 15 cents. You are not going to find it. I will bet you that you are not going to find it. If he does that-- Remember we used two examples? Unfortunately, I have to eat it, because they were the ones used. They were up before the prices. Go out and find any dealer who raised the price-- Let's give him two cents, depending on what his costs were before, which were trapped at a lower margin; two cents above his normal margin he had prior to the thing. You won't find it. One or two cents beyond that. I know one state that is contemplating a law -- I believe it is Pennsylvania -- where if there is more than a five-cent increase suddenly-- Do you want to use that as a criteria? I would feel very safe with that. I would feel very safe with that number.

ASSEMBLYMAN SMITH: That is beyond the 12 to 18?

MR. FERRARA: That's right.

ASSEMBLYMAN SMITH: That is the normal profit?

MR. FERRARA: That's right.

ASSEMBLYMAN SMITH: All right, thank you.

ASSEMBLYMAN KRONICK: Do any other members have any questions? Assemblyman Cohen?

ASSEMBLYMAN COHEN: Mr. Ferrara, from some of the information Ms. Royer provided -- and I understand that you don't know the exact case, and we are not sure of the exact case-- But we have, let's say, an Exxon gas station in one community and an Exxon gas station four minutes away in another community and there is a 50-cent disparity as to the same type of gasoline. Do you know what factors could contribute-- I am not saying that there is a consumer ripoff on it, but it raises questions in our minds that we would like to know, what factors might contribute to such a disparity?

MR. FERRARA: Did you say a 40-cent or 50-cent difference?

ASSEMBLYMAN COHEN: Correct.

MR. FERRARA: I would question it, too. I would question it, too. It is either, one, he is solidly below cost-- I have an example for you: We have a new dealer who is not even one of our members who seems to be from his voice of foreign extraction. He was told when he took over this station, the salesman insisted, that he sell below cost. The price he was being offered-- That was the way he was going to attract business. That happens to be one of them. There should not be a 40-cent difference normally between any stations of like brand. You hand it to me, and I will go find the answers.

ASSEMBLYMAN COHEN: Were you able to obtain, I mean, through your own organization, information as to particular national brands within the same community, and whether or not there were disparities preexisting August 1 -- subsequent to August 1? That is the type of information we are going to find out one way or another; whether there are two stations in one town in Unior County that had a certain price level pre August

1, and then, not only an increase, but a disparity between the franchises shortly after the invasion. Are you able to get that information, or--

MR. FERRARA: Most times I can. You stand a better chance when you are comparing major brands with refiners. Those who supplement-- Let me use a quick example for you: Gulf Oil was bought out by Chevron, which, in turn, left here to go to the West Coast and battle it out with Atlantic Richfield, which had already left the East Coast here. Getty Oil was bought by Texaco, which, in turn now-- Gulf gave the use of the Gulf name to what, in essence, is Cumberland Farms, which had convenience stores. Texaco gave the Getty name to the Getty Petroleum Company -- not Getty Oil Company of Plainview, New York.

When they got the use of that name, basically they probably were permitted to purchase so many gallons of gasoline from Texaco, or so many gallons of gasoline, perhaps, from Chevron, which had a refinery in Philadelphia. If they exceeded that amount allocated, they may have -- I am saying they may have -- then bought on the spot market, and gotten caught in a trap, and went up.

Citgo is 50% owned by Venezuela. They do not market directly in New Jersey. When I say, "market directly," they supply stations directly-- They deal through distributors, the smaller distributors. But when you have the Getty and the Gulf things-- They went out and expanded their markets. Now comes a shortage, or tight supply, or higher prices, and their supplying companies could say, "Hey, this is all you are going to get. You are only going to draw down 110% of what you drew last year."

ASSEMBLYMAN COHEN: So, they are controlling the market.

MR. FERRARA: Oh, well, they do that.

ASSEMBLYMAN COHEN: They are the market.

MR. FERRARA: Oh, definitely; definitely. And it may be testified that they don't want to run-- "You've been buying on the spot market all the while. You didn't contract to buy more from me, so the hell with you." I mean, the language could be that plain. So I am not going to condemn them and shoot them for doing that. The reason is there. So now those guys go out on the spot market. One company went up five cents, went down five cents, went back up.

Now you have Citgo-- The raise, since the advent of August 1 was as much as 14-and-a-half cents, on the Citgo dealers. I can get you, getting back -- it is a long-winded explanation-- Yes, I can get you comparables; give me the stations. Within reason, most of the fellows will give us the information. They are not all our members. Some may hate our guts. I don't know about that, but normally we can give you the comparative reasons -- I mean, the explanations. Whether I agree with the explanations, is another story, but I can get them for you. Just give me the town, the stations, and the comparables.

In South Jersey, along the coast of the Delaware River, gasoline wholesale prices are cheaper down there than they are in North Jersey, even though we have a law on the books that says tank wagons, unless to beat competition, are supposed to be the same all over New Jersey. Now, if I attempted to exercise that and scream and holler about that, you would have the consumers in South Jersey waiting to string me up. The consumers in North Jersey may love me, I don't know. But that is the fact: that in New Jersey the tank-wagon price is supposed to be the same.

Now, there are a lot of disparities down there. You can get lower prices in Burlington south than you can Burlington north, a differential-- A lot of that is based on different tank wagons, which could amount to two cents to three cents.

ASSEMBLYMAN COHEN: See, there is such a mystery to this entire industry. The more information you get, the cloudier it gets. It's like watching the movie, "The Formula."

MR. FERRARA: Well, you know, Assemblyman, join Pete Rodino, who at one time headed the Judiciary Committee, who tried to take a look at this industry. This goes back some years ago. We were trying to decide whether the industry should be divorced of the retail end. He said, "If you think it is bad here--" When he went overseas, he said, to find out the difference in partnerships in the raw material, he said it was like a spider web. You couldn't separate it.

Now, you've got to remember, overseas they are partners. In fact, the first crisis was a joke. There were companies which raised the price without Sauda Arabia raising it. This was before the Israel conflict. I would bet you they never paid the post Sauda Arabia price -- worldwide price -- for their crude. They may even still be the favored state. I mean., who the hell knows what is going on through the air, but there is no question that during the last crisis, we traced a tanker that didn't move out of the harbor, which was transferred back and forth and sold, until it finally came over here with a justified increase, and they got away with it.

Now, today, during the crisis, on the air-- We were here. We were short hours. I've got to relate these stories, because it is going to happen again. We are short hours here. I challenged the guy from Texaco, a great guy, but it was an unfair fight in a public forum. He said to me, "Well, we're short here." I said, "Well, how do you justify taking a tank of Texaco to Connecticut, two or three to San Francisco, and the news there says, 'Stations can resume being open 24 hours,' when here we are opening 10 or 12 hours?" He said to me, "It was committed." My answer to him was, "If a blood bank came down and there was a massive accident on the Parkway and we needed blood, would you tell me that was committed for a delivery someplace"? But that was the answer. That is the philosophy.

ASSEMBLYMAN COHEN: Because they choose where to redirect the crude. It can either come to the East Coast or it can go to the West Coast. They make the decision, and by making that decision, they also set the prices -- who is going to have, who is not going to have, and when they are going to have.

MR. FERRARA: Well, I loved the answer you got from John Bergman when you asked him about -- when Assemblyman Smith asked me about the advent of the Valdez. The Valdez-- Was it you, sir? (speaking to unidentified Assemblyman) The Valdez was one tanker owned by Exxon. One tanker went down, or whatever it did. The Valdez Harbor was closed for three days; that's all, three days, and you would think the world was coming to an end. They raised prices on the West Coast. Maybe, yeah, because Alaska supplies the West Coast. But why the hell did they raise prices on the East Coast?

ASSEMBLYMAN COHEN: Worse than that is that Mr. Bergman said they didn't have an interest in that product in Alaska. It didn't affect them at all in terms of their reducing what they were selling. Yet -- and the FAX machines must have been worrying internationally -- the next day, everyone, whether they were affected by the product or not, raised their prices.

MR. FERRARA: You know, I--

ASSEMBLYMAN COHEN: They are the market. We are the market.

MR. FERRARA: They are the market. They make it. All I can tell you is, when stock goes down, buy oil stock, because you can't miss. In fact, when Bergman testified, I said-- I have been with him before Congress in other instances. I said, "Bergman has probably been the frankest I have heard him with those two remarks. They are the frankest answers I have gotten out of any oil company recently," because normally you will hear the same story. I have heard it on the air. "It is an international situation. It is complex, and involves oil companies, distributors." As one dealer said, "How come all of a sudden they are quoting the retailers? We never got included before, but now they include the retail part of the marketing."

Just remember that profit is the name of the game, and you will have no problem understanding what is going on.

Thank you.

ASSEMBLYMAN COHEN: Thank you.

ASSEMBLYMAN KRONICK: Thank you very much, Mr. Ferrara. I just want to mention-- I just looked at the sheet. In Hudson County, in a distance of maybe five miles, you have a Sunoco at $1.24.9 and $1.49.9 in Jersey City, a spread of 25 cents.

MR. FERRARA: For the premium?

ASSEMBLYMAN KRONICK: This is for Super.

MR. FERRARA: For Super?

ASSEMBLYMAN KRONICK: Super. This is what Ms. Royer gave us.

MR. FERRARA: That is quite a disparity.

ASSEMBLYMAN KRONICK: Yes, it is.

MR. FERRARA: I know one particular station that always had a pretty high price in Jersey City. The only question I would have there, very quickly, is: Was it a distributor which supplied them? And I've got to be honest with you, I don't know of any Sunoco distributor going into that part of Hudson County. That would be an interesting one to pick to check it out.

ASSEMBLYMAN KRONICK: Thank you very much.

MR. FERRARA: Thank you.

ASSEMBLYMAN KAVANAUGH: Jerry, it's Kavanaugh for Assembly. (laughter)

ASSEMBLYMAN KRONICK: Our next speaker will be Arthur Cifelli, Aide to Mr. Spadoro -- Assemblyman Spadoro.

A R T H U R   C I F E L L I: Good afternoon, Chairman Smith, Chairman Kronick, and Committee members. My name is Arthur Cifelli. I am Legislative Aide to Assemblyman George Spadoro. I am here today on his behalf to express his view that an inquiry into the escalation in gas prices is both necessary and essential to safeguarding the economic interests of New Jersey residents.

In light of the recent occurrences in the Middle East, your hearing here today is timely, and I commend the Chairmen on their cooperative effort in addressing this serious problem.

Although price gouging is not new to us, the methods and industry jargon used to disguise and explain this questionable practice have become sophisticated and complicated, and deserve the Legislature's immediate attention.

Last week's article in The Star-Ledger attributing the rise in gas prices to "spot market fluctuations" did little to convince Assemblyman Spadoro that these increases are justifiable and fair, and not based on greed. Although Assemblyman Spadoro is not an experienced advocate of this topic, this is not the first time that he has been involved with this issue. Last December, in response to a sharp increase in home heating oil prices, Assemblyman Spadoro called for the State Board of Public Utilities to hold a full investigation to determine whether wholesalers unfairly took advantage of New Jersey's captive retail consumers.

Unfortunately for New Jersey consumers, this request was not given the attention it deserved. This year, Assemblyman Spadoro is suggesting that the Legislature assume the responsibility of protecting the consumers of this State from price gougers. In order to address the magnitude and spontaneity of the price increases at filling stations, Assemblyman Spadoro has had the Office of Legislative Services prepare a bill, which he will introduce next month, that will penalize those who have engaged in the practice of price gouging.

Currently, the only recourse available to the Attorney General to pursue cases of price gouging is the Consumer Fraud Act. Although this legislation has proved to be efficacious in protecting consumers from fraudulent products, it has never been used, to the best of our knowledge, in cases of price gouging.

The Assemblyman's legislation would make it easier for the Attorney General's Office to bring civil actions against those responsible for this deplorable practice of price gouging. Under the terms of the bill, any person involved in the sale of motor, home heating, and other fuels in New Jersey, who engages in price gouging, will be subject to a civil penalty of up to $5000. Assemblyman Scerni may be happy to know that Assemblyman Spadoro is looking to increase that to $25,000.

Assemblyman Spadoro hopes that his colleagues in the Legislature, especially the distinguished Chairmen of the Consumer Affairs and Energy and Environment Committees, will join him in his attempt to resolve this problem by co-sponsoring this much needed legislation.

Once again, on behalf of Assemblyman Spadoro, I thank the Chairmen for allowing me to speak here today. I will answer any questions the Committee may have. Thank you.

ASSEMBLYMAN SMITH: Thank you very much.

The representative of New Jersey PIRG is next. Good afternoon. Is that button pushed down on the microphone?

P A T R I C I A D O R S E Y: Yes.

ASSEMBLYMAN SMITH: Okay, now maybe if you would move it a little closer.

MS. DORSEY: Is that better?

ASSEMBLYMAN SMITH: Good.

MS. DORSEY: My name is Patricia Dorsey. I am the Consumer Issues Coordinator for the New Jersey Public Interest Research Group. New Jersey PIRG is the State's largest nonprofit, nonpartisan, environmental, and consumer protection organization in the State. We represent over 70,000 members throughout New Jersey.

New Jersey PIRG has been involved in energy issues since the early '70s. It is unfortunate that over the last 15 years very little progress has been made to create a more self-sufficient energy State where consumers can be better protected from the whims of the oil industry and international events.

Ironically, we find ourselves offering the same policy proposals we did 20 years ago. Some of our projects at that time included working to encourage energy conservation, helping to develop solar energy alternatives, and working to mandate more fuel efficient cars. In 1979, we organized a coalition to challenge State legislators to support the Citizens' Energy Platform, which included such points as tax credits and low interest loans for individuals and businesses that purchased and installed solar energy systems. We supported the creation of the Department of Energy in 1977 and fought for its survival in 1986, when the Kean reorganization plan relegated it to the Department of Commerce and Economic Development, and later to the Board of Public Utilities.

Recent energy developments once again highlight the need for innovative energy action on a State and local level. Fluctuating fuel prices, fuel shortages, and an ever-turbulent situation in the Persian Gulf have combined to recreate a demand for energy policies that are less dependent on giant oil companies, more equitable, cost-effective, environmentally sound, and responsive to consumer needs.

New Jersey PIRG believes that the State and local governments can play a critical role in the development of a self-sufficient energy State through such tools as encouraging an energy industry based on renewable energy supplies and stronger policies on energy conservation. We are pleased to see that the BPU, and its President, Mr. Weiner, are so sensitive and supportive of these types of goals. Consumers ae suffering, though, because of a lack of an aggressive energy plan in the State. In particular, they are being hit by fluctuating fuel costs, whether it is home heating oil or gasoline prices.

Last December, during the "unexpected cold spell," New Jersey PIRG's Research Center documented daily hikes of home heating oil prices. Over just five days, prices increased by as much as 20%. We fielded citizen complaints, but were essentially powerless to offer consumers what they needed, a stable cost for heating their homes. A BPU study reported that shortages were the cause of the sudden rises in prices, but two months later, even after a warm spell and when supplies were stabilized, prices lowered only slightly, and were still 15% more than the November prices. It is clear that it was more than a shortage that drove prices up and kept them up. And yet again this summer, consumers have become powerless victims. Only hours after the announcement of the Iraqi invasion of Kuwait, fuel oil companies were capitalizing on the crisis by jacking up prices on fuel that had already been bought. As studies by the Division of Consumer Affairs show, prices can vary by as much as 40 cents a gallon. These are just two instances of unfair and arbitrary price hikes. Without fundamental change, this kind of consumer abuse will only continue.

This Joint Committee has a very difficult task of sifting through what is surely, and already has been demonstrated from many parts of the energy industry. We will gladly work with the Committees on the proposals of the Attorney General and other propoals that will come forth from you. Unfortunately, however the Committee may decide to act, it may only be a piecemeal approach. It is time to acknowledge what the growing instability of the Persian Gulf and the waivering State economy-- It is time to once again reaffirm the need for a comprehensive State energy policy analysis that has long-term, as well as short-term and emergency plans.

It is long past time for the recreation of the New Jersey Department of Energy that has the same mission that the Department had before it was abolished; that is to supervise the issue and promotion of a State Energy Master Plan to design and implement and enforce comprehensive energy conservation programs, and to administer emergency energy planning. Until the adoption and implementation of an effective and innovative State energy plan, we believe consumers will continue to be victims of the greedy oil industry in volatile, international events.

We thank the Committee again for having these hearings, and we are looking forward to working with you to address the consumer abuses that have occurred.

ASSEMBLYMAN SMITH: Thank you very much.

MS. DORSEY: Thank you very much.

ASSEMBLYMAN SMITH: Any questions for New Jersey PIRG? (no response) There being none, our next speaker will be Catherine Miller, New Jersey Citizen Oil Group.

C A T H E R I N E M I L L E R: Hello and good afternoon. The New Jersey Citizen Oil Group is a nonprofit fuel buyers group started in 1983 by New Jersey Citizen Action. As a fuel buyers group, we are able to provide our members with an alternative to exorbitant home heating fuel costs. Our members save 20% to 25% over the cost of other full service dealers in New Jersey. We currently have over 2100 members and nine oil dealers throughout the State. We are the voice for home heating oil users in New Jersey.

While the media has concentrated on the increase in gasoline prices in the preceding weeks, home heating oil prices have spiked time and time again. Because 41% of New Jersey's homes and businesses heat with oil, the increases in heating oil warrant a premier place in the State's agenda.

Crude oil's price increase from $21 a barrel in late July to $32 per barrel currently has translated into wholesale heating oil prices of 87 cents to 97 cents per gallon. There are attached charts showing the rise in wholesale home heating oil and average retail home heating oil prices. Predictions say, on a worst-case scenario, that a barrel of crude will go as high as $50. If this happens, the retail price of home heating fuel may reach unprecedented highs. Currently, the average retail price of heating oil is $1.13 per gallon, with some dealers charging as much as $1.31 per gallon. The average wholesale price of home heating fuel over the last three years was 67 cents a gallon in August, with retail averages at 93 cents a gallon. This current situation has translated into a 20-cent to 30-cent increase in both the retail and wholesale markets.

Once again, Governor Florio has ordered the BPU to investigate wholesale pricing to determine if there has been price fixing. As of yet, consumers have not been privy to the BPU's findings. However, the BPU was quoted on August 15, 1990 as predicting the cost of crude would fall, lowering wholesale and retail prices. The opposite has happened, and the smart consumer was the one who got on the phone and participated in panic buying.

Because of the events that occurred during last year's oil crisis, namely retail prices as high as $1.50 in some counties in New Jersey, we have every reason to believe that should current trends continue, consumers will once again be forced to bear the weight of an industry that participates in unfair price practices. While the average price of oil in New Jersey was $1.39 per gallon last year, our price was $1.02 per gallon. It is clear that at some point, though the major refineries lowered the wholesale price of oil, retailers throughout the State continued to perpetuate the crisis. Major refiners have placed allocations on oil dealers. This is designed to ensure that at least some supplies will be available for everyone, they say.

The New Jersey Citizen Oil Group worries that the allocations simply allow refiners to continue to increase wholesale prices with regularity and pass the increases on to consumers who now have to wait in line for deliveries, all in the name of fear of replacement product. With summer being the traditional time for oil using consumers to fill their tanks cheaply, consumers who were waiting to fill up in August will find their yearly energy budget way up. Consumers who have no idea of the current prices will be shocked if they wait until November to get their first delivery of oil.

Experts cannot predict the costs of fuel oil this winter. Perhaps experts will be better prepared to offer solutions right now to New Jersey consumers. Perhaps the anti profiteering legislation being promoted in the U.S. Senate will assist consumers next time. The clearest strategic implication of the Middle East crisis is a strong policy emphasis on energy conservation and efficiency in the next few years. For now, we all must suffer.

Thank you very much.

ASSEMBLYMAN SMITH: Thank you, Ms. Miller. Are there any questions for Ms. Miller? Assemblyman Kavanaugh?

ASSEMBLYMAN KAVANAUGH: Just one brief one. Ms. Miller, you used the words, "full service." Is this oil group a full service company?

MS. MILLER: Well, the oil group, per se-- We don't deliver the oil. We have contracts with full service dealers.

ASSEMBLYMAN KAVANAUGH: In other words, the dealers who deliver for the group-- You are a nonprofit organization?

MS. MILLER: Right.

ASSEMBLYMAN KAVANAUGH: The people who deliver for this group-- It is a full service company, contracts and everything else available to you?

MS. MILLER: They have the option of getting the service contract if they want it, yes.

ASSEMBLYMAN KAVANAUGH: Okay. Because I am just looking-- I see that your price today, as far as in the area where I am, is higher. I am just wondering what happened?

MS. MILLER: Well, the way our pricing is done, we are based on the cost of the wholesale. Our dealers are locked in. That is how they charge their prices to our co-op members.

ASSEMBLYMAN KAVANAUGH: Excuse me. Through your list here, what do you have locked in?

MS. MILLER: Well, we have a contract with them, and the contract stipulates their margin.

ASSEMBLYMAN KAVANAUGH: What type of a margin do they receive?

MS. MILLER: It depends. North Jersey, South Jersey, they are all different, and it is all negotiations. I will give you an average of 18 cents over the wholesale indicator, depending on the dealer.

ASSEMBLYMAN KAVANAUGH: All right. Could you make that available to the Committee?

MS. MILLER: Sure.

ASSEMBLYMAN KAVANAUGH: Thank you.

ASSEMBLYMAN SMITH: Thank you, Ms. Miller. Our next speaker will be Hank Page, from Sun Oil. Mr. Page?

HENRY H. PAGE, JR.: Mr. Chairman, members of the Committee: I am Hank Page, Vice President of Public Affairs for Sun Refining and Marketing Company. Sun is a regional, refiner/marketer with over 450 Sunoco stations and 24 Atlantic stations in New Jersey. I appreciate the opportunity to talk with members of the Consumer Affairs and Energy and Environment Committees of the New Jersey General Assembly to attempt to explain Sun's views of the petroleum market over the past few weeks.

Since the Iraqi invasion of Kuwait disrupted world oil markets, there has been considerable attention to the impact on the American public. We understand those concerns because rising prices pose problems for our customers. I will share some numbers with you today to show that this recent situation has posed some very difficult challenges for our company also.

With that, Mr. Chairman, what I would like to do is show you the charts. I will basically cover what is in my remarks, but I would like you to look at these because I think they are descriptive of some of the questions that have been asked today. You have these charts. Can you all hear me all right if I do it this way? (moving to a different microphone)

ASSEMBLYMAN KRONICK: Yes.

ASSEMBLYMAN SMITH: But, you know, the people in the audience can't see them. Why don't you go to the side and put them on the desk so that everybody in the audience can see them as well?

MR. PAGE: Okay, I would be happy to. The first chart is this question of lag time. I hear a lot of talk about, "How fast you got that crude oil. You got that product some time ago. How come the price goes up immediately?" This chart is intended to be descriptive of how the system works. What we have in the Sun Company is a process inside this box you see on the chart, where everyday we put 600,000 barrels of crude oil and finished product in and we take 600,000 barrels of product out. When the cost goes up for what goes in, the cost has to go up also for what comes out.

ASSEMBLYMAN SMITH: How immediate is immediate, Mr. Page?

MR. PAGE: Basically, a next-day kind of thing.

ASSEMBLYMAN SMITH: So you're telling me that tomorrow we can expect that your company will have a 10% decrease in your gasoline prices because the spot price dropped by 10% today?

MR. PAGE: I don't believe so. If you will let me, we will get to the difference-- (remainder indiscernible; speaking off mike)

What you have to look at is how the system works. If you put 600,000 barrels in, if you take 600,000 out, in the inventory it seems like a big number. There are 19 million barrels of crude oil inventory, and some 12 million or 13 million barrels of product. That is what it takes to make the system work. If you take that out, then you start running dry in various locations. So that is simply what it takes to make the system operate.

Okay, the next chart--

ASSEMBLYMAN KAVANAUGH: Is that known as an oil spill?

MR. PAGE: --shows what has happened with prices. Can you hear me okay?

ASSEMBLYMAN KRONICK: Yes. That is the recording mike, so it is important.

ASSEMBLYMAN KAVANAUGH: Hold both mikes.

MR. PAGE: The next chart shows what has happened with prices from June 1 to August 20. We picked the crude, delivered Brent. That is basically the price we paid for crude going into our Marcus Hook Refinery. It is not exact, but it is basically the price we paid. And you can see what happened as, in anticipation of an OPEC agreement, the prices actually started up for crude oil during the month of July and, in fact, increased 25%, or 10 cents per gallon over that time period. You will see price to the dealer didn't change during that same period, so there were costs being incurred by refiners that were not being recovered during the month of July.

The Iraqi invasion occurred, and the price took off, and the price went up, over a period of a few days, from $20 a barrel to $28 a barrel, and then started fluttering around down to $26, up to $32, but this chart ends with August 20, and it makes a point. It doesn't matter whether it went up or down a couple of dollars, it makes a point.

You can see what happened -- the margin -- between the crude oil and the dealer price, and how that margin got squeezed. You can see that these cost increases are not fully reflected in this price. So, while to you the market went up very quickly, and indeed it did, it has not gone up sufficiently to recover these increased costs.

Now, on the other hand, there is another market here called the "spot market for gasoline." The spot market for gasoline is very responsive to crises in the world market, and it has gone up in that the standard margin over the last few days between spot gasoline and crude oil. One of the effects is how people feel about the availability of spot gas. What we have to understand is, this market has reacted to emotion; not to physical shortages, but to emotion, the same way the stock market does. We may not like the way it works, but that is the way it works.

ASSEMBLYMAN KAVANAUGH: Mr. Chairman, may I ask a question right at the moment?

ASSEMBLYMAN KRONICK: Yes, Assemblyman Kavanaugh?

ASSEMBLYMAN KAVANAUGH: You have a margin there of some 40 cents a gallon for unleaded regular. What is the normal margin? That seems to me like an undue spread that you have there. Historically, what has your spread been?

MR. PAGE: I can't give you the historical spread on that, but the next chart is responsive to the question, I think. The question is: How much money do the refiners make? Isn't that the question?

ASSEMBLYMAN KAVANAUGH: Well, I am just-- You're making a position there showing like a 40-cent spread.

MR. PAGE: I would be happy to respond to that in writing, but I can't tell you what that should be for any given refinery, because it varies.

ASSEMBLYMAN KAVANAUGH: Let me just be clear, Mr. Chairman. If I am correct, that 40 cents is your cost, or what you are selling it--

MR. PAGE: No, this is our crude cost. For example, at the Marcus Hook Refinery, this is our crude cost.

ASSEMBLYMAN KAVANAUGH: And what is that dollar price?

MR. PAGE: Around 40 cents.

ASSEMBLYMAN KAVANAUGH: No, no, no, the dollar price up above that; the 80-cent dollar price. Is that the dealer's cost, or is that what you are selling--

MR. PAGE: This is the dealer tank wagon price. This is the distributor rack price.

ASSEMBLYMAN KAVANAUGH: Okay. The dealer tank wagon. It is costing---

MR. PAGE: This is the price at which we deliver to a Sunoco dealer.

ASSEMBLYMAN KAVANAUGH: Eighty cents.

MR. PAGE: Direct account.

ASSEMBLYMAN KAVANAUGH: Okay. So, in other words, now there is still a margin of some 15 cents to 18 cents above that to the end user?

MR. PAGE: The dealer has to put on tax -- excise taxes, plus his margin.

ASSEMBLYMAN KAVANAUGH: So what is it, a 22-cent or 23-cent tax, and then another 15 cents to 18 cents over that for profit?

MR. PAGE: Yeah. And don't use this example. This happens to be a Pennsylvania price. New Jersey is a few cents less than that. I use it only because it is descriptive. It makes the point, not that the numbers are precise.

ASSEMBLYMAN KAVANAUGH: The only thing I'm saying is that you are showing here that you are grossing 40 cents a gallon.

MR. PAGE: That is a larger margin that you would normally see for a refinery during the month of June.

ASSEMBLYMAN KAVANAUGH: I think if you go back a couple of years, you will see a little closer as far as that-- You would be in the 15-cent or 20-cent area.

MR. PAGE: This margin is bigger than we would normally expect to see. June was a good month. In fact, it was a record month.

ASSEMBLYMAN KAVANAUGH: As Jerry said, "The name of the game is profit," right?

MR. PAGE: I wouldn't put it that way, but we are in business to make money.

ASSEMBLYMAN SMITH: What would you consider gouging to be?

MR. PAGE: What would I consider gouging to be?

ASSEMBLYMAN SMITH: Yeah. What should be the profit to an oil company on a gallon of gasoline?

MR. PAGE: May I move to one more chart?

ASSEMBLYMAN SMITH: Why don't you answer the question?

MR. PAGE: Well, because I think this does answer the question.

ASSEMBLYMAN SMITH: All right. If it doesn't, I will ask you the question again.

MR. PAGE: I will be happy to respond, if this doesn't do it.

ASSEMBLYMAN SMITH: All right.

MR. PAGE: This is a chart of the competitive earnings in cents per gallon of product sold for the 12 major companies. You will see 11 of them listed there, and Sun is the twelfth. We tracked this, because we like to know how we compare to our competitors. Let me say this: This is only refining and marketing and related businesses. It has nothing to do with the production end of the business. It has nothing to do with crude oil or natural gas. These are companies buying crude oil and selling product into a competitive market. It includes all product sold by refiner/marketers. Okay?

What this says is, over this five-and-a-half year period, the best refiner/marketer during that period got five cents a gallon on the products he sold, net after tax. And the worst was the half percent.

ASSEMBLYMAN KAVANAUGH: On a 40-cent gross?

MR. PAGE: Excuse me?

ASSEMBLYMAN KAVANAUGH: On a 40-cent margin?

MR. PAGE: No. What I said was, during this five-and-a-half year period, the best refiner/marketer earned a nickel a gallon on all product sold over the course of the year. The fact that the margin might be high in June perhaps is making up for the low margin in January or November or December. But over the-- You've got to look at a year. You can't look at one month in isolation and decide that you are going to base the industry's performance on that.

ASSEMBLYMAN KAVANAUGH: You brought the charts.

MR. PAGE: That's right. These are annual profit numbers. Now, the average over this period is two-and-a-half cents. So, the point of this chart is, it is a pennies business. It isn't 20 cents a gallon that you put in your pocket at the end of the year. It is a pennies business.

ASSEMBLYMAN KRONICK: Mr. Page?

MR. PAGE: Yes?

ASSEMBLYMAN KRONICK: If I may, please, I want to pick up on what Assemblyman Kavanaugh said. If we go to June of this year, from your first chart, where we saw a spread of 40 cents to 80 cents, which we said was a 40-cent gross--

MR. PAGE: Right.

ASSEMBLYMAN KRONICK: If we look at the second chart you just showed, 1990, the second quarter year to date, the first six months-- Out of the 40 cents -- at least June's, one month of that-- It looks like that 40 cents was pretty much consistent throughout June, I would guess from this chart, approximately.

MR. PAGE: Yes.

ASSEMBLYMAN KRONICK: You are only netting something like 4.4 cents -- your earnings? You range from--

MR. PAGE: Sir, the 4.4 is from--

ASSEMBLYMAN KRONICK: Out of the 40-cent gross, you averaged from six tenths of a cent to 4.4 cents.

MR. PAGE: What I said was, "What that chart says is the first six months of 1990, the best refining and marketing company earned 4.4 cents per gallon average overall product sold."

Now, what you have to keep in mind-- For example, asphalt, in this recent price runup-- Asphalt hasn't moved at all. There has been no increase in asphalt price.

ASSEMBLYMAN KRONICK: Why is that, sir?

MR. PAGE: The market won't take it.

ASSEMBLYMAN KRONICK: There's not that much demand; there is not the demand.

MR. PAGE: The market will not permit the increase. There are people willing to sell it at no increase. Therefore, the market will not accept an increase in the price of asphalt.

Lube oils have not recovered anywhere near a cost increase for crude. In fact, as you can see, gasoline has not recovered. Sun's gasoline price in New Jersey has gone up-- Let's see, the numbers-- Excuse me, I am having trouble finding it, but it is in my testimony. Crude costs have gone up over 30 cents a gallon and our branded dealers in Trenton, as of today-- Their price has gone up 12 cents, and that is through the addition of two cents on Friday.

ASSEMBLYMAN KAVANAUGH: Since when, since the Kuwait--

MR. PAGE: This is since early July -- July 3.

ASSEMBLYMAN KAVANAUGH: Yeah, because you have gone up a total of 22 cents since the beginning of the year; 11 cents since August 7.

MR. PAGE: I'm sorry?

ASSEMBLYMAN KAVANAUGH: You went up 11 cents between August 1 to August 14. Year to date, you have gone up 22 cents.

MR. PAGE: August 1--

ASSEMBLYMAN KAVANAUGH: August 1 to August 24, you went up 11 cents. Year to date--

MR. PAGE: Yes, because we went down a penny at the end of July. Then we went back up. Let's say since July 3 -- since July 3 -- dealer tank wagon in Trenton has gone from 77.70 to, on the 24th, 87.70, and then we went up two cents after the 24th. So, that's 89.70 -- 77.70 to 89.70 over that period of time.

ASSEMBLYMAN KAVANAUGH: Mr. Chairman, I don't want to get into a discussion, but it almost seems like maybe Washington should be checking the books, rather than us checking the prices. If you are looking at a 40-cent margin and you are only making four cents, somebody-- There is a little slippage there, leakage, or something. I don't understand.

May I ask the question again? What was your average margin -- your average margin for from the -- whatever you like -- take the fiscal year, the calendar year, for the past year or two years? What is your average margin on ULR? Or, wouldn't you have those figures available?

MR. PAGE: If the question is on gasoline, I don't have that number with me. I would be happy to supply it. But I can tell you, Sun is not at the top of any of those blocks.

ASSEMBLYMAN KAVANAUGH: These majors, you know, they have more accountants than we have people in Legislative Services.

MR. PAGE: Sir, let me suggest to you that there is no place to hide money. At the end of the year, you have a certain after-tax profit, and there is no place to hide money.

ASSEMBLYMAN KAVANAUGH: If you were in a business and you were selling cider and it cost you 40 cents a gallon, and you were selling it for 80 cents, and then you put in your costs, that crude cost-- Do you think it is going to cost you 40 cents to bottle it and put it out on a stand and sell it? No way.

MR. PAGE: No, but you have to understand that we bring the crude oil in. We have to transport it; we have to refine it; we have to--

ASSEMBLYMAN KAVANAUGH: Three cents a gallon is what we were told.

MR. PAGE: Excuse me? For refining? No, sir.

ASSEMBLYMAN KAVANAUGH: No, no, transportation; transportation.

MR. PAGE: Transportation is, but refining is much more than three cents a gallon.

ASSEMBLYMAN KAVANAUGH: Roughly how much?

MR. PAGE: Sir, I won't argue the point that 40 cents is a sizable margin. I told you that it was our most profitable month in the last five months. There is no question about that. That is not a normal margin. The normal margin -- gross margin -- is much smaller than that, and I would be happy to supply those numbers.

ASSEMBLYMAN KAVANAUGH: Through you, Mr. Chairman-- All right, but then, who controls the margin? What you are telling us is, if everyone cut back and there wasn't any demand for gasoline, you would become more competitive, because didn't you say that with the bituminous products or asphalt, as we call it, they won't stand for the increase, so you don't raise the price? If the people didn't stand for the increase in the gasoline, you would be more competitive in your price. Is that correct?

MR. PAGE: Sir, the market-- As you can see, the market is not allowing full cost recovery for gasoline. You can see the increase in crude oil price of about 30 cents a gallon, and the increase in gasoline prices in New Jersey of 12, as an 18-cent reduction in margin, which has occurred since early July.

ASSEMBLYMAN KRONICK: Assemblyman Kavanaugh, are you finished for now?

ASSEMBLYMAN KAVANAUGH: Yes, thank you.

ASSEMBLYMAN KRONICK: Assemblyman Smith, do you have any questions?

ASSEMBLYMAN SMITH: Yes. Mr. Page, what is the source of the charts -- the source of the information on the charts? It is not referenced in any way.

MR. PAGE: It is 10Ks -- stuff we dig out of annual reports; 10Ks the newspaper -- The Wall Street Journal, The New York Times -- that sort of thing.

ASSEMBLYMAN SMITH: Okay. Let me suggest that for future presentations to any legislative committee that it would be a good idea, on any charts or tables, to reference where the data is from. It would give it much more an air of credibility. All right?

MR. PAGE: Yes, sir, I'll do that.

ASSEMBLYMAN SMITH: Let me also suggest that competitive earnings is half the measure by which the public or this Committee should evaluate how oil refiners, or petroleum companies are performing, and whether or not they are acting with due regard to the public. The reason for that, of course, is that earnings is a net figure. That is after you have paid all your corporate executives; after you have paid for exploration; after you have paid for the new headquarters; after you have paid for the corporate jet. It doesn't necessarily reflect how you have treated your consumers. So, competitive earnings, at least to me, doesn't provide a winning argument.

Let me go back to the question that you didn't answer: In your opinion, what would be gouging on the part of a major petroleum refiner?

MR. PAGE: I think gouging at any time by any one would be charging significantly more for a product--

ASSEMBLYMAN SMITH: Than it cost to refine it -- to purchase it and refine it and transport it?

MR. PAGE: Well, then historical numbers would support. I think you have to somewhere tie it into historical; otherwise, how do you define that?

ASSEMBLYMAN SMITH: All right. What do you mean by the word "significant"? I mean, what is a significant increase over your costs?

MR. PAGE: I don't know. I don't know whether it would be a penny, or two pennies, or three pennies.

ASSEMBLYMAN SMITH: Well, I would strongly recommend to the industry that they give us a few ideas. Otherwise, we ae going to make up our own numbers. I don't think you would find that to be pleasant, especially if there are criminal penalties associated with it. I think we need quantitative, objective standards for what should be considered gouging by the industry. Tell us what the correct numbers should be, or at least your opinion of them, and we will be happy to consider them. But, don't come in and say, "I don't know."

MR. PAGE: Is it different for a gallon of gasoline than for a head of lettuce -- the definition of "gouging"?

ASSEMBLYMAN SMITH: Let me tell you the difference: The difference is that a head of lettuce, while it is subject to the same kind of consumer fraud laws-- I don't have, in my office, 1000 people calling my office saying that they have been ravished by a farmer who charged them outrageous prices for a head of lettuce. I do have, in my legislative office, hundreds of letters and calls from people who feel they have been ravished by the oil companies, and who have a history that is not particularly -- that doesn't show them to be the most altruistic corporate sector of America.

So, what I am suggesting to you, respectfully, is, don't tell me that there isn't a problem. Don't tell me that gouging doesn't go on. Don't tell me that, like beauty, "It is in the eye of the beholder." Give me some objective standards. Otherwise, we are going to develop our own, and that is going to be unpleasant for you.

MR. PAGE: I would be happy to do some work on that.

ASSEMBLYMAN KRONICK: Any other questions from the Committee?

ASSEMBLYMAN COHEN: Yes, if I may, Mr. Chairman. When you purchase, is your price based upon what the cost is at delivery, and how is "delivery" defined?

MR. PAGE: Most of the crude we purchase is based on the cost at time of lifting, which is when you load it on the ship. We do buy--

ASSEMBLYMAN COHEN: So, if you go to the port in Kuwait with your own tanker, or someone you have contracted with, your cost for that crude is as it is delivered at the port? When you purchase, and you are negotiating--

MR. PAGE: For most of our crude, that is correct. In the Texas oil field, it is when we put it on a truck out of a tank, or when we take it out of a tank into our pipeline. In Venezuela, it is when we put it on a ship. Most of it is when it is loaded.

ASSEMBLYMAN COHEN: So, in other words, you go to Kuwait and they put in your tanker 600,000 of crude. You are paying at that time what the cost is at that point, correct?

MR. PAGE: Yes, sir.

ASSEMBLYMAN COHEN: Your cost is not if it takes 45 days to bring it to the United States when you are paying the producer?

MR. PAGE: Not on most of our crude. That is correct.

ASSEMBLYMAN COHEN: In the industry, do you know if any other oil companies do it the same way you do, in terms of purchasing crude?

MR. PAGE: I have heard testimony given that--

ASSEMBLYMAN COHEN: I have heard it, too.

MR. PAGE: --suggests that crude -- much of the crude is purchased at time of delivery, or priced at time of delivery. I have no reason to doubt that testimony. I have no direct knowledge of what other companies do, other than through their public testimony. But I would suggest to you that it makes no difference.

ASSEMBLYMAN COHEN: How many states do you service?

MR. PAGE: Fourteen or 15. We are predominantly an East Coast, Northeast regional refiner/marketer; Massachusetts through northern Virginia, Ohio, Michigan, Oklahoma.

ASSEMBLYMAN KRONICK: If I may, would the price your dealers in a section of a State -- New Jersey-- If we talked about all of the dealers in northern New Jersey, would they be buying at the same price if their average tank capacities were the same? Would they be paying the same price, or does that vary?

MR. PAGE: I know that within the State of New Jersey there is more than one zone, and we have zone pricing. To the extent that if northern New Jersey -- and I don't know this for sure-- If northern New Jersey were two zones, then there could be two different prices.

ASSEMBLYMAN KRONICK: Okay, but everybody in zone one--

MR. PAGE: Would be the same price.

ASSEMBLYMAN KRONICK: Exactly the same price.

MR. PAGE: Yes, sir.

ASSEMBLYMAN KRONICK: There are no competitive factors that enter into it?

MR. PAGE: There are volume allowances.

ASSEMBLYMAN KRONICK: Volume allowances only--

MR. PAGE: Yes.

ASSEMBLYMAN KRONICK: --that would dictate that one guy might get it for a penny less or a penny more, based on his volume of purchases?

MR. PAGE: Yes.

ASSEMBLYMAN KRONICK: Any other questions?

ASSEMBLYMAN SMITH: No, none.

ASSEMBLYMAN KRONICK: Thank you very much, Mr. Page.

MR. PAGE: Thank you. I will be happy, at any time, to follow up on any questions you may have.

ASSEMBLYMAN KRONICK: I think with some of the comments from Assemblyman Smith, it would be in order if you could provide that data.

ASSEMBLYMAN SMITH: Well, especially a statement -- an objective standard for the petroleum industry about what should be considered gouging.

MR. PAGE: I would be happy to.

ASSEMBLYMAN KRONICK: That would be helpful.

ASSEMBLYMAN SMITH: Very.

ASSEMBLYMAN KRONICK: Thank you very much.

Our next speaker will be Mr. Fred Sacco, Fuel Merchants Association of New Jersey. We are winding down, and I hope we can finish in the next 30 minutes.

F R E D J. S A C C O: Thank you very much, Assemblyman. I have already given you a packet which has a copy of my statement. I am going to try to skip through this because most of you now know what the Fuel Merchants Association is.

I have with me Richard Mohrfeld, of Mohrfeld, Inc., who is a retail home heating dealer in the Camden/Burlington area, and I also have with me Carl Braun, Jr., who is a gasoline distributor, a wholesaler, serving both commercial accounts and retail service stations.

Before I start my statement, I would like to give this to you because it shows you pricing for product. Remember, you have to add taxes to all of this, but this represents about 14 states.

I know you asked the question about pricing in other states. This will give you a pretty good indication of what is happening in Pad 1, which is the petroleum district on the East Coast. Again, I would like to let you know, from some anecdotal data, that the Midwest prices are considerably higher than they are here at the present time.

May I quickly go into this presentation? (no response) I would like to talk supply, price escalation, any competitive actions by the major oil company suppliers, and provide some recommendations by our Association which we feel could be implemented to ease the impact. Some of these steps require Federal action, and others the State could implement.

By now you have heard all the press accounts and you have heard the presentations about supply. There is no shortage of petroleum in the world. Actually, nearly one-third to one-half-- If you listen to pure petroleum analysts, if you listen to (indiscernible) and Vera Lagger (phonetic spelling), which are prominent names in terms of analyses, they will tell you that nearly one-third to one-half of the five million barrels that were being reported, were really surplus. So it is easy to pick up production by OPEC and non-OPEC countries, to get us to the point where we can meet demands.

I have given you, in that packet, prices. It shows you wholesale prices from July 31, and it shows you prices as of August 20 or 21, which give you a very clear indication of where the wholesale prices for both gasoline and heating oil have moved.

I also gave you data that gave the clearest signal to the world of what was going to happen. This is a July 31 document. I very nearly sent a telegram to all of the members of the Fuel Merchants Association to urge them to buy oil today, because it gives you an indivation of what is going to happen between Iraq and Kuwait.

The information that we have received from our membership indicates clearly that the overwhelming majority have not passed on to their retail customers all of their wholesale costs, which they are receiving from the major oil company suppliers. Even more important is the fact that the major oil companies have not passed on the increases that they are giving either fairly or equitably. There are hundreds of independent marketers, and at least 1200 FMA member-supplied service stations across New Jersey, which are being miscast as culprits for taking advantage of the marketplace. The perception is that they are taking advantage of the consumers and are charging higher prices.

The fact is, many of the service station dealers have received higher wholesale increases than his fellow dealers flying the same major oil company flag. An inequity exists in the pricing mechanisms the major oil companies are using during this period. Commercial users of gasoline, farmers, industrial users are paying higher prices than many of the company-supplied service stations and the company-supplied/company operated service stations.

I am going to stop and ask Carl Braun to tell you about his company and how he has been treated by major suppliers with respect to the wholesale marketplace, so you can see how that is tracking. Then I will have Richard talk to you about heating oil so you can see clearly where we are. Then I would like to give you some recommendations that I think would help to ease a great deal of the concerns. Carl?

C A R L G. B R A U N, JR.: I have prepared some comments that I would like to read to you. All right?

MR. SACCO: They are in your packet, gentlemen.

MR. BRAUN: Good afternoon. My name is Carl Braun. I am Executive Vice President of Kimber Petroleum Corporation. I am here today to present to you a view of our company.

Kimber Petroleum has been a petroleum marketer in the State of New Jersey since 1937. Our President and CEO is the second generation family member and the third generation is currently responsible for our direct and dealer marketing operation. Today, we market petroleum products through approximately 70 retail service stations, flying the Amoco or Mobil flag. We employ approximately 260 people in our retail operation, and are indirectly responsible for hundreds of others in our dealer group. We will sell nearly 60 million gallons of gasoline this year, making us the largest independent motor fuel distributor in the State. We rank seventh overall in retail gasoline sales in the State.

The past five years have been the most dramatic in our entire company's history. Major oil company acquisitions and mergers have significantly reduced the number of suppliers, leaving us very limited choices -- play on the "big guy's" team, or don't play.

Environmental issues, our company's number one concern, have taken a tremendous portion of our resources. To rebuild an existing facility today takes a minimum of 18 months to get through permitting, and $1 million to construct a state-of-the-art facility on existing land. The environmental concern alone has reduced the number of our marketing facilities from 120 to 70 -- a reduction of more than 40%.

State and Federal franchise laws have become the instrument to govern the relationship between supplier and customer at all levels of distribution. Under the franchise relationship, our supplier has required our marketing facility to meet minimum image standards or terminate the relationship. As a result, there is no apparent difference between our company's facilities and our supplier's. Our company's mere existence is directly controlled by our supplier.

Today, the crisis in the Middle East, without a doubt, has caused the concern for the future availability and price of petroleum products. In New Jersey, the major suppliers monitor both the competitive "dealer tank wagon" price -- the price at which a supplier sells to its retail dealers -- and the "spot market" price -- the competitive wholesale price. Since July 1, the dealer and spot price have remained very competitive, meaning the prices charged among the suppliers were all extremely close. This has led to the following:

Since July 1, our suppliers have raised their price to us 17.2 cents and 18.5 cents, while they have raised the price to their dealers 11.9 and 12.9. I would like to add at this point that this price increase does not reflect the 7.1 gross receipts tax which was passed on directly to the consumer, which is approximately three cents. In fact, they raised the price to us approximately five-and-a-half cents more than to their own dealers. What our suppliers did was eliminate our wholesale margin.

On July 1, our company's price to our dealer was the same as our supplier's was to their dealer. Today, as a result of the elimination of our margin, our price to our dealer is five-and-a-half cents more than the price to our supplier's own dealer.

We have done everything we can do to remain competitive to survive, including passing along to our customers only 85% of the price increases, which has had a devastating effect on our wholesale margin, making us uncompetitive in the dealer channel and unprofitable at all levels.

The Governor and other New Jersey officials are urging the consumers to be "price spotters"; to buy from the lowest price dealer and boycott the highest price dealer. This has driven the customer to the major brand supplied and operated stations.

We believe in a free marketplace. We believe that we provide a service and a benefit to the consumer by spurring necessary competition. Today we are fighting for survival in the marketplace. We are not "price gougers." We came here today to show you how two service stations looking exactly the same could, and do, have very different prices.

ASSEMBLYMAN KRONICK: Thank you. Did the other gentleman want to say something?

MR. SACCO: Richard?

RICHARD G. MOHRFELD: Mr. Chairman, members of the Committee: Thank you once again for hearing us from the FMA. I have been up here a couple of times, and I know Carl has been here before. Our business has been in business since 1911. I am the third generation. We are 25 employees, with about 3200 heating oil accounts. We serve the Camden, Burlington, and Gloucester County areas. I hope we are not the most expensive; I'm sure we are not the least expensive. We are what would be known as a "full service heating oil distributor."

A couple of things from earlier comments: I think it was the gentleman from the Attorney General's Office who mentioned that the quoted price on oil frequently turns out to be not the delivered price. I would like to know how you get away with that? If I could do that, I would be very interested in it, but really I think historically our industry, and the operators in it -- the retailers -- if we quote you a price today for oil delivered, or whatever it is, if you ask to have it delivered, we live with the price we quoted you. If that is not the case, that should be looked into, but it is not true in our history, which is all I can speak for.

The other thing is, the advice that the State has been giving people to shop and be the best consumer they can be, is well-founded, but one of the things they may have to consider is the source of supply. I have contract arrangements with my two major suppliers that dictate that I buy certain volumes throughout the year. Obviously, the heating oil business is more highly intensive in the December, January, February periods. It assures me of supply, because I do not have enough storage of my own in order to accommodate all of the needs of my customers for the entire season. We do, in fact, buy some supply out of that contract period, but it is minimal, it has to be, and I think you will find that with retail heating oil dealers, and perhaps gasoline dealers, we have to be very responsive to those contracts. That locks us into certain major suppliers. Hopefully we will make the best judgment there, and of course annually we can change that. But it is not something you can change on the spur of the moment.

Just for your information, by August 24, 1989, my company delivered about 27,000 gallons of heating oil in the month of August to our entire gambit of retail customers. By August 24 -- last Friday -- of 1990, the same month period, 52,440. Are people panic buying? To a certain extent, yes. Do we advise them to? No, not under a panic condition, but when they see constantly increasing prices, if they have the ability to put some storage in, they do. We are living with that now. That may well show up as a problem to other users of No. 2 fuel; transportation, possibly Jet A, that kind of thing, in the early fall. We are not having any trouble getting supplies. The costs, of course, are higher.

You may not want to listen to this. I am going to give some price information that we are not supposed to talk about. But, in any case--

MR. SACCO: I think you can give it to this Committee.

MR. MOHRFELD: Okay. On August 1, I buy about half of my volume from Coastal, and about half from Mobil. They are both local refinery operations in South Jersey, in the Paulsboro area. I hope there is security in having them as refiners -- having them being our major suppliers. That was our idea in setting it up.

The average cost to us, splitting those two evenly, was just a hair over 60 cents on August 1. My average cost on August 24 -- again, last Friday -- was almost 92 cents. That is a 31-cent or 32-cent increase, at a point in time when heating oil is not a high volume product for people.

Our retail price at the point in time of August 1 was 96 cents, which gave us a gross of almost 36 cents, and I need about 34 cents to operate. On August 24, $1.15, which gave us 23 cents, or just a hair over, so obviously August and the summer months are going to be a loss for us. They might normally be. There is going to be a pretty good wham in the fall to the consumer, when we have to recover the costs to operate.

Those are the extent of my comments. I would be happy to entertain any questions.

MR. SACCO: Mr. Chairman, may I just make a couple of quick points, and then address any questions?

ASSEMBLYMAN KRONICK: Yes, please, Mr. Sacco.

MR. SACCO: I would just like to reiterate another point here: It is truly a sad commentary when the call being made by State of New Jersey officials is asking consumers to buy cheaper gasoline and heating oil, when what they are actually doing is driving the consumer to the major oil directly supplied in company-operated service stations. So, big oil is getting the best of all worlds, and that is an unfortunate situation that we are faced with today.

I really feel sorry for Jerry's guys. Twelve hundred of them that I know in New Jersey are paying higher wholesale prices for their gasoline than the same guy with the same flag two blocks down the street.

I will quickly go over two more points: Another player in this price cycle that can have a major impact as we get further into the home heating oil season, is the practice of permitting the utilities to sell interruptable natural gas.

When it gets cold, the below-market-cost natural gas that is being purchased far below what the residential users are paying, is shut off. These users, the major industrial sector and commercial sector of our economy, scramble into the home heating oil marketplace and force up the cost to the resident users of heating oil.

Last year, during the coldest period in late December, the surge of additional home heating oil purchases to supply companies which were buying below-market cheap natural gas, reached 500,000 barrels a day, and some estimates are between 10% and 20% impact on the wholesale cost for home heating oil. This could be as much as 20 cents per gallon that the residential users were forced to shell out to subsidize the people who were buying the cheap product.

I would like to give you these recommendations because I believe they will solve the problem. In the packet you are going to see a letter addressed to the President of the United States. We had a meeting on August 2, and put this think in motion. We called for the use of the Strategic Petroleum Reserve. We believe that all the President of the United States has to do is call for an auction. He doesn't even have to auction the oil. If he were to give the perception that he was going to put 250,000 barrels of oil a day back into the system in the United States, I believe it would do a great deal to ease speculation. All he has to do is say he is going to auction it, because you will find out that we are a psychologically driven marketplace.

This Legislature and the administration -- my second point -- should adopt a policy that would eliminate the interruptable natural gas market. Energy users should be required to make their call. You make the call now by September 15, not later, on whether you are going to use heating oil or whether you are going to use natural gas as an energy user. The only exceptions are going to be if the major user has an assured 30-day supply of heating oil.

You, the Legislature, this administration -- we talked to the President of the BPU-- We owe it to the home heating oil users to ensure that they are not going to face the price hikes again this winter of 10 cents or 20 cents because the natural gas utilities are permitted to manipulate the marketplace.

My third point: The conservation effort has to be strengthened for both gasoline and heating oil consumption. If you were to assess the impact of the conservation ethic that was prevalent in the early 1980s but slackened as the decade came to a close, you would find statistics showing that fossil fuel consumption was reduced by between 25% and 30%. If we had not done this, I would be appearing before this Committee discussing with you the odd and even formulas, brownouts, shutdowns, etc., because we would have been using nearly four million more barrels a day of petroleum than we are presently using.

The point I would like to drive home here is, if the American public understands that this isn't an oil company con and that it is time to begin sacrificing, we will get through this. The consumer in New Jersey has done it on at least four different occasions. You give them the call; you tell them it is time to conserve; and they will conserve.

Fourth: The President should give serious consideration to suspension of the commodity trading of energy for the near term. Because of the psychological impact and the volatility traders bring to the table, we have the tail wagging the dog with respect to upward spirals of petroleum prices. Something is out of kilter if some guy with a lap-top computer sitting up in Vermont can be boasting at a cocktail party of the hundreds of thousands of dollars made in a couple of days trading petroleum futures, hinged totally on the invasion of Kuwait. Something is wrong!

Two-thirds of FMA's members are small, family-run companies 40 to 50 years old, with buildings, trucks, storage tanks, payrolls, etc. supplying home heating oil to 700 to 1000 customers. They can barely find that kind of a gross profit in a given year. So, something is out of whack.

The fifth point I would like to make: State-run programs using the oil overcharge money from the earlier big oil price shenanigans should be accelerated to permit equipment purchases for modernization. Flame retention burners will provide an average of 16% reduction in consumption of heating oil for every one installed. If we put in new equipment, we can save 40% -- if we put in a whole new burner, a whole new boiler or furnace. Recent surveys conducted indicate that since 1981, Fuel Merchants' members have installed nearly 400,000 new high efficiency burners. That is why we are able to account for this 28% reduction.

Sixth, and a very important point we didn't harp on in earlier times: The Motor Fuels Committee of our National Association -- our National Association of 10,000 independent marketers across the country -- are now calling for the divestiture and divorcement of the major oil companies' from the pump at the service stations. We are saying that it is time now to look at the refiners and preclude them from operating retail service stations. There is something wrong when they control 70% of all the gasoline service station real estate in New Jersey.

The majors have heeded the call for restraint on retail gasoline prices, without providing the same restraints at the wholesale level. We are facing artificial restrictions on supply, while the direct major oil company service stations have all the supply they need. We went through this through the embargo periods as well.

Worse, they have the lowest prices in the marketplace. I would like to say again, we asked the BPU, and we asked the Office of Consumer Affairs, to determine in their price surveys if the lowest priced stations are company operated versus dealer operated.

I thank you very much for giving me the opportunity to make this presentation before this Committee. We will address any questions you would like to present to us.

ASSEMBLYMAN KRONICK: Thank you, Mr. Sacco. You have certainly come forward with some very good suggestions, and I think you are the first to do so. We appreciate that.

At this point, I think we do have some questions from the Committee. Chairman Smith?

ASSEMBLYMAN SMITH: Mr. Sacco, I have to say that your remarks were the most stimulating of the entire day -- you and your colleagues.

MR. SACCO: It might be the lateness of the hour, sir.

ASSEMBLYMAN SMITH: No, no, no, no, I thought-- I am not sure if you realized what you were saying, but what I read from what you were saying was, there is a pattern or practice of activities by the major oil companies in the State of New Jersey where they have a lock on refining, distribution, and retailing of gasoline; and that in effect there is a practice going on in which many of the independents are being-- There is an attempt to put them out of business so that the majors will be in complete control of the distribution and sale of gasoline. I don't know if you realize that is what you were saying, but that is how I read your testimony. Am I wrong in that?

MR. SACCO: I know I am saying it, sir; I didn't read all of it.

ASSEMBLYMAN SMITH: Okay.

MR. SACCO: They gave us 600 service stations in the early 1980s. They dumped them, calling them dinosaurs.

ASSEMBLYMAN SMITH: All right, let me tell you what I-- First of all, have you brought this to the attention of the U.S. Attorney?

MR. SACCO: Yes, sir.

ASSEMBLYMAN SMITH: What did he or she do?

MR. SACCO: He is still investigating it, sir.

ASSEMBLYMAN SMITH: How long ago did you bring it to their attention?

MR. SACCO: It has only been several weeks. You will see in the packet I gave you a letter directed to Attorney General Thornburgh.

ASSEMBLYMAN SMITH: Well, the bottom line is that you are willing to take whatever evidence you have to either Federal or State officials.

MR. SACCO: Yes, sir.

ASSEMBLYMAN SMITH: All right, because you are alleging a restraint of trade, an anti-competitive practice. That is illegal under-- At a minimum, it is illegal under Federal statute.

MR. SACCO: We like to come before the Legislature, sir, because you act a lot more quickly.

ASSEMBLYMAN SMITH: That is kind of you to say, although we have been criticized lately for doing that. (laughter)

One of the things you stimulated-- We have a request to OLS that they consider whether or not it would be permissible, under our jurisdiction, to require that major petroleum facilities divest themselves of retail gasoline stations in the State of New Jersey. I don't know whether or not we have that authority, but we have the Office of Legislative Services investigating that. If we don't, at a minimum we can make that recommendation to the Federal government. Perhaps what we have allowed to develop is a situation where consumers have absolutely no chance; where they are strictly at the whim or behest, not of foreign oil Middle Eastern sheiks, but rather of our own sheiks within the United States of America.

So I think we need to have some serious investigation of that; what our possibilities are; what our jurisdiction is in the State of New Jersey. But I do have to ask you one question, because I think it is only fair that we talk about all levels, retailers, distributors, and refiners: What, in your opinion--

First of all, what are the ranges of acceptable profit margins for distributors? And what would you people consider to be gouging on the part of a distributor, if that occurred?

MR. SACCO: Well, I'll let--

ASSEMBLYMAN SMITH: They are going to let you do it, Fred.

MR. SACCO: Well, I think it deserves a-- You have asked that question of everyone who has presented testimony. It's a great question, but it can't be answered fairly by anyone because, two months ago, a service station dealer a block away from another one may have chosen to sell gasoline at a 50-cent margin, and sold 50,000 gallons because he preferred to do repairs. So he had a 50-cent margin two months ago. The dealer next-door to him wanted to sell a lot of gasoline and he sold it with a 25-cent margin, and he sold 100,000 gallons. They both make the same amount of money. And two months ago, neither dealer was considered to be a price gouger.

To answer your question, we would be happy to sit with you and tell you all the details of the business that you need to understand -- so that you can understand who is price gouging and who isn't. What about the guy who has to replace his underground storage tanks that cost $200,000?

ASSEMBLYMAN SMITH: All right. Well, the problem with all of that--

MR. SACCO: There is no answer.

ASSEMBLYMAN SMITH: The problem with all of that is the same problem we had with Mr. Page, and that is that we can't make beauty in the eye of the beholder. If we are to properly address the problem, we need some objective standards. So, let me not ask you today. We will give you the same option we gave to Mr. Page, which is: Would you, within two weeks, give us a written statement of what the Fuel Merchants feel is an acceptable profit margin, and what would be considered gouging under any circumstances by the industry?

MR. SACCO: We have a document we did during the '79 period which shows how a dollar breaks down. What we are doing is attempting to update that because liability insurance costs and transportation costs have accelerated. We have a pie to form a dollar bill, and we are trying--

ASSEMBLYMAN SMITH: Okay, but don't send us a pie chart. Send us a letter--

MR. SACCO: Okay, we will.

ASSEMBLYMAN SMITH: --and have it indicate some objective standards of what the Fuel Merchants feel is an acceptable rate of profit and what clearly would be gouging on the part of any fuel merchant. All right?

MR. SACCO: Okay. I would like to just ask Rich if he would reiterate a gross number, because he feels that what he needs to operate--

ASSEMBLYMAN SMITH: No, don't do it on the spot. This requires consideration. Don't be rash.

MR. SACCO: Okay. He gave it to you earlier, sir, in the testimony.

ASSEMBLYMAN SMITH: Think it over and within two weeks, if you would, give Assemblyman Kronick and myself a letter. We will circulate it to the members of the Committee. All right? Then we are going to see what we can do for you with regard to bringing your evidence to the appropriate Federal officials. Thank you.

MR. SACCO: If you are finished, may I just give you this one more document? The reason I want to give you this is because it shows you that if nobody toys with the marketplace, this is what will happen to energy. If you look at that, it shows you what happened to energy from 1981 to '89, as compared to other commodities, or consumer goods. You will see that if nobody throws a monkey wrench into it, generally we are going to have lower costs for both gasoline and heating oil.

ASSEMBLYMAN KRONICK: I believe we have a question from Assemblyman Kavanaugh.

ASSEMBLYMAN KAVANAUGH: Yeah, I think I need a-- Talking here, I checked with my office, and I am losing 19 cents for every gallon we put out today. But the volume is going to keep us in business, I think.

I would hope -- this to Dr. Schwartz -- that we don't paint with a broad brush. We do have a refiner, a supplier. Aren't you a doctor? I mean, you've got every other title. I'm sure--

ASSEMBLYMAN KRONICK: Smith.

ASSEMBLYMAN KAVANAUGH: I mean, Smith -- Smith, yeah.

ASSEMBLYMAN SMITH: Schwartz and Smith look exactly alike. My name is Smith.

ASSEMBLYMAN KAVANAUGH: I saw you-- Never mind. But, we do have the Hess Refinery -- Hess Oil here in New Jersey. I think, going back to December, I remember when all of the other, as far as major companies, went off the board as far as prices, and Leon Hess has to be commended that he did not. He certainly wasn't a gouger. He stayed in and held the line, and made sure that--

MR. SACCO: I am privy to a quote, sir -- but I won't give it to you -- directly from Leon Hess, during that period.

ASSEMBLYMAN KAVANAUGH: I think what has to be done -- and I don't know whether Jerry mentioned this-- There is a State Law that was put into effect where the tank wagon price-- Jerry, did you say the tank wagon price on gasoline has to be the same throughout the State? Is that a State law? I didn't understand what you said.

MR. FERRARA (speaking from audience): There is a law on the books that-- (remainder of sentence indiscernible; no microphone)

ASSEMBLYMAN KAVANAUGH: No, no, we're talking about gasoline.

MR. FERRARA: Yes, on gasoline.

ASSEMBLYMAN KAVANAUGH: On gasoline?

MR. FERRARA: Right.

ASSEMBLYMAN KAVANAUGH: All right. Now, the representative of Kimber mentioned that the independent stations, or whatever it is, compared to, say, the large oil companies -- Exxon, Amoco, Mobil, whatever -- that they are selling at a different price. If it is their station, they are paying "X" number of dollars, or, "X" number of cents per gallon -- if it is their own station -- whereas someone who is an independent is paying a higher price. Is that correct?

MR. MOHRFELD: That's right. What they have done is--

ASSEMBLYMAN KAVANAUGH: All right. Now, is that in violation of the State law, then, asking from the--

MR. MOHRFELD: It is two different channels. They have raised the dealer channel 12 cents, and they raised the wholesale channel 18 cents. So it is a different level of trading groups.

ASSEMBLYMAN KAVANAUGH: Okay, so they moved--

MR. MOHRFELD: What they did was, they said there was no spot market; therefore, we can raise the wholesale levels higher than the dealer levels, and they eliminated the wholesale margin.

ASSEMBLYMAN KAVANAUGH: Well, Mr. Chairman, I think this is something we should look at, so that this unfair advantage that is going on-- I think the long-term program -- and we can see in the construction of the stations that are going up throughout the State of New Jersey-- You can see the islands set up. Usually they can take the full-serve sign down and put a self-serve sign up, after they put the independents out of business. Then, if you think you are at the mercy of the major oil companies today, when they have complete control of the gas that is going to be pumped in the State of New Jersey, which they could take over very quickly, then the prices would be decided by them, and them only, and competition would be completely taken out of the field.

MR. SACCO: We are fearful that that cycle has already begun.

ASSEMBLYMAN KAVANAUGH: Well, maybe we can slow it down or stop it a little. That is in the interest of the consumer, and our Chairman here is always in keeping with the consumer, and we also have our environmentalist, Dr. Smith.

ASSEMBLYMAN KRONICK: Thank you, Assemblyman. Any further comments? (no response)

I think we have several more speakers, but I am going to have to leave in about five minutes. Chairman Smith will stay on to the bitter end, as he said.

ASSEMBLYMAN SMITH: To the bitter end.

ASSEMBLYMAN KRONICK: I believe, according to the list I have, we have two representatives of the petroleum industry. First we will hear from Mr. Louis -- Marroni, is it? -- from Texaco.

ASSEMBLYMAN SMITH: Actually, why don't we bring both up -- Mr. Marroni and Mr. Leffler?

ASSEMBLYMAN KRONICK: Would you like to do that?

ASSEMBLYMAN SMITH: Yes, why not? Mr. Marroni and Mr. Leffler.

ASSEMBLYMAN KRONICK: Would that be okay, gentlemen? We are going to have both of you up.

L O U I S   M A R R O N I: What's that? I didn't hear you; I'm sorry.

ASSEMBLYMAN SMITH: Does Texeco sit with Shell?

MR. MARRONI: No, I'm afraid we can't make a presentation together, thanks to our national laws against conspiracy and conflict and collusion.

ASSEMBLYMAN SMITH: Okay, no problem. No problem.

MR. MARRONI: This is my lawyer here, but I think that is what he will tell me.

R A N D A L L R O B I N S O N, ESQ.: That's good advice.

ASSEMBLYMAN KRONICK: Okay, thank you.

MR. MARRONI: First off, gentlemen, I know this is running late, and I have my prepared statement which I have left with you. I am Louis Marroni. I am the Marketing Manager for Star Enterprise, the affiliate of Texaco Refining and Marketing, Inc., which is responsible for the marketing and refining of Texaco branded product in the Northeastern United States. With me is Randall Robinson, who is one of our senior attorneys from our Houston office. I might add, I also live and work in the great State of New Jersey, and am proud to be here.

I don't know if you want me to more or less summarize quickly through my statement--

ASSEMBLYMAN SMITH: Why don't you?

MR. MARRONI: Basically, my company is a major marketer in this State. We purchase, for the most part, our crude on a delivered date basis, which means that we pay for it when it is delivered. Nationwide, we purchase about 60% of our crude requirements for the United States. We purchase a significant amount of product also on the spot market. Our refinery for the Northeast is located in Delaware City, Delaware, and it is run on 100% foreign crude.

Now, the prices of oil in recent weeks have risen primarily due to one reason: It is a commodity; it has become a commodity. It is on the futures exchange. I don't know whether we like that or not -- being participants in that industry -- but, nevertheless, that is where it is. As a commodity, it is governed by supply and demand. The Iraqi pressures on OPEC pricing meetings followed by the invasion of Kuwait by Iraq and the embargo of Iraqi/Kuwaiti crude all played a role in eventually threatening to reduce our oil supplies. And these events led to the increased prices that we have experienced in our competitive marketplace in recent weeks.

But, let me say this, as has been pointed out by previous presenters: The trend was already up on the barrel of crude in the month of July, and at the time of the spike, on August 2, when it shot up, the industry was already considerably behind in recovering its costs, including my company. Since the spike, as I think has been brought up by a number of people, the spot price, which we do purchase on, has risen about 38 cents a gallon, 28 cents since August 2. And, as Mr. Ferrara was able to show you, our prices in the State of New Jersey, since January 1, have gone up about 22 cents a gallon, and since August 2, about 12 cents a gallon. So we are less than one-third recovered of the cost either from August 2 until today, or since the first of the year until today.

Now, in the commodities business, as in the oil business today, when you have price spikes, you have to immediately-- Whether it is up or down, your system is jolted, particularly when it is up. But you can't immediately go with it all the way, and you don't. You follow it, and we have, not only my company, but the industry. When it finally levels off and starts to go back down, you will follow it down the same way you followed it up. In other words, your decreases will come slower than the actual spot market decreases will come, the same way that your increase is up. It came slow -- the increase in the spot market itself.

The system is not one where you fill your tanks today and you sell that inventory out and then fill it up again. As I think the gentleman from another company pointed out, it is an even flow basis. It is constantly going in and constantly coming out. That is the way the system works.

The United States is not self-sufficient in petroleum. It imports about 50% of its needs. To think we ever will be self-sufficient in oil, in the opinion of this speaker, is a pipe dream. Self-sufficiency in energy depends on where our economy goes over the next 20 or 30 years.

Let me see where I can jump to in my statement. I would probably like to now go to my closing remarks about international disruption and crises which have occurred in the past in our business, which you can expect to occur again in the future. We would be remiss in leaving this meeting without making some types of suggestions that might help to lessen the problem, if and when they do, in fact, happen in the future. They would be as follows:

* Encourage expanded exploration for oil in this country both on and offshore, as we have been doing for a number of years, and as have many others in our industry, so your State, my state, and our country would be less dependent on these foreign supply spikes as they occur in the future. It would still hurt, but it may not hurt as much.

* Encourage the expansion of our U.S. refineries, and maybe the development of one to two new refineries in this country, so that we do not become dependent at all on imported product. Ten years ago, we did not import any product of significance into this market. It was strictly, as Mr. Ferrara pointed out earlier, a spot market that was played on by the traders. It was not needed; it was surplus. Today, it is needed. The product that we buy on the spot market is used and is necessary.

* Reexamine the maritime laws in this country on the requirements before accepting foreign vessels in U.S. waters, so that temporary relaxations may occur during periods of crisis.

* Work toward establishing a national energy policy, which we still do not have after almost 20 years, since the first embargo.

* Finally, and I think one of the most important and significant items, open a dialogue with the Securities and Exchange Commission, or other appropriate Federal agencies on how we can more effectively control the speculation which takes place in the futures commodities market in times like these. It really does cause this extra edge of disruption that you seem to be so concerned about.

You know, as we talk today-- We talked about prices in this market throughout the State going up an average of seven to eight cents on August 2 through August 18, and then another four cents since then, 11 cents during that period of time. At the price that was shown at the pump at the beginning of August, that is less than a 10% increase. I would hardly call a 10% increase, in the minds of some people, gouging, particularly when the market itself has gone up 100%, as crude oil has. Again, I am not saying we are taking this lightly. We are as concerned as you are.

As I point out in my closing, the State of New Jersey-- We would like to think of it as an island. Unfortunately, it is not. As Americans, we would all like to think of our country, in and of itself, as an island, but it is not. All of us must ensure that our industries can compete in the real world and, gentlemen and ladies, the real world is the international market. And the only proven way to compete in that market, in petroleum, is by permitting unfettered and free market forces to continue to operate.

If you have any questions, I will be happy to try to respond to them.

ASSEMBLYMAN KRONICK: Thank you very much, Mr. Marroni. I have to take leave, but Mr. Smith will continue as Chairman. I just want to thank everybody who presented their position and all of the Committee members.

It is very clear to me that we will have another hearing. There is a lot of material that has to come back to us from the industry. I would say that regardless of what we have heard today, the bottom line is, it is the consumer who is getting hit at the tank, and apparently he is going to be hit this winter with his home fuel costs going up. We are really here to protect the consumer. That is our concern, and certainly we want to do what is right. We will be conducting another hearing in the very near future.

Thank you very much. Chairman Smith?

ASSEMBLYMAN SMITH: Thank you, Chairman Kronick.

Mr. Marroni, in your opinion, how quickly does the spot price translate to an increase at the pump? How long does it take?

MR. MARRONI: I don't know that the spot market generally has a direct reflection on the pump. The spot market has a direct reflection on tank wagon prices; that is the wholesale and retail tank wagon prices, the costs that a retailer or a wholesaler might pay. It could be, depending on the severity, one, two, three cents. It could be an immediate effect. If the spot went up today, the tank wagon price could go up tomorrow.

ASSEMBLYMAN SMITH: All right. How about decreases?

MR. MARRONI: Well, the same way. Again, bearing in mind, as I said earlier, it is an even flow system. If the decrease is on an even market, then the decrease on the tank wagon should occur at the same time.

ASSEMBLYMAN SMITH: I am going to be looking forward to seeing that in the next couple of days.

MR. MARRONI: Don't forget, as I said, sir. we raised our price 11 cents, when the spot price has gone up 38 cents. I beg your pardon, 27 cents. We raised our price less than one-third what the spot price has done.

ASSEMBLYMAN SMITH: Star Enterprise, a subsidiary of Texaco Refining and Marketing-- I gather you supply gasoline for Texaco service stations in New Jersey.

MR. MARRONI: That is correct. We are responsible--

ASSEMBLYMAN SMITH: Do you supply any gasoline to other than Texaco stations?

MR. MARRONI: No, we do not.

ASSEMBLYMAN SMITH: Okay. Among the Texaco stations, are any of the stations independently owned; that is, not franchisees or lessees of Texaco?

MR. MARRONI: In the State of New Jersey, I would say-- Well, let me respond this way to give you a-- We have, in the State of New Jersey, 80 stations that we directly own or lease. It may be 82; it may be 84.

ASSEMBLYMAN SMITH: Okay.

MR. MARRONI: And in addition to that we have 10 jobbers who have another 500 service stations that are independently operated by the retailers. Then we have another 80 independently operated retail outlets. So if you added all that up, about 12% are leased or directly owned by us. The rest are owned or operated by the retailers or the jobbers.

ASSEMBLYMAN SMITH: All right. Do all of your Texaco service stations receive gasoline at the same price?

MR. MARRONI: Those controlled by the jobbers and distributors are delivered by the jobbers and distributors. We have no say at all about what their price is.

ASSEMBLYMAN SMITH: The price at which you sell the gasoline to the jobbers and distributors-- Is that the same price at which you sell gasoline to those Texaco stations that are your lessees or franchisees?

MR. MARRONI: Oh, no, there are two different price schedules in each market.

ASSEMBLYMAN SMITH: Is it higher for the jobbers?

MR. MARRONI: It is generally lower.

ASSEMBLYMAN SMITH: Generally lower?

MR. MARRONI: Yes.

ASSEMBLYMAN SMITH: For the jobbers?

MR. MARRONI: For the jobbers.

ASSEMBLYMAN SMITH: Why is that?

MR. MARRONI: That is the traditional position it has been over the years. It is the competitive marketing position, possibly because of the volume and the manner in which he buys and the services he provides.

ASSEMBLYMAN SMITH: Very interesting. A question for Mr. Robinson. I might as well put some of your legal talent to work. Is it your opinion that a state government would have the authority to require a divestiture of service stations?

MR. ROBINSON: I'm sorry, sir. I am a little hard of hearing. May I ask you to speak up just a little bit?

ASSEMBLYMAN SMITH: Sure. I gather you are an expert in energy law.

MR. ROBINSON: I don't profess to be an expert in anything, sir, but I will be glad to answer any sort of question put to me.

ASSEMBLYMAN SMITH: That is a safe legal answer. In your opinion, does a state have the authority to require divestiture of service stations by a major oil company within its state boundaries?

MR. ROBINSON: It depends on what nature the divestiture takes, sir. There are states that have passed divestiture statutes. Maryland and Connecticut are two which immediately spring to mind. I might point out to you, though, that if you are talking about divestiture meaning getting the oil companies out of operating company salaried operated service stations, you may be doing a great disservice to the consuming public.

ASSEMBLYMAN SMITH: Why?

MR. ROBINSON: Because as every witness has testified to here today -- including the Retailers Association, the Manufacturers Association, etc. -- the lowest prices in their market are those of the company salaried operated service stations. I don't know whether that is a fact or not, sir, because I am not up to speed on what is going on in this particular State. But it seems to me that if you are going to eliminate that competitive force in the marketplace, that is the lowest pricer in the marketplace, and you may be doing a disservice to the consumer. Maybe you ought to look at that just a little bit closer.

ASSEMBLYMAN SMITH: Right, but they went a step further. They said that the reason there was a lower price on the part of the franchisees or lessees -- that the reason for that was that there was an attempt, on the part of the majors, to put the independents out of business. I don't know if that is true or not, but that is their allegation. But, if that is the case, and there were no franchisees or lessees of the majors, and everybody was on a level playing field, that might, in the long term, be in the best interest of the consumer. I don't know.

MR. ROBINSON: Well, I would imagine, sir, that there is not anybody in this building today who thinks there are not a sufficient number of service stations out there in the marketplace, and that each oil company markets in a slightly different fashion than do other oil companies. For example, our particular ratio of service stations -- company operated service stations vis-a-vis distributor service stations vis-a-vis our direct supply retailer accounts differ in that mix, vis-a-vis what the Exxon, Shell, Sun Oil Company, Amoco may have. So, if you have different forces in the marketplace that are reacting differently in the competitive mode -- and keep in mind that you have enough statutes on the books right now, to look at what is happening in the competitive marketplace, whether it is in a Federal or State setting-- You've got the mechanism already in place. My view is, the more competition you have within the marketplace, the better off you are.

ASSEMBLYMAN SMITH: Right, no question.

MR. ROBINSON: So I think your focus should not be-- Why take a player out of the marketplace who is causing some sort of competitive turmoil and eliminate competition? That doesn't seem, in my humble opinion, to be in the best interest of the consumer.

ASSEMBLYMAN SMITH: I don't disagree with you. The allegation was, though, that the way the game is being played now is anti competitive; that it is attempting to eliminate the number of retailers who are available to the consuming public. I don't know the truth of the allegation or not, but I appreciate your point of view.

MR. ROBINSON: Thank you.

ASSEMBLYMAN SMITH: Let me thank you both -- Mr. Marroni and Mr. Robinson -- for coming here today to testify.

I believe our last witness will be -- I'm sorry, our second to the last witness will be William Leffler, from Shell Oil Company.

MR. ROBINSON: Thank you for your time.

ASSEMBLYMAN SMITH: Thank you.

WILLIAM L. LEFFLER: Thank you, Mr. Chairman. I have a prepared statement which I would be happy to just leave with you and just paraphrase in a couple of sentences, with then a couple of comments after that, if that would be all right.

ASSEMBLYMAN SMITH: Perfect.

MR. LEFFLER: Just as a background: Shell Oil Company markets and distributes motor oil gasoline in the State of New Jersey. We sell about 400 million gallons. We have some 226 stations. We have about 12% of the market. We sell only through our branded stations. We own those stations, and they are operated by independent dealers. We do not market any propane or heating oil in the State of New Jersey.

The supply for these stations comes from two sources. We refine our own crude oil in our refineries in Texas and Louisiana. About 60% of that crude oil is purchased from third parties, primarily from foreign sources; about 40% is our own domestic production. In addition to that, we purchase substantial quantities of finished motor gasoline, and that could be delivered either on the Gulf Coast and pipelined up here, or it could be delivered in the New York Harbor to our terminal at Sewaren, which is the primary supply point for our stations in New Jersey.

Just to comment on what has happened in the last three or four weeks, at the outset of the hostilities in the Middle East, I think the market was telling us that there was a shortage impending. The loss of the four million barrels a day of production between Iraq and Kuwait was reflected around the world and prices, as we all know, escalated very rapidly. We saw those prices go up not only in the United States, but in Singapore, Rotterdam, and around the rest of the world. Those prices translated very rapidly to the wholesale and retail markets around the world, as they did in the United States.

In our own particular case, Shell Oil has, since August 1, raised its price in New Jersey, depending on the local market, either nine or nine-and-a-half cents a gallon. At nine-and-a-half cents a gallon, that is equivalent to $4 a barrel of oil. At the same time, crude oil prices have gone up about $10 or $15 a barrel, and gasoline prices have gone up -- the gasoline we purchase on the open market -- closer to $15 a barrel. So we are in a situation now where we have raised our gasoline prices $4 a barrel, and we are replacing those supplies with raw materials or with gasoline that has gone up more than twice that amount.

We understand the irritation that the price rises have caused in the marketplace, and we understand your responsibility to investigate what the causes of all those are. For that reason, I would be happy to answer any questions you have about our business.

ASSEMBLYMAN SMITH: Mr. Leffler, what should this Committee consider to be gouging on the part of a refiner?

MR. LEFFLER: Pardon?

ASSEMBLYMAN SMITH: What should this Committee consider as an objective standard to be a gouging practice on the part of a refiner?

MR. LEFFLER: My own view is that gouging is a word that is too difficult to define specifically, because it has very many different applications. It is too abstract for me to give you a definition.

ASSEMBLYMAN SMITH: In your opinion, does it ever occur?

MR. LEFFLER: Does gouging ever occur? Since I can't come up with a definition, I can't tell you that it does or it doesn't.

ASSEMBLYMAN SMITH: Okay. Thank you, Mr. Leffler. Are there any other comments you would like to make?

MR. LEFFLER: No, sir.

ASSEMBLYMAN SMITH: All right. If you would give us that written statement, we would appreciate it.

MR. LEFFLER: Fine, thank you.

ASSEMBLYMAN SMITH: I believe our last witness, unless there is someone else out there, will be Jim Benton, from the New Jersey Petroleum Council. Jim?

JAMES E. BENTON: Thank you. Mr. Chairman, members of the Committee: I am pleased to have this opportunity to present my remarks to you, albeit at a late hour. Admittedly, efforts were made to schedule my remarks at an earlier time period, when more were in attendance. However, that was not the case, and I would be happy to convey my remarks to you.

As most of you know, my name is Jim Benton. I am the Executive Director of the New Jersey Petroleum Council. Our offices are located immediately across the street here in Trenton. We represent the major oil companies doing business in New Jersey. We are a division of the American Petroleum Institute, and as such representing the major refiners and marketers in the State of New Jersey, we are also prepared to participate in any hearings or investigations that go on.

Since the first full days of the Iraq/Kuwait situation, we have pledged our full cooperation to the Governor, the Board of Public Utilities, and the Consumer Affairs Division, with regard to oil supplies and petroleum product prices. We are ready and willing to give assistance to the State Legislature in its examination of the impact events in the Middle East have had on oil prices here in New Jersey.

As evidence of our commitment and cooperation in this recognition of our special role and responsibility to the public, I have been joined today by the representatives of several major oil companies. These individuals have volunteered their expertise toward helping the panel to understand the events of the last three weeks. In addition to our participation here today, we also responded to the Governor's call for a meeting on August 8 with Board of Public Utilities President Scott Weiner and Consumer Affairs Director Patricia Royer. We have provided accurate statistical and background information to help the State. Individual meetings have been arranged with State officials and oil company representatives, and we were tempted to respond to all the media requests as they were received by our office.

President Bush specifically asked the oil industry to exercise restraint in its pricing policies at this difficult time. Our members have been doing so, even though the public may not understand that. We want to serve our customers, not burden them. Our industry recognizes that New Jersey consumers are angry and upset about gasoline prices. We know that people here in New Jersey are demanding a clear and justifiable explanation for these price increases. I want to give you all the information I can on this issue; I want to address all of your questions.

However, in compliance with antitrust laws, we at the Petroleum Council do not have specific information about the pricing decisions of individual companies or the more than 3500 service stations throughout the State. However, we have compiled the publicly available data, and I believe we can shed some light on the complicated events that have been occurring in the marketplace both before and after the Iraqi invasion of Kuwait.

Obviously, I cannot speak for every refiner, every wholesaler, or retailer. I can say with confidence, however, that the petroleum industry has not taken advantage of this international crisis, and I will document this by giving you the figures. An examination of prices being charged for gasoline by major oil companies at the time of the greatest public outcry in comparison with prices being paid on the spot market for crude oil and gasoline, illustrate this. Far from being ahead of those spot market crude and gasoline prices in the first six days after the Iraqi invasion, gasoline prices charged by the major companies trailed them by a significant amount. Here is what happened:

The explanation is complicated because world oil markets and their impact on New Jersey are complicated. I have attached to my statement a number of charts to help this this explanation.

In the six weeks preceding the Iraqi invasion of Kuwait, world crude oil and gasoline prices had begun to respond to OPEC's efforts to tighten supplies, as you can see in this chart, Chart Number 1. I guess you can't see it.

ASSEMBLYMAN SMITH: Jim, we don't have it.

MR. BENTON: Let me correct that right now, Assemblyman.

ASSEMBLYMAN SMITH: Okay, thank you. Do you have more than one copy?

MR. BENTON: Sure.

ASSEMBLYMAN SMITH: Okay, we should get three.

MR. BENTON: Okay, back to Chart Number 1. As you can see illustrated by Chart Number 1, from mid-June to just before the invasion crude oil prices on the spot market rose 11 cents a gallon, while spot gasoline prices rose only two cents a gallon, and retail prices did not rise at all over that period. It is also important to remember that during this same period, New Jersey State taxes related to petroleum product costs were increased. Specifically, the 2.75% tax on gross receipts of petroleum products sold in New Jersey; the Corporate Business Tax was increased; and the Spill Compensation and Control Tax was also increased. Then came the August 2 invasion and the boycott, which posed the immediate threat of a loss of substantial amounts of oil from the marketplace.

Iraq and Kuwait have accounted for almost 9% of U.S. oil imports. There was also the very real concern that military actions might spill over into Saudi Arabia and disrupt that country's ability to supply oil to its customers. Saudi Arabia is at the top of the list of foreign suppliers to the United States. It provided almost 15% of America's oil imports in May. The spot market reacted to these events. Both the spot price of crude and gasoline rose between 25 and 35 cents per gallon by August 22. The major oil companies that collectively represent nearly half of all gasoline sales in the United States did not raise their prices as much as the spot market rose. By comparison, the average national gasoline retail prices, as reported by the American Automobile Association, went up about 16 cents a gallon over that same period. The New Jersey Board of Public Utilities has found similar survey results in its review of prices around the State.

All of these shifts in the market occurred with such speed that many consumers reacted with bewilderment or anger. The fact is, the shifts in the market responding to the changing world events are occurring faster than ever before, and there are several reasons for this:

First, an ever-increasing amount of oil and gasoline is bought and sold on volatile spot markets, a market every bit as volatile and unpredictable as the stock market or other grade and commodity markets such as orange juice. The spot market reflects, on a daily basis, the consensus of thousands of buyers and sellers on the value of crude and refined products.

Second, the development of the spot market has contributed to more rapid changes in the prices of oil sold under contract. Now, many contract prices are tied directly to spot prices.

Third, the price of imported crude is determined at the time of delivery to the United States, rather than when the crude is loaded for export. A change in spot prices, therefore, means an immediate cost change for a much larger number of refiners and gasoline suppliers than was the case a decade ago. Even those refiners and gasoline suppliers who are less directly dependent on the spot market for supplies are affected. Any sellers charging prices too far below the market prices risk -- are likely to find their stocks quickly depleted, leaving them unable to serve their usual customers. To prevent this, sellers must either move their prices more in line with the market or allocate sales; that is, physically ration their sales.

In making these decisions, they must consider the cost of replacing the supplies they are selling. When prices rise initially, refiners' margins and profits increase because they have already purchased some supplies at a lower cost. If they quit the business at that point, they can walk away with those profits. But if they want to stay in business, they must immediately replace the supplies to keep the refineries running and their customers supplied. Eventually, of course, all the stocks they hold will have been purchased at the higher price, but there is no guarantee they will sell all those stocks at that higher price. When prices fall, they lose money as they sell off, at lower prices, what they bought at the higher prices.

This is exactly what happens in other commodity markets. The grain market is a classic -- a good example. Again, this is what happened exactly last January during the heating oil season. In that case, purchases made in December at higher prices were lost in January's thaw and subsequent price drop.

How the boycott of Iraqi and Kuwaiti oil will affect world oil markets from here on out will depend on a number of factors, particularly on how willing other exporting countries are to make up the difference. As Scott Weiner correctly pointed out today, the OPEC countries are meeting in Vienna to determine their production response. Chart Number 2, included in my written testimony, shows OPEC production versus capacity over the last five years. An effective boycott would directly remove a little over four million barrels a day from world supplies. Worldwide excess production capacity is about four million barrels a day, three-quarters of which are located in the Persian Gulf. Saudi Arabia, a key Gulf producer, has indicated a willingness to help, as has Venezuela. By the way -- again it is worth reminding you -- that OPEC is meeting on this very day, as well as Prime Minister Mulroney is meeting with President Bush today. There is no way one can know at this point what the net effect on world supplies will be from those meetings. The shortfall could be very small, or up to three million barrels a day, if the excess capacity in the Persian Gulf is not available.

In 1973 and '79, disruptions in this range dramatically increased world oil prices and caused severe economic problems in the west. In the United States, these problems were made worse by price and allocation controls, and a special tax on crude oil production. The results were long lines, reduced domestic production, increased domestic demand, and growing oil imports. What we don't want to do is repeat the mistakes of the past.

Today the effects of a reduction in world oil supplies of about three million barrels a day -- the loss that could occur from the current boycott, but does not appear likely at the moment -- would depend on just how long this shortfall lasts and how other industrialized nations adjust. Chart Number 3 shows how dependent the industrialized world is on Iraq, Kuwait, and their neighbor, Saudi Arabia.

The price increases resulting from any shortfalls that could occur would be painful for consumers, but they would also help to reduce the demand for oil, just as higher prices did in the 1970s and '80s. In addition, higher prices would stimulate greater oil and other energy production outside Iraq and Kuwait. Between 1979 and 1985, greater conservation and greater energy production outside of the Persian Gulf slashed OPEC's prices nearly in half.

While much uncertainty remains in the current situation, there is no reason for New Jersey consumers to panic and, indeed, that is the furtherest thing we should do as a State in response. Clearly, no commodity can meet the demands of all of the consumers if they want the product all at the same time. We must assure that there are adequate crude oil supplies, and do assure that we have adequate crude oil supplies at the present time, and domestic refineries are going flat out to produce gasoline and o'her products, operating at

93.5% of capacity, which is about as high as it is technically feasible. And, the nation has the Strategic Petroleum Reserve, which we didn't have in past crises. The SPR can serve as a cushion against the sudden shocks of world events.

We also have other options over the short and long term: For example, New Jersey consumers can help by taking steps to conserve as much as practical and avoid hoarding supplies or topping off fuel tanks.

In the longer term, new domestic production could be stimulated in order to reduce our nation's unacceptably high dependence on imported oil. As the last chart indicates, our imports are at an all time high, while domestic production continues on a downward slide. The events of the last three weeks should provide us with the incentive to take these longer term steps.

The events unfolding in the Middle East are especially important to New Jersey. Stable and economic supplies of petroleum products are the lifeblood of our State's economic health. New Jersey ranks third among the 50 states in oil consumption. New Jersey consumers use three-and-one-half billion gallons of gasoline each year, and one-and-a-half billion gallons of heating oil annually, not to mention the thousands of everyday products made from petroleum feedstocks. The major oil companies that are represented are vitally committed to maintaining the vital energy demands which the people of New Jersey have.

At this time I would like to answer any questions you have, and perhaps respond to a few assertions made earlier today.

Mr. Chairman, thank you very much for your continuing cooperation. I personally appreciate your presence here and your willingness to receive this testimony from the Petroleum Council. I would be happy to answer any questions you might have.

ASSEMBLYMAN SMITH: Thank you, Mr. Benton. Let me ask you the same question I asked of some of the other representatives of the industry: Would the Petroleum Council be willing to provide us, in writing, with a statement of what the Petroleum Council feels would be an objective standard with respect to gasoline gouging by refiners?

MR. BENTON: Mr. Chairman, I think you have known of our reputation and our presence in the State House and its environs for a long time on many issues. We will certainly be available to you and the Committee in developing what we are looking at right now in terms of guidelines for practices that are harmful to New Jersey consumers. Certainly we will be available and will participate in that process. We are currently, on our own volition, developing those standards -- right now, as we speak.

ASSEMBLYMAN SMITH: When do you think you will be finished?

MR. BENTON: I don't have a clue, Mr. Chairman, to be honest with you. I would presume a very expeditious response, perhaps within as early as the next two weeks. What we are doing is reviewing other State statutes, picking up guidelines, and doing similar things. You forget, Mr. Chairman, once upon a time I was with Legislative Services, and I have a degree of familiarity with what their method of research is. We are doing similar things, looking at that. It is a very difficult concept, as you can understand.

ASSEMBLYMAN SMITH: Oh, no question about that.

MR. BENTON: But, we will be looking at that, and participating in the process and giving you our best advice.

ASSEMBLYMAN SMITH: Great. Would you try, if you can, to forward something within the two-week time frame? That is the window of opportunity through which we would be happy to get some--

MR. BENTON: Understood, Mr. Chairman. I think you recognize that we have always been responsive to requests from the Chair.

ASSEMBLYMAN SMITH: I appreciate that.

May I have your response, or reaction to the Maryland and Connecticut situations, where apparently, according to Mr. Robinson, there is a -- they have a state divestiture law which requires--

MR. BENTON: Divorcement, sir, not divestiture. There is a very significant difference, Mr. Chairman, between the two.

ASSEMBLYMAN SMITH: Divorcement? Tell me the difference, please.

MR. BENTON: Well, divorcement is the type of issue that I believe you consistently talked about, if I understood you correctly, and that is separating a segment from the marketplace; demanding that a segment of the marketplace participating withdraw from that; that companies or interests cannot own their own service stations here in the State.

We have had legislation in New Jersey for, oh gosh, since 1950, consistently introduced. I would be willing to wager that that legislation has been in probably longer than any single piece of legislation in the past. It has been studied and examined consistently.

Divestiture, on the other hand, is separating out companies from the other lines of business they might be involved in external to the petroleum -- the direct operation of petroleum.

ASSEMBLYMAN SMITH: I don't think there is any discussion then of divestiture. There may be discussion of divorcement. What is the Petroleum Council's position on divorcement?

MR. BENTON: We have consistently, throughout my tenure, and it goes back longer than I have been associated-- I have been with the oil industry since '79, and it goes back into the '50s. We are very much opposed to the concept of divorcement, have been--

ASSEMBLYMAN SMITH: Why is that?

MR. BENTON: We believe that company operations provide a valuable service to New Jersey consumers in terms of providing a healthy degree of competition to the marketplace, so that, in fact, all segments of the marketplace compete for the consumers' attention. It is important to note, Mr. Chairman, that there is a lot of confusion over exactly what a company-operated station is, because, very candidly, they all look alike, purposely so. Stations that you drive past that you recognize-- You would be very hard-pressed, and I would challenge you to begin to go around your district, or your town, to take a look at exactly who is marketing petroleum product in your particular neighborhood or in your legislative district, because, indeed, there are many suppliers, many investment people, and, yes, you might find several company-operated, but you will find--

Let me go back over the numbers for you: There are 3500 service stations in New Jersey, albeit with many of the underground storage tank regulations, many of the stage two regulations, and many of the marketing impacts that have gone on here in New Jersey particularly, there has been a dramatic decrease in service stations and in their population. Cars are now built that they do not need to refuel as frequently as before, so there are many, many contributing factors.

But the point, very clearly, is, with those approximately 3500 stations, you might have, according to Mr. Sacco's testimony, reading directly, 1200 stations that are now supplied by jobbers. Okay? Mr. Ferrara asserted that there are 70% controlled by the majors. I would hotly dispute that. In fact--

ASSEMBLYMAN SMITH: What do you think the right number is?

MR. BENTON: Controlled by majors? Well, again, it goes to your definition. There are franchise and lease dealers that are the direct lessees from the companies. But I would suggest that the major oil companies directly operate-- I would say the number can't be any more than 4% or 5% of the marketplace, very small numbers, which vary from company to company. I am not prepared at this time, nor do we keep that specific information in our office for antitrust, but you heard earlier the gentleman from Amoco testify on exactly how many Amoco stores were company owned and operated, a very insignificant number.

Mr. Chairman, I would respectfully commit and argue that, in fact, they do the consumer the most benefit by staying open longer hours; by, in fact, keeping their prices at a competitive market price, so that the consumer can pick them. I believe that by eliminating them from the marketplace, you place reliance wholly on those other marketers in the marketplace who may not, in fact, be as responsive to the public. I think there is a healthy mix in New Jersey's marketplace which ultimately -- and I think you have heard testimony today--

ASSEMBLYMAN SMITH: Right.

MR. BENTON: --will bear fruit to the assertion that the New Jersey marketplace is serving the consumer.

ASSEMBLYMAN SMITH: Under the antitrust guidelines, is it possible for the New Jersey Petroleum Council to forward statistics to us about how many of the service stations are lessees, how many are franchisees, how many are independents?

MR. BENTON: Two things: We would be happy to encourage the individual companies to respond to you directly on your request. The second avenue is a little bit easier for you, sir. Just talk to your New Jersey Division of Taxation. They have been keeping those statistics in their motor fuel section for many years. While you are in the Division of Taxation, let me also encourage you to do another thing.

ASSEMBLYMAN SMITH: What's that?

MR. BENTON: Ask the New Jersey Division of Taxation for their list of who is supplying motor fuel gasoline to this State. Quarterly they are responsible for publishing a list of who supplies and how much they supply gasoline product to the State of New Jersey. It is a motor fuel tax thing; it is a public document.

ASSEMBLYMAN SMITH: Right.

MR. BENTON: Mr. Chairman, we have run way behind with our ability to get that information from the Division of Taxation. Historically, they have always put that out on time, but within the past period of time -- over several months -- they, unfortunately, have not been able to give us that information, which, again, is a public document, which historically they have always contributed to us, but very recently that information has not been available.

I think it would be an eye-opener to you, Mr. Chairman, because it illustrates exactly how many wholesalers, how many distributors -- I will use the terms interchangeably -- but exactly who are playing in the New Jersey marketplace. I think it would be an eye-opener for you in terms of exactly who is selling gasoline and how much they are selling, because those are numbers that are public information that have not been available. I think the last one we have might be from 1989.

ASSEMBLYMAN SMITH: All right. So, in summary, you are going to encourage your members to send us some of that information.

MR. BENTON: Yes, sir.

ASSEMBLYMAN SMITH: Secondly, hopefully within the two-week time frame, you are going to give us some advice in writing about objective standards concerning gouging, or whatever you want to call it.

MR. BENTON: Yeah. Again, keep in mind the two-week period, Mr. Chairman, is a very quick reaction, but I have learned that--

ASSEMBLYMAN SMITH: Try your best.

MR. BENTON: --that is underway at the present time.

ASSEMBLYMAN SMITH: Okay. I have one other request for you, and that is: Maryland and Connecticut apparently have the divorcement environment.

MR. BENTON: Yes, that is correct.

ASSEMBLYMAN SMITH: Would it be possible for you, or your organization, to find out how divorcement has been working in those two states, and maybe get back to us on that?

MR. BENTON: Yes, thank you for reminding me. I don't have to get back to you. I can tell you right now that we have studies available in our office and I can go back again through the files--

ASSEMBLYMAN SMITH: Would you forward them to us?

MR. BENTON: I would be happy to forward them to you. We think it has been clearly shown that divorcement has not operated in the service stations' or the companies' or the consumers' best interest. As a matter of fact, I think you would also be well served to go back and look at the 1975 experience, when, in fact, service station dealers at that time responded unilaterally to the marketplace by refusing to sell gasoline over the Fourth of July weekend and the role that went on there. The names were very familiar to you at that particular time. I think it would be a very interesting experience for you to go back and review that situation, Mr. Chairman.

ASSEMBLYMAN SMITH: Yeah, I'm missing that. It might be a little further than 1975. You're saying that--

MR. BENTON: I meant 1979, sir.

ASSEMBLYMAN SMITH: Oh, '79. You're saying that the independents closed down for the July 4th holiday?

MR. BENTON: Yes, sir.

ASSEMBLYMAN SMITH: And how about the company-owned stations?

MR. BENTON: In a direct response to a call from the Governor, the company-operated stations -- some of them -- were available and did, in fact, open that weekend, in an effort to serve the consumer. My point is very simple: They are a healthy participant in the marketplace, one that has been thoroughly investigated and reported on. Divorcement has been an issue in front of this Legislature -- Republican and Democratic administrations -- from back in the 1950s, and it has never been acted upon, and never--

ASSEMBLYMAN SMITH: All right. Well, we are going to take another look at it.

MR. BENTON: I understand that you are.

ASSEMBLYMAN SMITH: And we will appreciate any input you can provide.

Is there anyone else who wishes to speak?

MR. BENTON: Let me also suggest, Mr. Chairman, just in closing, that participation by the companies here today signals their intention and willingness to cooperate not only with this Committee and the administration, but also with all levels of State government. I think there has been an erroneous presentation that somehow the companies are not willing to participate in the dialogue, but I think you have seen today, very clearly, just a sampling of the information we have available, and I think--

ASSEMBLYMAN SMITH: I have never had anything but that experience. The industry has always been welcomed, and has always participated, whether it was the oil spill hearings, or the energy hearings, or any other vehicles.

MR. BENTON: I would also, at some later period of time, enjoy speaking with you on the heating oil situation as we are viewing it. I would also like to speak to you regarding the earlier comments, because I believe the information was correct with regard to the Exxon Valdez and its role in the marketplace disruption that we saw back in the summer a couple of years ago. Clearly there were more issues at work. While the answer was correct, I think it was misconveyed to Assemblyman Scerni, who asked that question, and I would like to attempt to clarify that.

ASSEMBLYMAN SMITH: Let me suggest that what you might want to do is drop us a letter, so we can circulate it to the Committee. That way you don't have to say it nine different times, and at the same time it will be in print.

MR. BENTON: Also, I have the pleasure of attempting to respond to the media -- to the calls -- and we do that one at a time. It usually takes about 50 calls to do that right, so we are used to responding many times. We will keep saying it as long as we are invited to testify. Thank you.

ASSEMBLYMAN SMITH: Great. We appreciate your input and cooperation.

Any other member of the public who wishes to speak? (no response) There being none, this meeting is closed.

(MEETING CONCLUDED)

APPENDIX

Mobil

REMIT TO MOBIL OIL CORPORATION

INVOICE
PAGE 1
LNR666

PLEASE REFER TO customer number, invoice number and date when making payment or inquiry.

SHIPPED FROM	[redacted]			SUPPLY SOURCE
029074 LINDEN TERMINAL	08 20 90	1801B7	004172?	029074

TRUCK NO.	SHIFT	MOD.	T/E	REFERENCE	PURCHASE ORDER NUMBER	RELEASE NO.
046	1	2	4	0090849823		

TERMS: IF PAYMENT RECEIVED AT ABOVE ADDRESS BY DUE DATE.	DUE DATE	AMOUNT DUE	AMOUNT SUBJECT TO DISCOUNT	DISCOUNT ALLOWED
ESF COD		10447.41		

SETTLEMENT	
CO-65'S CREDIT CARDS	NO. OF PKGS.
CREDIT CARD AMOUNT	
AMOUNT OF CHECK/DRAFT	
TOTAL PAYMENT	
REC'D PAYMENT FOR MOBIL OIL CORPORATION	

THIS CERTIFIES THAT THE MINIMUM OCTANE NUMBER AS DESCRIBED IN 6CFR 180.952 FOR THIS DELIVERY IS NOT LESS THAN:

SUPER UNLEADED 93.0
SPECIAL 89.0
UNLEADED 87.0

BILL TO
JO-BEIJ COMPANY, INC.
1459 SPRINGFIELD AVENUE
MAPLEWOOD NJ 07040-

SHIP TO

T-Subject to Local S...
Item not subject to ...

PRODUCT CLASS CODE	TAX CODE	PRODUCT DESCRIPTION	UNIT PRICE EXCLUDING EXCISE TAX	EXCISE TAX FEDERAL	EXCISE TAX STATE	UNIT PRICE INCLUDING EXCISE TAX	F°	GRAVITY	MEASURED GALLONS	TEMP. ADJ. GALLONS	AMOUNT
010	112222	MOBIL SUPER + UNLEADED	9805 .98000	.09100	.10600	1.17650	1.1765		4748		5586.0
025	112222	MOBIL SPECIAL UNLEADED	8850 .88000	.09100	.10000	1.08150	1.0815		1100		1189.6
030	112222	MOBIL UNLEADED	8355 .83500	.09100	.10000	1.03150			4000		4302.3
945	222222	SUPER/OMNIBUS FUNDS	.00350			.00350			9098		31.8
94	222222	EFF RATE NJ GR REC TAX	.02830			.02830					257.5

979550 08/17/90 08:47
1.015 10000 2.025 06000 3.035 08000
TAX RESPONSIBILITY - MOBIL OIL CORPORATION NEW JERSEY LICENSE #17
SUPERFUND RECOVERY APPLICABLE TO ALL PRODUCTS
RECOVERY: FEDERAL SUPERFUND AT .0024 AND OMNIBUS AT .0012

SUPER INCL ALL TAX total $1.21.0
Special " " " " 1.11.5
REG " " " " 1.06.5

395 74
35 TL 20
45½ SP 60

X1

201 761 4717 10:45 08/20/90 PAGE 02 RICHARD'S FIRESTONE

MEMO: TOTAL EXCISE TAXES BILLED IN ABOVE AMOUNTS FEDERAL	STATE	RECEIVED ABOVE PRODUCTS AND AMOUNTS	ABSENTEE DELIVERY MADE BY	INVOICE TOTAL
8...37	9...24			10447.41

Mobil REMIT TO MOBIL OIL CORPORATION

INVOICE
PAGE 1
LH3168

PLEASE REFER TO customer number, invoice number and date when making payment or inquiry.

SHIPPED FROM	[redacted]			SUPPLY SOURCE
029074 LINDEN TERMINAL	07 24 90	177005	354172?	029074

TRUCK NO	SHIFT	MOD.	T/E	REFERENCE	PURCHASE ORDER NUMBER	RELEASE NO.
301 648 ~~292 534~~	2	1	4	2040514128		

TERMS: IF PAYMENT RECEIVED AT ABOVE ADDRESS BY DUE DATE.	DUE DATE	AMOUNT DUE	AMOUNT SUBJECT TO DISCOUNT	DISCOUNT ALLOWED
ESP COD		9777.19		

SETTLEMENT

CO-65'S CREDIT CARDS	NO. OF PKGS
CREDIT CARD AMOUNT	
AMOUNT OF CHECK/ DRAFT	
TOTAL PAYMENT	

REC'D PAYMENT FOR MOBIL OIL CORPORATION

THIS CERTIFIES THAT THE MINIMUM OCTANE NUMBER AS DESCRIBED IN 16CFR 150.352 FOR THIS DELIVERY IS NOT LESS THAN:

SUPER UNLEADED	93.0
SPECIAL	89.0
UNLEADED	87.0

BILL TO: JO-BELL COMPANY, INC.
1459 SPRINGFIELD AVENUE
MAPLEWOOD NJ 07040-

SHIP TO:

T Subject to Local Sale
Item not subject to dis

PRODUCT CLASS CODE	TAX CODE	PRODUCT DESCRIPTION	UNIT PRICE EXCLUDING EXCISE TAX	EXCISE TAX FEDERAL	EXCISE TAX STATE	UNIT PRICE INCLUDING EXCISE TAX	F°	GRAVITY	MEASURED GALLONS	TEMP. ADJ GALLONS	AMOUNT
015	112222	MOBIL SUPER + UNLEADED	.91050	.09100	.10500	1.10650			5299		5863.34
025	112222	MOBIL SPECIAL UNLEADED	.81550	.09100	.10500	1.01150			1101		1113.66
035	112222	MOBIL UNLEADED	.76550	.09100	.10500	.96150			2600		2499.90
945	222222	SUPER/OMNIBUS FUNDS	.00350			.00350			9000		31.50
945	222222	FEE RATE NJ GR REC TAX	.02830			.02830					254.09

2X

4745607/22/9013106
1.015 10000 2.025 05000 3.035 08000
TAX RESPONSIBILITY - MOBIL OIL CORPORATION NEW JERSEY LICENSE #12
SUPERFUND RECOVERY APPLICABLE TO ALL PRODUCTS
RECOVERY: FEDERAL SUPERFUND AT .0023 AND OMNIBUS AT .0012

SUPER INCL ALL TAX TOTAL $ 114.0
SPECIAL " " " " 104.0
REG " " " " 94.5
UL 50¢

MEMO: TOTAL EXCISE TAX
0.000

LOADING ORDER — TRUCK BILL OF LADING AND MANIFEST — INVOICE

StarEnterprise

SCHEDULING WILL BE CLOSED MONDA
LABOR DAY WEEKEND

ORDER DATE | INV/REF DATE 08 24 90

FROM / SHIP TO 13-...09950 L-0818

CHARGE TO

BILDEE CORP
DRESSLERS TEXACO
46 LEONARDVILLE RD
BELFORD NJ 077180000

PLEASE ADDRESS REMITTANCE AND CORRESPONDENCE TO
Star Enterprise
P O BOX
CHARLOTTE
28265

CUSTOMER ORDER NO. 0000

PLEASE IDENTIFY REMITTANCE ... DATE AND NUMBER ...

#03

DEL GRID NO	CARR OR DEL UNIT	LICENSE NO	TIME OF LOAD
	21-00001	3046	14-1...

SPECIAL TRUCK MARKINGS, LABELS OR PLACARDS OFFERED/APPLIED AS REQUIRED BY DEPARTMENT OF TRANSPORTATION

CHECK THIS COLUMN IF NO LABEL REQ ON HAZARDOUS MATERIAL

CODE	NO. PKGS	...	TEMP	GROSS QUANTITY GALLONS/POUNDS	ADJ QTY	NET QUANT GALLONS/POUNDS	TAXES FEDERAL STATE	PRICE EXCL TAX	AMOUNT

GASOLINE FLAMMABLE LIQUID/UN1203
TEXACO UNLEADED PLUS GASOLINE
RVP EQUALS TO 8.70 PSI.
57.3 4200 09 105 1.132

GASOLINE/FLAMMABLE LIQUID/UN1203
TEXACO UNLEADED GASOLINE
RVP EQUALS TO 8.60 PSI.
365 57.9 4500 09 105 1.082

PRODUCT TOTAL (INCL. APPLICABLE FED. & ST. TAX) $

CREDIT FOR AMS NO. 900818 08-18-90
3856
CREDIT FOR AMS NO. 900819 08-19-90
3856
CREDIT FOR AMS NO. 900820 08-20-90
3856
CREDIT FOR AMS NO. 900822 08-22-90 -211.57
3856
CREDIT FOR AMS NO. 900823 08-23-90
3856
NON-INVENTORY ITEM TOTAL $

PLUS! All TAX incl
TOTAL – 116.2
REG: All TAX incl
TOTAL – 111.2

N.J. STATE GROSS RECEIPTS TAX .... 8623.40 .0283
FED ... TAX 8700.00 .001
8700.00 .0035
TAX-ONLY ITEM TOTAL

START fin

P. 8" – 53" ? NW

N.L 17' – 63"

INVOICE TOTAL $

Star Enterprise

SHIPPER STAR ENTERPRISE.

37

LOADING ORDER — TRUCK BILL OF LADING AND MANIFEST — INVOICE IF PF

StarEnterprise

970 COMPANY TRUCK

08 03 90 0689

13-005 NEWARK

13-005-009950 L-0812

PRINT DATE 08 03 90

PLEASE ADDRESS REMITTANCE AND CORRESPONDENCE TO:

Star Enterprise

CHARGE TO

BILDEE CORP
DRESSLERS TEXACO
46 LEONARDVILLE RD
BELFORD NJ 07718-0000
CUSTOMER ORDER NO. 0000

BILDEE CORP
DRESSLERS TEXACO
46 LEONARDVILLE RD
BELFORD NJ 07718-0000

P O BOX 6598
CHARLOTTE, N C
28265

PLEASE IDENTIFY REMITTANCE BY INVOICE DATE AND NUMBER AS SHOWN ABOVE

FOR HEALTH LABEL DATA

#03

N1-19867

SPECIAL TRUCK MARKINGS, LABELS OR PLACARDS OFFERED/APPLIED AS REQUIRED BY DEPARTMENT OF TRANSPORTATION

CHECK THIS COLUMN IF NO LABEL REQ. ON HAZARDOUS MATERIAL

CODE	PKGS	PKG KIND	TEMP	GROSS QUANTITY GALLONS-POUNDS	ADJ. QTY	NET QUANTITY GALLONS-POUNDS	TAX FEDERAL	TAX STATE	PRICE EXCL. TAX	AMOUNT
GASOLINE/FLAMMABLE LIQUID/UN1203										
TEXACO SUPER UNLEADED GASOLINE										
347APIG	60.0			3400			09	105	1.127	3,831.8
TEXACO UNLEADED PLUS GASOLINE										
375APIG	60.0			1100			09	105	1.037	1,140
TEXACO UNLEADED GASOLINE										
365APIG	64.0			4300			09	105	.987	4,244.1

3856 CREDIT FOR DIRECT SUB DATED 07-30-90 — 615.8
3856 CREDIT FOR DIRECT SUB DATED 08-01-90 — 18.4
3856 CREDIT FOR AMS NO. 900801 08-01-90 — 474.0
3856 CREDIT FOR AMS NO. 900802 08-02-90 — 329.8
8803 9216.60 .0283 260
3861 FED LUST TAX 8800 .001 8
3854 SUPERFUND (SARA) 8800 .0035 30

Super incl all tax 1.157
Plus incl all tax 1.067
Reg incl all tax

INVOICE TOTAL $7,678.8

PPD FRT 159.23
TERMS: COD

THE MINIMUM (R+M)/2 OCTANE RATING IS CERTIFIED AS FOLLOWS:
TEXACO SUPER UNLEADED GASOLINE 93.0 TEXACO UNLEADED PLUS GASOLINE
TEXACO UNLEADED GASOLINE 87.0
GASOLINE SHIPPED OR SOLD HEREUNDER MEETS APPLICABLE FEDERAL AND STATE REGULATORY REQUIREMENTS.

FOR THE ACCOUNT OF STAR ENTERPRISE

SUP - 22 1/2 — 34 1/2
PL - 22 1/2 — 64 1/2
UNL - 22 — 57 21.7

Star Enterprise

SHIPPER

4X

LOADING ORDER — TRUCK BILL OF LADING AND MANIFEST — INVOICE

StarEnterprise

SCHEDULING ... CLOSED MONDA
... LABOR DAY WEEKEND

ORDER DATE | INV/REF DATE
08 24 90

NEWARK

FROM SHIP TO 13-...09950 L-0818

CHARGE TO
BILDEE CORP
DRESSLERS TEXACO
46 LEONARDVILLE RD
BELFORD
NO 00718000

CUSTOMER ORDER NO. 0000

PLEASE ADDRESS REMITTANCE AND CORRESPONDENCE TO
Star Enterprise
P O BOX
CHARLOTTE
28265

PLEASE IDENTIFY REMITTANCE DATE AND NUMBER

#03

DEL GRID NO	CARR OR DEL UNIT	LICENSE NO
	21-00001	3046

SPECIAL TRUCK MARKINGS, LABELS OR PLACARDS OFFERED/APPLIED AS REQUIRED BY DEPARTMENT OF TRANSPORTATION

CHECK THIS COLUMN IF NO LABEL REQ ON HAZARDOUS MATERIAL

GASOLINE FLAMMABLE LIQUID/UN1203
TEXACO UNLEADED PLUS GASOLINE
RVP EQUALS TO 8.70 PSI.
57.3 4200 09 105 1.132
GASOLINE/FLAMMABLE LIQUID/UN1203
TEXACO UNLEADED GASOLINE
RVP EQUALS TO 8.60 PSI.
365 57.9 4500 09 105 1.082
FREIGHT TOTAL (INCL. APPLICABLE FED. & ST. TAX)

CREDIT FOR AMS NO. 900818 08-18-90
3856
CREDIT FOR AMS NO. 900819 08-19-90
3856
CREDIT FOR AMS NO. 900820 08-20-90
3856
CREDIT FOR AMS NO. 900822 08-22-90
3856
CREDIT FOR AMS NO. 900823 08-23-90
3856
NON-INVENTORY ITEM TOTAL

Plus: All Tax incl
Total — 116.2
REG: All Tax incl
Total — 111.2

N.J. STATE GROSS RECEIPTS TAX .... 8807 9623.40 .0283
FED ... TAX 8700.00 .001
8700.00 .0035
START fin TAX-FREIGHT ITEM TOTAL
P. 8" — 53" ? 3NW INVOICE TOTAL
NL 17' — 67"

Enterprise

SHIPPER STAR ENTERPRISE.

5X

8-24-90

LOADING ORDER — TRUCK BILL OF LADING AND MANIFEST — INVOICE IF PR

StarEnterprise

970 COMPANY TRUCK 08 03 90 0689

13-005 NEWARK
13-005-009950 L-0818 CHARGE TO

PRINT DATE 08 03 90

PLEASE ADDRESS REMITTANCE AND CORRESPONDENCE TO:

Star Enterprise

P O BOX 6598
CHARLOTTE, N C
28265

BILDEE CORP
DRESSLERS TEXACO
46 LEONARDVILLE RD
BELFORD NJ 07718-0000
CUSTOMER ORDER NO. 0000

BILDEE CORP
DRESSLERS TEXACO
46 LEONARDVILLE RD
BELFORD NJ 07718-0000

PLEASE IDENTIFY REMITTANCE BY INV DATE AND NUMBER AS SHOWN ABC

FOR HEALTH LABEL DATA #03 N1-19867

SPECIAL TRUCK MARKINGS. LABELS OR PLACARDS OFFERED/APPLIED AS REQUIRED BY DEPARTMENT OF TRANSPORTATION

CHECK THIS COLUMN IF NO LABEL REQ ON HAZARDOUS MATERIAL

PKGS	PKG KIND	TEMP	GROSS QUANTITY GALLONS/POUNDS	ADJ QTY	NET QUANTITY GALLONS/POUNDS	TAX FEDERAL STATE		EXCL TAX	AMOUNT
GASOLINE/FLAMMABLE LIQUID/UN1203									
TEXACO SUPER UNLEADED GASOLINE									
347APIG	60.0		3400			09	105	1.127	3,831.8
TEXACO UNLEADED PLUS GASOLINE									
375APIG	60.0		1100			09	105	1.037	1,140.7
TEXACO UNLEADED GASOLINE									
365APIG	64.0		4300			09	105	.987	4,244.1

3856 CREDIT FOR DIRECT SUB DATED 07-30-90 — 615.8
3856 CREDIT FOR DIRECT SUB DATED 08-01-90 — 18.4
3856 CREDIT FOR AMS NO. 900801 08-01-90 — 474.0
3856 CREDIT FOR AMS NO. 900802 08-02-90 — 179.8
8803 9216.60 .0283 260
3861 FED LUST TAX 8800 .001 8
3854 SUPERFUND (SARA) 8800 .0035 30
INVOICE TOTAL $7,078.8

Super - incl all tax 1.15 7
Plus incl all tax 1.06 7
Reg incl all tax 1.01

PPD FRT 159.28
TERMS. COD

THE MINIMUM (R+M)/2 OCTANE RATING IS CERTIFIED AS FOLLOWS:
TEXACO SUPER UNLEADED GASOLINE 93.0 TEXACO UNLEADED PLUS GASOLINE
TEXACO UNLEADED GASOLINE 87.0
GASOLINE SHIPPED OR SOLD HEREUNDER MEETS APPLICABLE FEDERAL AND STATE RE...
...RE REQUIREMENTS.

FOR THE ACCOUNT OF STAR ENTERPRISE

UP - 22 1/2 - 34 1/2
UL - 22 1/2 - 64 1/2
US - 32 - 57 / 21.2

Star Enterprise

SHIPPER

6x

: ML 412321 167 MAIL REMITTANCE TO PO BOX 15148,NEWARK,NJ 07192
N.J. LIC # 1

COD ANASTASIO MARKOS 0041
MUNICIPAL EXXON
491 BLOOMFIELD AVE
BLOOMFIELD NJ 07003

SEQ 417435

EMERGENCY PRODUCT INFO FOR SPILLS,LEAKS,FIRES OR EXPOSURE CALL 713-425-3296/5305

3017 3506750009 13060 29007B57491001555554910 PPD INVOICE 01-4 900813 072890 417435 072890

LINDEN NJ TERM 01 COD 1

S	23"	X /GASOLINE /FLAMMABLE LIQUID /UN1203	8882				
		X **EXXON SUPREME GASOLINE (UNLEADED PREM) 00	4582	.90600	19600	5,049.36	1(
P	23"	X **EXXON PLUS GASOLINE (UNLEADED MID) 00	1100	.82300	19600	1,120.90	1(
		X **EXXON REGULAR (UNLEADED) 00					
		(UNLEADED REG)	3200	.77300	19600	3,100.80	1(
ULR	31"	**RECOUPMENT NJ GR TAX 02.830% 1				262.37	1(
01		TOTAL UNITS	8882				

MAXIMUM RVP = 9.0 PSI MINIMUM OCTANE: UNLEADED REG 87 UNLEADED MID 89 UNLEADED PREM 93

THIS INVOICE MAY BE SUBJECT TO ALLOWANCE WHICH WOULD BE GRANTED UNDER A SEPARATE CREDIT NOTE.

chk 6575
7/28/90
$9533 43

SUP INCL ALL TAX total 1,13.6
PLUS " " " " 1,05.3
REG " " " " 1,00.3

6545

94

0823 55741 TOTAL 9,533.43

Rocky Bauer

MAIL REMITTANCE TO PO BOX 15148, NEWARK, NJ 07190

N.J. LIC # 1

ANASTASIO MARKOS 0047
MONTCLAIR EXXON
BLOOMFIELD AVE
BLOOMFIELD NJ 07003

SEQ 611582

EMERGENCY PRODUCT INFO FOR SPILLS, LEAKS, FIRES OR EXPOSURE CALL 713-425-3296/5305

7 8502 50009 13060 29007B57450502555101 4505 PPD INVOICE 01-4 900906 082290 611582 082290

LINDEN NJ TERM 01 COD 1

X	/GASOLINE /FLAMMABLE LIQUID /UN1203,	8810		
X	**EXXON SUPREME GASOLINE (UNLEADED PREM)00	3240	.99600 19600	3,862.08
X	**EXXON PLUS GASOLINE (UNLEADED MID)00	2370	.91800 19600	2,628.33
X	**EXXON REGULAR (UNLEADED)(UNLEADED REG)00	3200	.86300 19600	3,388.80
	**RECOUPMENT NJ GR TAX 02.830% 1			279.58
	TOTAL UNITS	8810		

MAXIMUM RVP = 9.0 PSI MINIMUM OCTANE: UNLEADED REG 87 UNLEADED MID 89 UNLEADED PREM 93

THIS INVOICE MAY BE SUBJECT TO ALLOWANCE WHICH WOULD BE GRANTED UNDER A SEPARATE CREDIT NOTE.

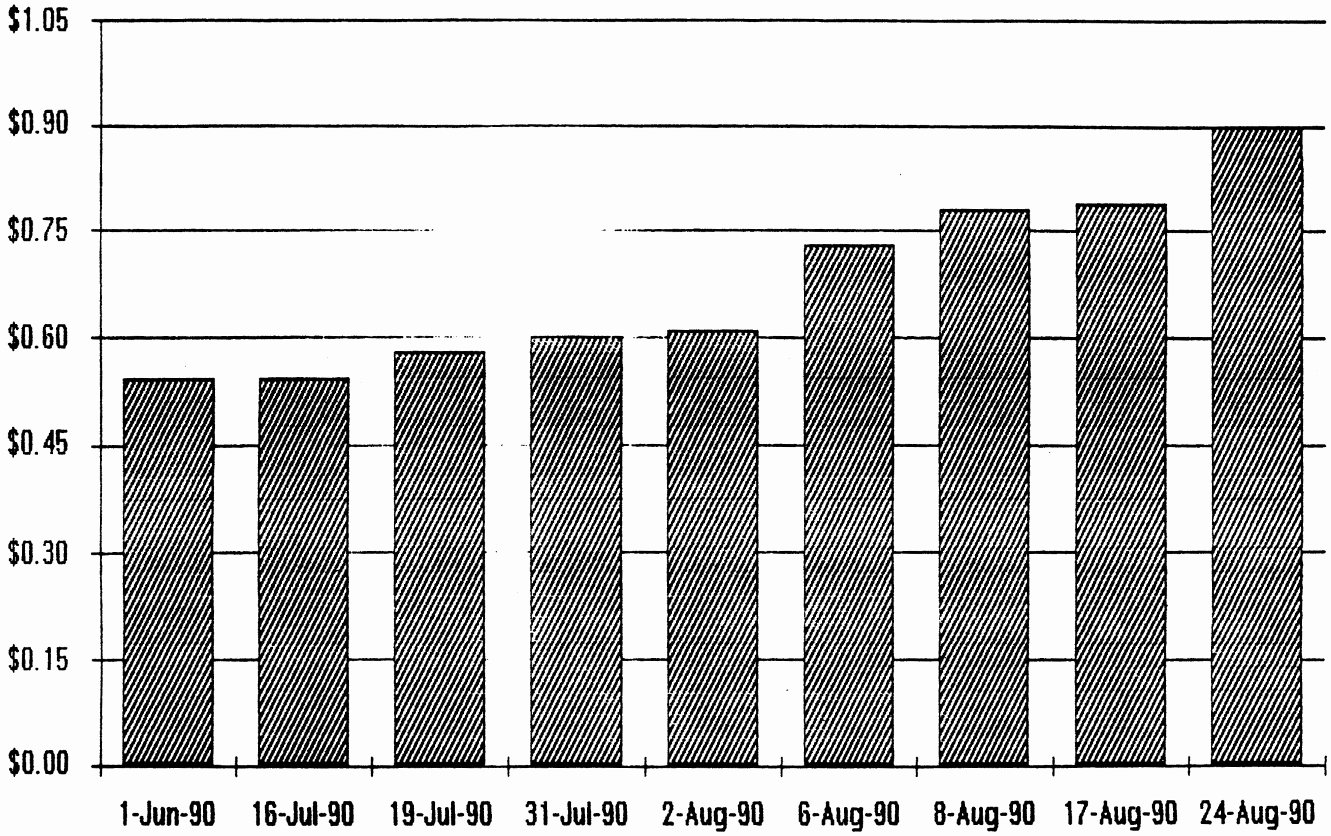
SUP INCL ALL TAX: TOTAL ¢ 1.226
PLUS " " " " 1.145
REG " " " " 1.093

X8

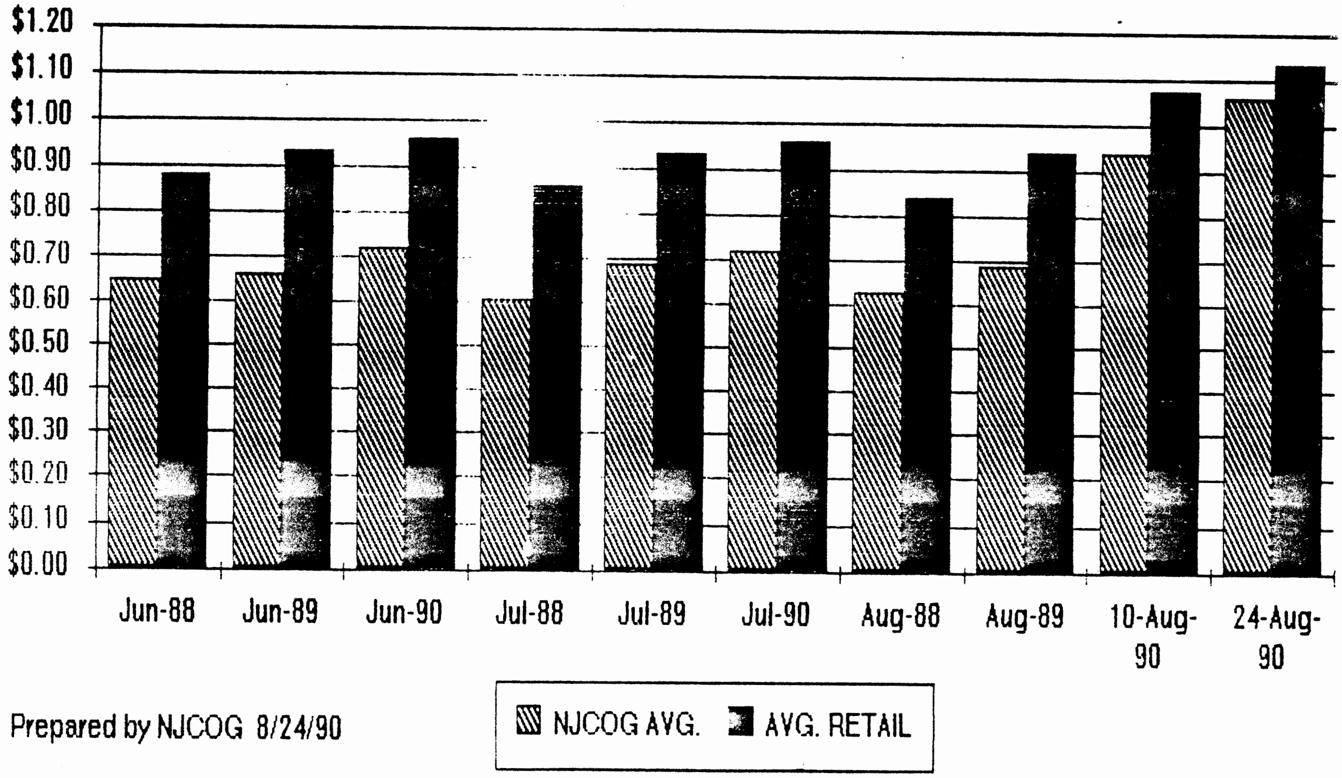
ck# 6570
8/22/90
$10,158.79

406 54395 TOTAL VALUE ▶ 10,158.79

NEW JERSEY AVG. WHOLESALE PRICES



NEW JERSEY SUMMER OIL PRICE HISTORY



Prepared by NJCOG 8/24/90

9X

STATEMENT OF

HENRY H. PAGE, JR.

VICE PRESIDENT, PUBLIC AFFAIRS

SUN REFINING AND MARKETING COMPANY

BEFORE THE

NEW JERSEY GENERAL ASSEMBLY

CONSUMER AFFAIRS COMMITTEE

AND

ENERGY AND ENVIRONMENT COMMITTEE

AUGUST 27, 1990

10X

I AM HANK PAGE, VICE PRESIDENT, PUBLIC AFFAIRS, SUN REFINING AND MARKETING COMPANY (SUN). SUN IS A REGIONAL REFINER-MARKETER WITH OVER 450 SUNOCO STATIONS AND 24 ATLANTIC STATIONS IN NEW JERSEY. I APPRECIATE THE OPPORTUNITY TO TALK WITH MEMBERS OF THE CONSUMER AFFAIRS AND THE ENERGY AND ENVIRONMENT COMMITTEES OF THE NEW JERSEY GENERAL ASSEMBLY TO ATTEMPT TO EXPLAIN SUN'S VIEW OF THE PETROLEUM MARKET OVER THE PAST FEW WEEKS.

SINCE THE IRAQI INVASION OF KUWAIT DISRUPTED WORLD OIL MARKETS, THERE HAS BEEN CONSIDERABLE ATTENTION TO THE IMPACT ON THE AMERICAN PUBLIC. WE UNDERSTAND THOSE CONCERNS BECAUSE RISING PRICES POSE PROBLEMS FOR OUR CUSTOMERS. I WILL SHARE SOME NUMBERS WITH YOU TODAY TO SHOW THAT THIS RECENT SITUATION HAS POSED SOME VERY DIFFICULT CHALLENGES FOR OUR COMPANY ALSO.

EVERY DAY WE PURCHASE ABOUT 600,000 BARRELS OF CRUDE OIL AND FINISHED PRODUCT AND EVERY DAY WE SELL ABOUT 600,000 BARRELS OF PRODUCT. ALTHOUGH IT TAKES ANYWHERE FROM 0 TO 21 DAYS FOR OUR CRUDE OIL SUPPLIES TO ARRIVE AT OUR REFINERIES, <u>OUR COST INCREASES ARE IMMEDIATE</u> AND WE LOOK TO THE PRODUCT MARKET FOR RECOVERY OF THOSE COSTS. LIKE ANY PRUDENT ENTERPRISE, WE MAINTAIN INVENTORIES AT THE MINIMUM LEVEL TO MEET EXPECTED DEMAND --- THE MILLIONS OF BARRELS OF CRUDE AND PRODUCT INVENTORY ARE NEEDED TO MAINTAIN RELIABLE OPERATIONS.

OUR OBJECTIVE IS TO BE A RELIABLE SUPPLIER OF PETROLEUM PRODUCTS. TO US THAT MEANS HAVING SUFFICIENT SUPPLIES OF PRODUCT

AT A COMPETITIVE PRICE. WE HAVE TAKEN STEPS TO AVOID SUPPLY DISRUPTIONS INCLUDING HALTING SALES OF GASOLINE AND DISTILLATE TO NON-CONTRACT CUSTOMERS AT LOCATIONS SUPPLIED BY TWO OF OUR FOUR MAINLAND REFINERIES AND CONTROLLING SALES TO "NORMAL" LEVELS TO PREVENT OPPORTUNISTS FROM USING OUR TERMINALS TO TAKE ADVANTAGE OF THE VOLATILE MARKET.

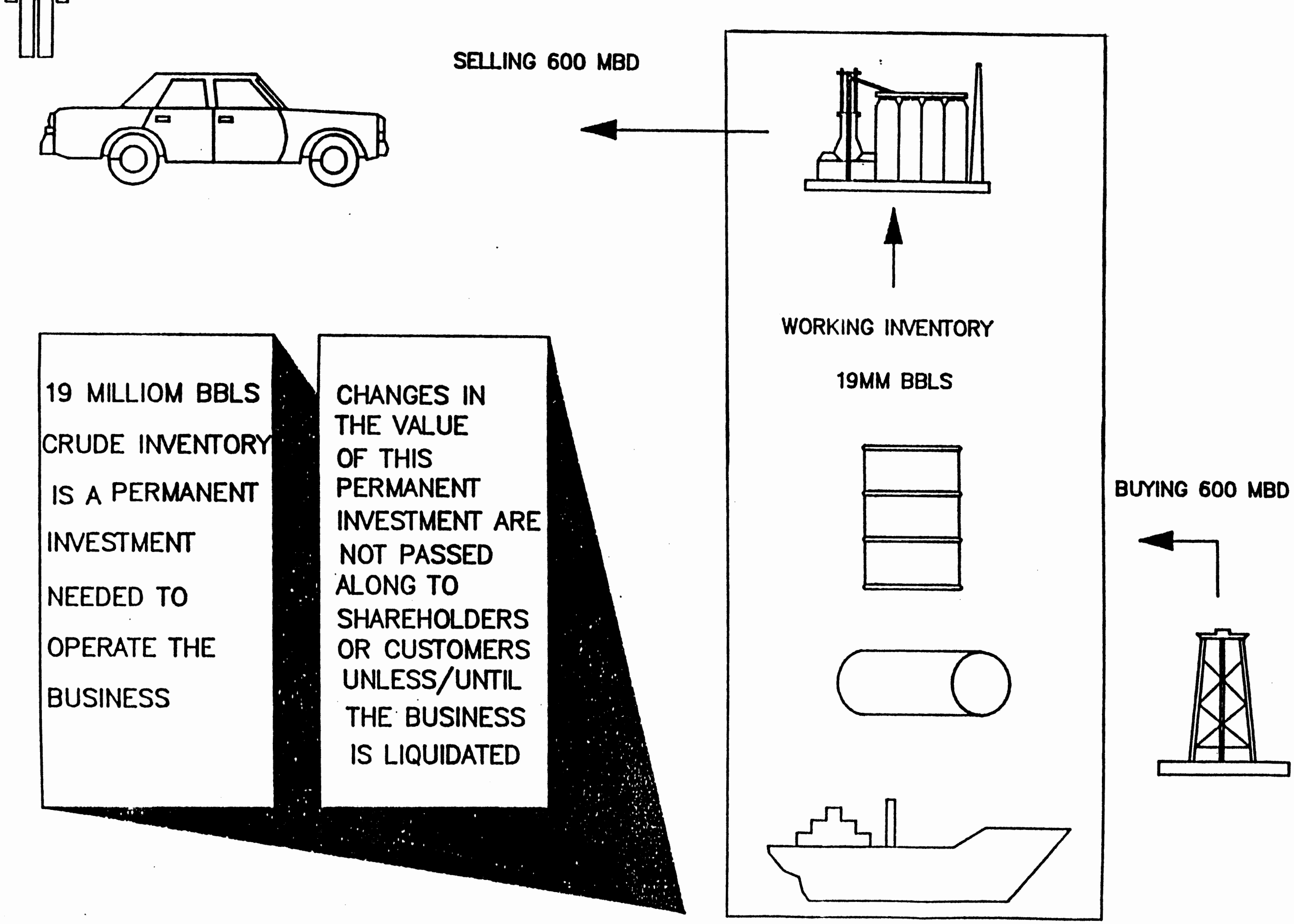
SUN COMPANY HAS NOT PROFITED FROM THE RECENT RUN-UP IN GASOLINE PRICES. THE PRICES WE CHARGE OUR CUSTOMERS FOR GASOLINE, FUEL OIL, AND OTHER FINISHED PRODUCTS HAVE NOT GONE UP AS SHARPLY AS THE COST OF THE CRUDE OIL WE PURCHASE. ALTHOUGH CRUDE COSTS HAVE INCREASED BY OVER 30 CENTS PER GALLON SINCE EARLY JULY, OUR PRICE TO OUR BRANDED DEALERS IN TRENTON HAS INCREASED BY ONLY 12 CENTS PER GALLON (UNLEADED ECONOMY GASOLINE). AS YOU CAN SEE, THE PRODUCT MARKET DOES NOT ALWAYS RESPOND WITH THE SAME SPEED AND MAGNITUDE AS THE RAW MATERIAL MARKET. FOR EXAMPLE, OUR CRUDE COSTS HAD ALREADY INCREASED 25 PERCENT IN JULY PRIOR TO THE IRAQI INVASION. SUN ALREADY FACED THOSE PRICE INCREASES AND ON THE DAY IRAQI TROOPS WENT INTO KUWAIT COSTS WENT EVEN HIGHER. IN FACT, THE MARKET IS CURRENTLY NOT PERMITTING US TO RECOVER COST INCREASES --- JUST THE OPPOSITE OF THE PRICE GOUGING CHARGES WHICH HAVE BEEN LEVELED.

REFINING AND MARKETING IS A VERY COMPLEX BUSINESS WITH LARGE CAPITAL INVESTMENT AND MAJOR NEW INVESTMENTS REQUIRED TO MEET CURRENT AND PENDING ENVIRONMENTAL REGULATIONS. OVER THE PAST FIVE YEARS, THE AVERAGE AFTER-TAX PROFIT FOR A GROUP OF 12 REFINER-

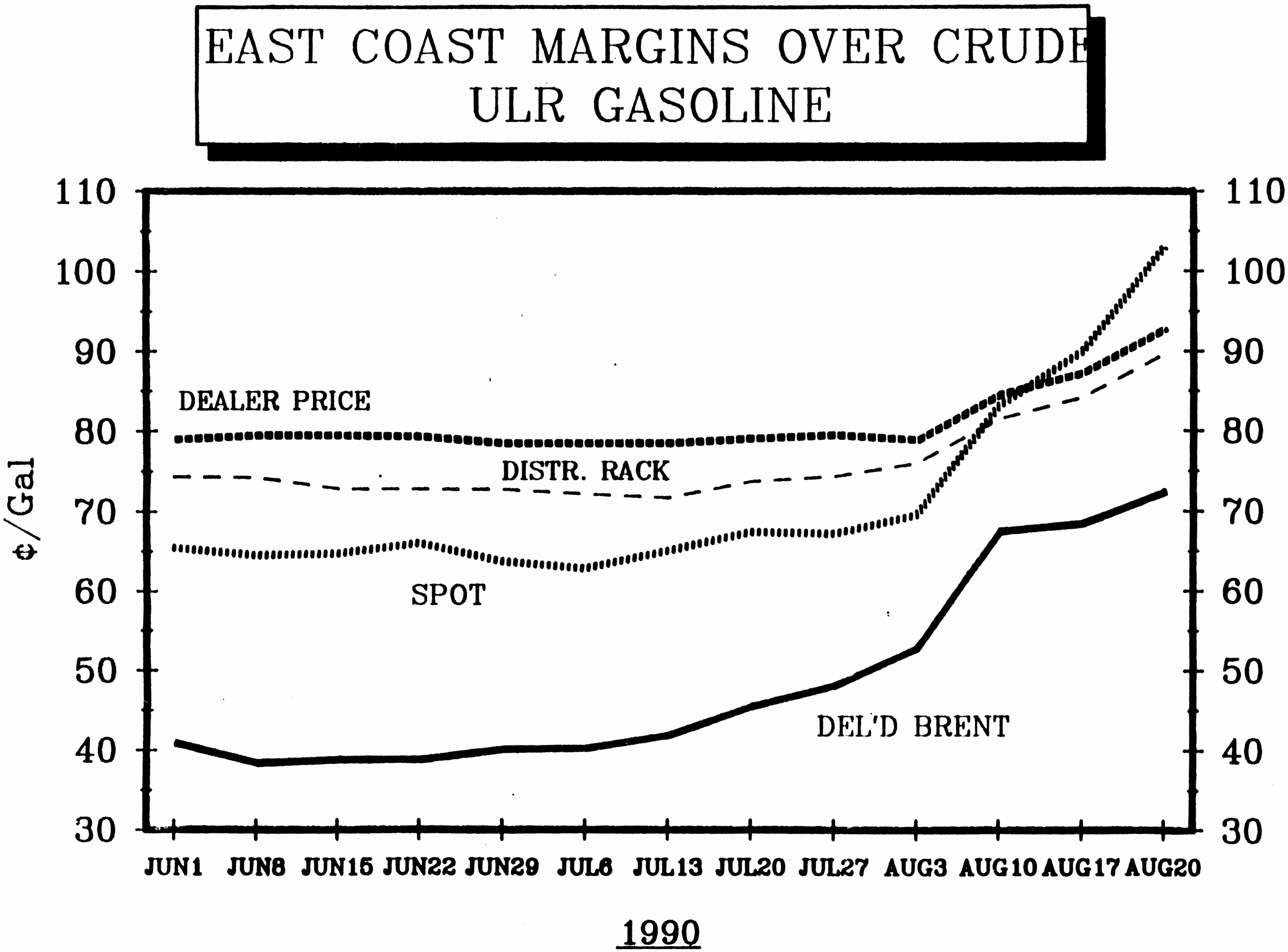
MARKETERS IS ABOUT 2.5 CENTS PER GALLON (AVERAGED ACROSS ALL PRODUCTS). UNRECOVERED COSTS IN THE DOUBLE DIGIT RANGE CANNOT BE PERMANENT; PRODUCT PRICES WILL HAVE TO REFLECT CRUDE COST IN THE LONG RUN.

SUN WILL CONTINUE ITS EFFORTS TO BE A RELIABLE SUPPLIER OF PETROLEUM PRODUCTS AS WE HAVE FOR OVER 104 YEARS. AGAIN, I THANK THE COMMITTEE MEMBERS FOR THIS OPPORTUNITY TO DISCUSS OUR EFFORTS. I WOULD BE PLEASED TO TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

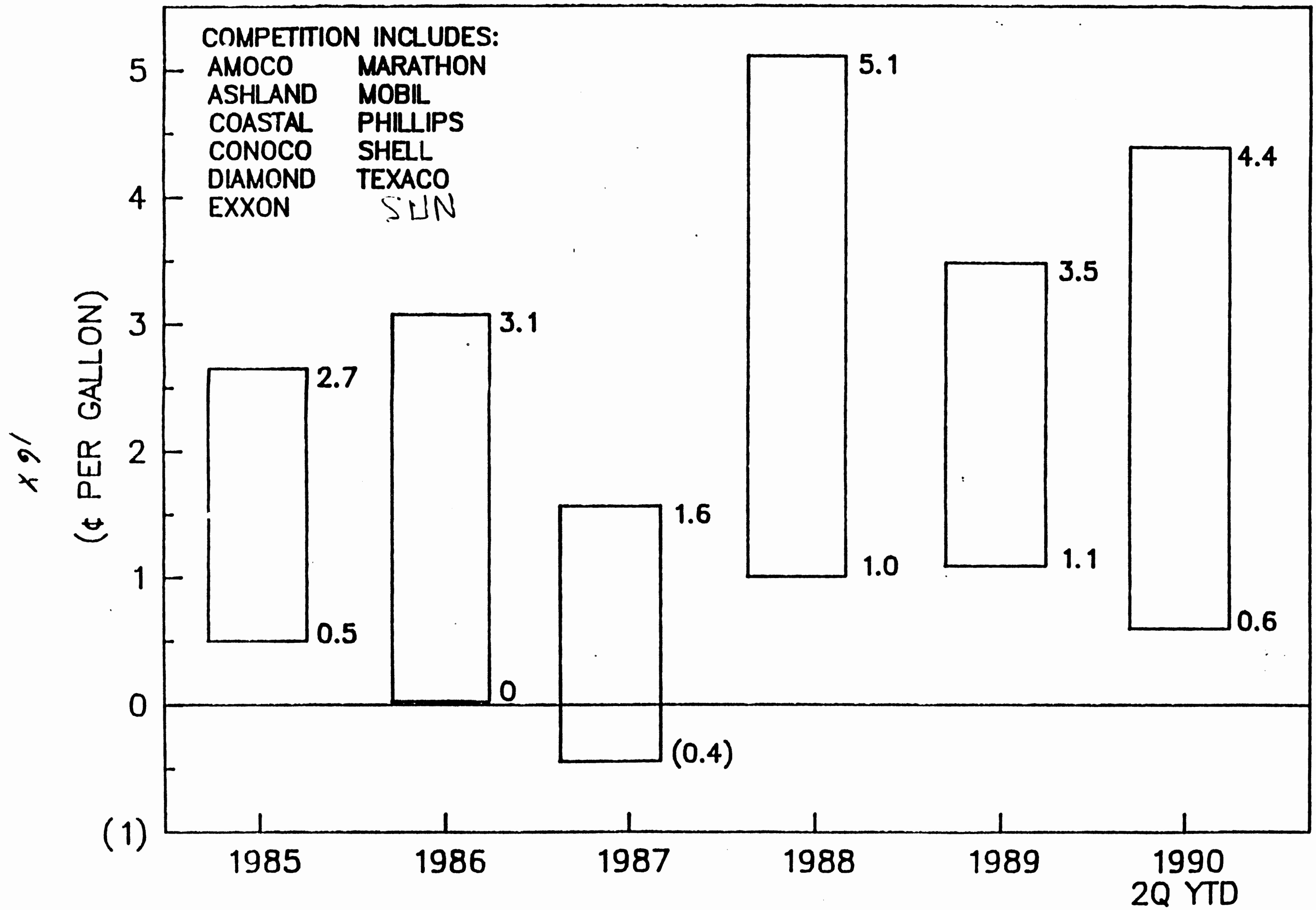
IMPACT OF CRUDE OIL PRICE CHANGES AT THE PUMP



14X


EAST COAST MARGINS OVER CRUDE
ULR GASOLINE
¢/Gal
110
100
90
80
70
60
50
40
30
DEALER PRICE
DISTR. RACK
SPOT
DEL'D BRENT
JUN1 JUN8 JUN15 JUN22 JUN29 JUL6 JUL13 JUL20 JUL27 AUG3 AUG10 AUG17 AUG20
1990

COMPETITIVE EARNINGS IN CENTS PER GALLON SOLD



56 Morris Ave. P.O. Box 70 Springfield, N.J. 07081 (201) 467-1400

Fuel Merchants Association of New Jersey

ASSEMBLY CONSUMER AFFAIRS COMMITTEE
ASSEMBLY ENERGY AND ENVIRONMENT COMMITTEE

AUGUST 27, 1990

STATEMENT OF FRED J. SACCO
EXECUTIVE VICE PRESIDENT
FUEL MERCHANTS ASSOCIATION

SUPPLEMENTED BY:

RICHARD G. MOHRFELD, MOHRFELD INC.
SOUTHERN REGIONAL VICE PRESIDENT

CARL G. BRAUN, JR., KIMBER PETROLEUM
MOTOR FUELS VICE PRESIDENT

MY NAME IS FRED J. SACCO. I AM EXECUTIVE VICE PRESIDENT OF THE FUEL MERCHANTS ASSOCIATION OF NEW JERSEY. HERE WITH ME ARE TWO OFFICERS OF THE STATEWIDE ASSOCIATION: RICHARD G. MOHRFELD, MOHRFELD, INC., COLLINGSWOOD, A RETAIL HOME HEATING OIL DISTRIBUTOR; AND CARL BRAUN, JR. KIMBER PETROLEUM CORP., MADISON, A MOTOR FUEL DISTRIBUTOR.

OUR ASSOCIATION REPRESENTS MORE THAN 400 MEMBERS ACROSS NEW JERSEY. THEY SUPPLY APPROXIMATELY 400 MILLION GALLONS OF MOTOR FUELS TO NEARLY 1200 SERVICE STATIONS, AS WELL AS THOUSANDS OF COMMERCIAL AND AGRICULTURAL ACCOUNTS. OUR HEATING OIL MEMBERS, WITH MORE THAN 15,000 EMPLOYEES, PROVIDE NEARLY APPROXIMATELY 850 MILLION GALLONS OF HOME HEATING OIL TO SLIGHTLY UNDER ONE MILLION HOMES.

IN MY PRESENTATION I WILL TOUCH ON THE SUPPLY ISSUE, PRICE ESCALATION, ANTI-COMPETITIVE ACTIONS BY THE MAJOR OIL COMPANY SUPPLIERS AND PROVIDE RECOMMENDATIONS OUR ASSOCIATION FEELS SHOULD BE IMPLEMENTED TO EASE THE IMPACT. SOME OF THESE STEPS REQUIRE FEDERAL ACTION. OTHERS THE STATE CAN IMPLEMENT.

YOU HAVE BY NOW, I SUPPOSE, READ PRESS REPORTS OF THE SHORTFALL PROJECTED FOR WORLD CRUDE OIL AND PRODUCT SUPPLIES CAUSED BY THE IRAQ INVASION. FMA DOES NOT FULLY AGREE THAT A FIVE MILLION BARREL PER DAY SHORTFALL REALLY EXISTS. IT IS

A NUMBER BEING USED FREQUENTLY BY THE MEDIA. MANY ANALYSTS HAVE RIGHTLY POINTED OUT THAT NEARLY ONE-THIRD TO ONE-HALF OF THIS FIVE MILLION BARRELS WAS SURPLUS PRODUCT. IN ORDER TO STABILIZE THE TOTAL WORLD OIL POOL, IT WILL BE POSSIBLE TO INCREASE PRODUCTION BY OPEC AND NON-OPEC COUNTRIES BY AN ADDITIONAL TWO MILLION BARRELS PER DAY.

THE IRONY IS THAT IN A SHORT PERIOD OF TIME, WORLDWIDE LEVELS OF CRUDE COULD REACH PRE-INVASION NUMBERS TO SATISFY THE REAL DEMAND BASED ON THE JULY PERIOD. THE MAJOR DILEMMA IS THE REDISTRIBUTION OF THIS SUPPLY AMONG BUYING COUNTRIES DEPENDENT ON IRAQ AND IRAN. BECAUSE OF THIS, NOTWITHSTANDING THERE IS TRULY NOT A REAL SEVERE SHORTAGE, THE HEATING OIL SUPPLIERS AND NON-MAJOR OIL COMPANY GASOLINE DISTRIBUTORS HAVE SEEN WHOLESALE INCREASES AS REPORTED TO NEW JERSEY ENERGY AND CONSUMER OFFICIALS AT PREVIOUS SESSIONS AND RECOUNTED IN SUBSEQUENT PRESS COVERAGE SUPPLIED TO THE MEMBERS OF THE COMMITTEE.

I WOULD LIKE TO OFFER TO THE COMMITTEE A CHART SHOWING PRICE JUMPS STARTING IN JULY AND REFLECTING FUTURES PRICES FAR INTO OCTOBER.

THE INFORMATION WE HAVE RECEIVED FROM OUR MEMBERSHIP INDICATES CLEARLY THAT THE OVERWHELMING MAJORITY HAVE NOT PASSED ON TO THEIR RETAIL CUSTOMERS ALL OF THEIR WHOLESALE COSTS BEING RECEIVED FROM THE MAJOR OIL COMPANY SUPPLIERS.

EVEN MORE IMPORTANT IS THE FACT THAT MAJOR OIL COMPANIES HAVE NOT PASSED ON THESE INCREASES FAIRLY OR EQUITABLY. THERE ARE HUNDREDS OF INDEPENDENT MARKETERS AND RETAIL SERVICE STATION DEALERS BEING MISCAST AS CULPRITS FOR TAKING ADVANTAGE OF THE NEW JERSEY CONSUMERS AND CHARGING HIGHER PRICES.

THE FACT IS MANY SERVICE STATION DEALERS HAVE RECEIVED HIGHER WHOLESALE INCREASES THAN HIS FELLOW DEALER FLYING THE SAME MAJOR OIL COMPANY BRAND. AN INEQUITY EXISTS IN THE PRICING MECHANISMS THE MAJOR OIL COMPANIES ARE USING DURING THIS PERIOD.

MY PERSONAL VIEW IS THIS IS A BLATANT ATTEMPT TO REMOVE AS MANY OF THE INDEPENDENT GASOLINE MARKETERS FROM THE MARKETPLACE WHILE THEY CAN PERPETRATE THE SQUEEZE UNDER THE PRETEXT OF A CRISIS.

DURING THE EARLY TO MID 1980S, BIG OIL GAVE UP AT LEAST 600 SERVICE STATIONS PUMPING LESS THAN 50,000 GALLONS PER MONTH BECAUSE THEY DECIDED THEM TO BE "DINOSAURS". WHAT THEY FOUND OUT WAS THE TENACITY OF THE NEW JERSEY GASOLINE JOBBER WAS MORE THAN THEY BARGAINED FOR. THESE OIL COMPANY VP'S DID NOT EXPECT THAT IN THE BEGINNING OF THE 1990S THESE STATIONS WOULD HAVE BEEN EXPANDED AND MODERNIZED. YOU MEMBERS WOULD NOT BE ABLE TO DETECT WHO RUNS THE STATION IF THEY WERE PLACED SIDE BY SIDE. TODAY THE ONLY TELLING SIGN WOULD BE PRICE POSTINGS.

A NEW STRATEGY SEEMS TO HAVE DEVELOPED. A NEW MOVE BY THE MAJORS TO TAKE THESE STATIONS BACK BY DRIVING THE JOBBER OUT OF THE MARKET FORCING HIS WHOLESALE COSTS SO HIGH THAT NEIGHER HE NOR HIS DEALER CAN PRICE THEIR GASOLINE TO REMAIN COMPETITIVE AND STILL CAPITALIZE THEIR BUSINESS. MARGINS ARE SO CLOSE THAT ONE QUARTER LOSSES COULD SPELL DOOM FOR SOME COMPANIES.

A SAD COMMENTARY IS THE CALL BEING MADE BY STATE OF NEW JERSEY OFFICIALS ASKING THE CONSUMER TO BUY THE CHEAPER GASOLINE. WHAT THEY ARE DOING IS ACTUALLY DRIVING THE CONSUMER TO THE MAJOR OIL DIRECT-SUPPLIED OR MAJOR OIL COMPANY-RUN SERVICE STATIONS. BIG OIL IS GETTING THE BEST OF BOTH WORLDS.

HOME HEATING OIL DISTRIBUTORS HAVE SEEN THE SAME UPWARD PRESSURE IN THEIR WHOLESALE PRICES. BECAUSE OF LOWER DEMAND, THE HOME HEATING OIL DISTRIBUTOR HAS BEEN ABLE TO HOLD THE LINE. MUCH LESS HAS BEEN PASSED THROUGH TO HIS CUSTOMERS. AN UNFORTUNATE PROBLEM, WHICH I FEEL IS MEDIA-DRIVEN, IS A PANIC STARTING TO SET IN WITH HOME HEATING OIL CALLS FOR DELIVERY BEGINNING TO APPROACH DEMAND LEVELS THAT WE WOULD EXPECT TO SEE IN OCTOBER AND NOVEMBER.

HOME HEATING OIL DEALERS HAVE BEEN TAKING CALCULATED RISKS BY URGING CUSTOMERS NOT TO TOP OFF THEIR TANKS. IF WE CAN'T

CONTAIN THIS SURGE, THE PRESSURE ON THE DISTILLATE NEEDS OF THE TRANSPORTATION AND AGRICULTURAL INDUSTRIES WILL BE STRAINED. SPOT SHORTAGES WILL BE INEVITABLE AND EVEN HIGHER ESCALATION OF PRICE WILL OCCUR IN DISTILLATE MOTOR FUELS. COMMITTEE MEMBERS SHOULD UNDERSTAND THAT THE HOME HEATING OIL NEEDS OF THIS COUNTRY IS 10 PERCENT OR LESS OF TOTAL U.S. ENERGY DEMAND.

ANOTHER PLAYER IN THE PRICE CYCLE THAT CAN HAVE A MAJOR IMPACT AS WE GET FURTHER INTO THE HOME HEATING SEASON IS THE PRACTICE OF PERMITTING THE UTILITIES TO SELL "INTERRUPTIBLE NATURAL GAS." WHEN IT GETS COLD THE BELOW MARKET COST NATURAL GAS THEY BUY AT PRICES FAR BELOW THE RESIDENTIAL USER'S RATE IS SHUT OFF. THESE MAJOR INDUSTRIAL AND COMMERCIAL USERS SCRAMBLE INTO THE HOME HEATING OIL MARKET AND FORCE THE COST UP TO THE RESIDENTIAL USERS OF HEATING OIL. LAST YEAR DURING THE COLD PERIOD IN LATE DECEMBER, THE SURGE OF ADDITIONAL HOME HEATING OIL PURCHASES TO SUPPLY COMPANIES WHO WERE BUYING BELOW MARKET CHEAP NATURAL GAS REACHED 500,000 BARRELS PER DAY. SOME ESTIMATES ARE BETWEEN 10 AND 20 PERCENT IMPACT ON THE WHOLESALE COST FOR HOME HEATING OIL. THIS COULD BE AS MUCH AS 20 CENTS PER GALLON THAT RESIDENTIAL USERS WERE FORCED TO SHELL OUT TO SUBSIDIZE THE NATURAL GAS USERS.

THE FUEL MERCHANTS ASSOCIATION WOULD LIKE TO MAKE THE FOLLOWING RECOMMENDATIONS TO DEAL WITH THE IMMEDIATE AND

MID-WINTER PERIODS. COLLECTIVELY, THESE ACTIONS COULD ELIMINATE OR SUBSTANTIALLY MINIMIZE PRESENT AND FUTURE PRICE ESCALATIONS.

FIRST: THE ATTACHED LETTER TO THE PRESIDENT OF THE UNITED STATES FROM THE PETROLEUM MARKETERS ASSOCIATION OF AMERICA REFLECTS THE URGING OF NOT ONLY NEW JERSEY MARKETERS, BUT MARKETERS FROM THE NORTHEAST. OUR MEMBERS HAVE ASKED PRESIDENT BUSH TO MOVE FORWARD AND BEGIN TO IMPLEMENT AN AUCTION OF THE STRATEGIC PETROLEUM RESERVE. WE BELIEVE THIS AUCTION WOULD BRING CRUDE TO MARKET, GIVE SUPPLY ASSURANCES AND MOST IMPORTANTLY EASE SPECULATION.

SECOND: THIS LEGISLATURE AND THE ADMINISTRATION SHOULD ADOPT A POLICY THAT WOULD ELIMINATE THE "INTERRUPTIBLE" NATURAL GAS MARKET. ENERGY USERS SHOULD BE REQUIRED TO MAKE THEIR CALL NOT LATER THAN SEPTEMBER 15 WHETHER THEY WILL USE HEATING OIL OR NATURAL GAS. THE ONLY EXCEPTIONS COULD BE IF THE MAJOR USER HAS AN ASSURED 30-DAY SUPPLY OF HEATING OIL. YOU OWE IT TO THE HOME HEATING OIL USERS TO ASSURE THEY WILL NOT FACE PRICE SPIKES AGAIN THIS WINTER OF 10 OR 20 CENTS BECAUSE THE NATURAL GAS UTILITIES WERE PERMITTED TO MANIPULATE THE MARKET PLACE.

THIRD: THE CONSERVATION EFFORT SHOULD BE STRENGTHENED FOR BOTH GASOLINE AND HEATING OIL CONSUMPTION. IF YOU WERE TO ASSESS THE IMPACT OF THE CONSERVATION ETHIC THAT WAS

PREVALENT IN THE EARLY 80S BUT SLACKENED AS THE DECADE CAME TO A CLOSE, YOU COULD FIND STATISTICS SHOWING FOSSIL FUEL CONSUMPTION WAS REDUCED BY BETWEEN 25 AND 30 PERCENT. I WOULD BE APPEARING BEFORE YOU DISCUSSING ODD-EVEN, BROWNOUTS, SHUTDOWNS, ETC. BECAUSE WE WOULD HAVE BEEN USING NEARLY 4 MILLION MORE BARRELS OF PETROLEUM PER DAY THAN WE ARE PRESENTLY USING. IF THE AMERICAN PUBLIC UNDERSTANDS THIS IS NOT AN OIL COMPANY CON AND IT IS TIME TO BEGIN SACRIFICING, WE WILL GET THROUGH THIS AS WE HAVE ON OTHER OCCASIONS.

FOURTH: THE PRESIDENT SHOULD GIVE SERIOUS CONSIDERATION TO SUSPENSION OF THE COMMODITY TRADING OF ENERGY FOR THE NEAR TERM. BECAUSE OF THE PSYCHOLOGICAL IMPACT AND THE VOLATILITY TRADERS BRING TO THE TABLE, WE HAVE SEEN THE TAIL WAGGING THE DOG WITH RESPECT TO UPWARD SPIRALS OF PETROLEUM PRICES. SOMETHING IS OUT OF KILTER. IF CERTAINLY DOESN'T MAKE SENSE THAT SOME GUY WITH A LAP-TOP COMPUTER IN VERMONT CAN BE BOASTING AT A COCKTAIL PARTY OF HUNDREDS OF THOUSANDS OF DOLLARS MADE IN A COUPLE OF DAYS TRADING PETROLEUM FUTURES.

TWO-THIRDS OF FMA'S MEMBERS ARE SMALL FAMILY RUN COMPANIES, 40 AND 50 YEARS OLD, WITH BUILDINGS, TRUCKS, TANKS, PAYROLLS, ETC. SUPPLYING HOME HEATING OIL TO 700 TO 1000 CUSTOMERS. THEY BARELY MAKE THAT KIND OF GROSS PROFIT IN A YEAR.

FIFTH: STATE RUN PROGRAMS USING THE OIL OVERCHARGE MONEY FROM THE EARLIER BIG OIL PRICE SHENANIGANS SHOULD BE

ACCELERATED TO PERMIT EQUIPMENT PURCHASES FOR MODERNIZATION. FLAME RETENTION BURNERS WILL PROVIDE AN AVERAGE 16 PERCENT REDUCTION IN CONSUMPTION OF HEATING OIL FOR EVERY ONE INSTALLED. WE CAN ENJOY 40 PERCENT SAVINGS WHEN WE INSTALL COMPLETELY NEW OIL BURNING EQUIPMENT. RECENT SURVEYS INDICATE SINCE 1981, FUEL MERCHANTS HAVE INSTALLED NEARLY 400,000 NEW HIGH EFFICIENT BURNERS.

SIXTH: THE MOTOR FUELS COMMITTEE OF OUR NATIONAL ASSOCIATION ADOPTED A RESOLUTION CALLING FOR THE PROHIBITION OF MAJOR OIL COMPANY REFINERS FROM OPERATING RETAIL SERVICE STATIONS. OUR MEMBERS HAVE BEEN IN THE FOREFRONT OF THE CONSUMER BACKLASH. MEANWHILE THE RUG HAS BEEN PULLED OUT FROM BENEATH THEM BY THEIR OWN SUPPLIERS. MAJORS HAVE HEEDED THE CALL FOR RESTRAINT ON RETAIL GASOLINE PRICES WITHOUT PROVIDING THE SAME RESTRAINTS AT THE WHOLESALE LEVEL.

MANY FMA GASOLINE MEMBERS ARE FACING ARTIFICIAL RESTRICTIONS ON SUPPLY WHILE DIRECT MAJOR OIL COMPANY STATIONS HAVE SUPPLY. WORSE, THEY HAVE THE LOWEST PRICES IN THE MARKETPLACE. WE ASK THE BPU AND THE OFFICE OF CONSUMER AFFAIRS TO DETERMINE IN THEIR PRICE SURVEYS IF THE LOWEST-PRICES STATIONS ARE COMPANY OPERATED VERSUS DEALER OPERATED.

5 Morris Ave P O Box 70 Springfield, N J 07081 201 467 1400

Fuel Merchants Association of New Jersey

FAX: 201-379-6507

RESPONSE

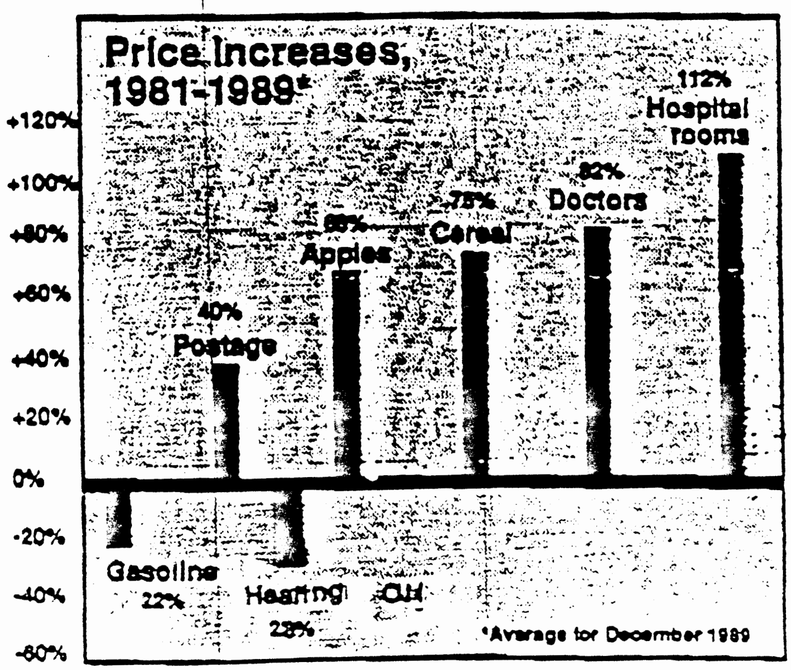
Critics note that gasoline prices rose in 1989 by almost twice the rate of inflation. What happened to those prices over the decade of the 1980s?

Gasoline prices on average did increase last year by 10 percent, or about 10 cents a gallon, over 1988 prices. Still, the average price of gasoline at the pump in 1989, $1.06 a gallon, was almost 22 percent *less* than the average pump price of $1.35 a gallon early in the decade. In fact, when adjusted for higher taxes and inflation, the price of gasoline last year was 44 percent below the price in 1981.

The reduction in the price of gasoline from the early 1980s to the end of the decade contrasts sharply with trends for other common consumer goods and services. As measured by the Consumer Price Index, the overall cost of goods and services *rose* by almost 40 percent from 1981 through December 1989. A number of individual items rose by even more (while a few rose by less).

For example, while gasoline prices were falling, automobile maintenance and repair costs rose 42 percent; the cost of automobile insurance 100 percent; white bread, 43 percent; apples, 68 percent; cereal, 75 percent; postage, 40 percent; newspapers, 50 percent; physicians' services, 82 percent; hospital rooms, 112 percent; and prescription drugs, 113 percent.

As gasoline prices fell, many other prices rose

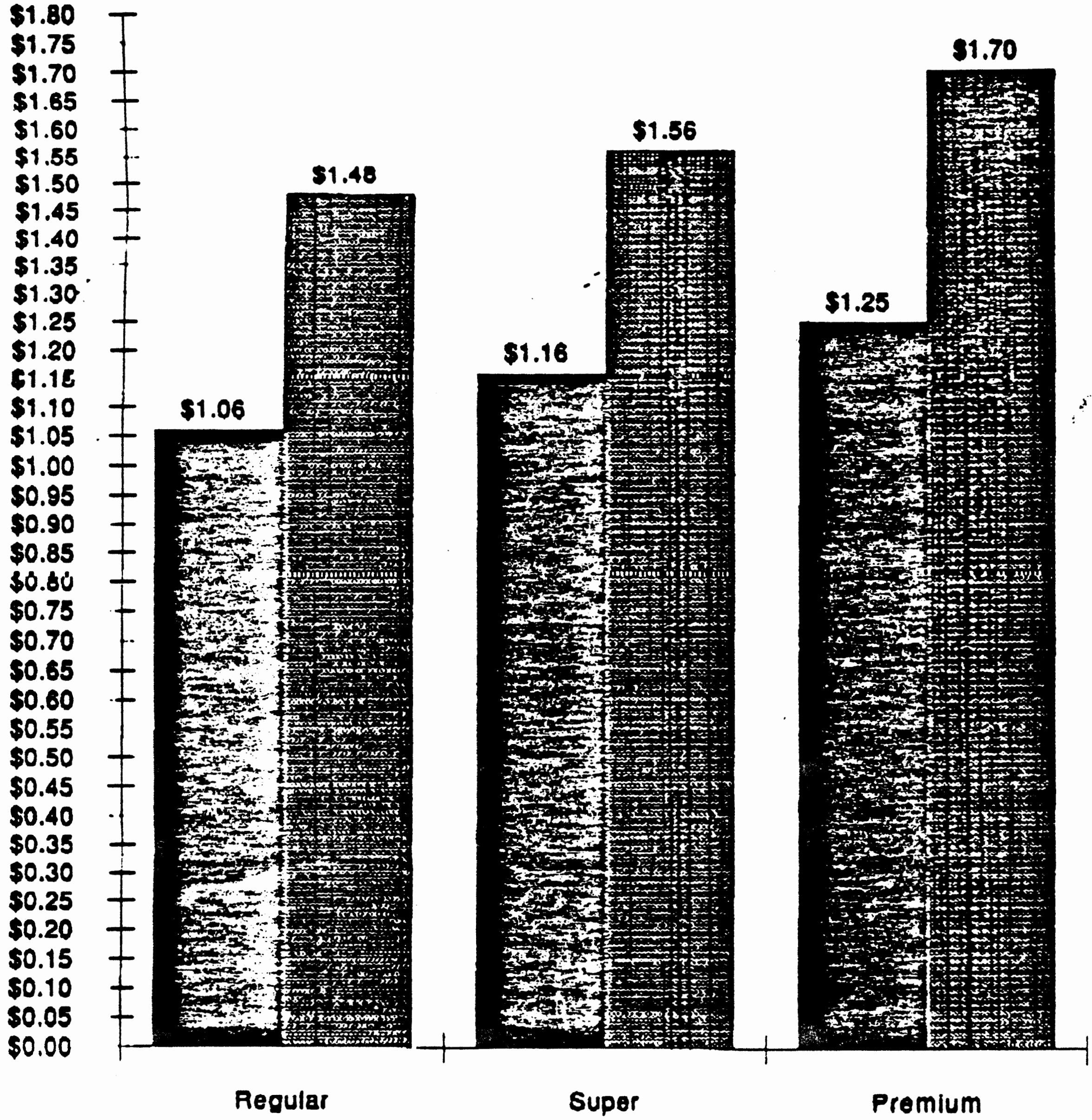


On same scale
Heating Oil
down 28%

26X

CHART 8/17-21/90

COMPARISON CHART
HIGH & LOW • FOR SAME GRADE OF GASOLINE



FIGURES COMPILED BY NEW JERSEY DIVISION OF CONSUMER AFFAIRS
AUGUST 17 - 21, 1990

LPS New Jersey Department of Law and Public Safety
Division of Consumer Affairs

Attorney General Robert J. Del Tufo
Director Patricia A. Royer

News

For immediate release
August 17, 1990
Contact: Lisa Guide
201/648-3274

NOTE: This list contains prices from the five counties missing in yesterday's report.

Consumer Affairs Publishes List of High and Low Gas Prices in State

Newark--The Division of Consumer Affairs today published a statewide list of reported high and low gas prices.

"The price of gas is driven by a variety of factors. But let the merchant beware: New Jersey consumers will be driving elsewhere for their gas if prices are way out of line. Drivers will be armed with this information and I am sure they will use it, " said Director Patricia A. Royer. "Last week, Governor Florio urged consumers to shop around and use their marketplace might to acknowledge gas stations who hold the line on prices. This list gives discriminating buyers a head start in their search for a lower price."

According to Royer the list was compiled from consumer calls to state, county and municipal consumer affairs offices and the Board of Public Utilities; and price checks by county Weights and Measures offices and other state employees. A total of 445 reports were received, at least ten from each county. The prices used in the survey were taken between August 10 and August 16.

The lowest confirmed reported price in the state was $1.019 for regular unleaded, seen at a Hess station, Rt.. 40, Woodstown, Salem County.

Royer said there was a three-way tie for the highest price in the state: Exxon, Raritan Rd., Rahway; Tony's Mobil, Eveston & Burlington Rd., Voorhees; and Grecco's Mobil, Rt. 10, Whippany, were all charging $1.699 for a gallon of super or premium gas. Grecco's was one of two stations served with investigative subpoenas last week

more

to investigate oil pricing mechanisms. The other subpoenaed station, 80 West Exxon in Rockaway, was charging $1.83 for a gallon of premium but has since lowered its price to $1.599.

"There are still isolated prices that jump out at you,' said Royer. "But we have not seen a price higher than those of the subpoenaed stations. I think the Governor's quick action has had a deterrent effect on those who might have considered a drastic increase in prices."

Consumers are asked to continue calling the hotline number at the Board of Public Utilities to report both high and low prices. The number is 1-800-492-4242.

-30-

COUNTY	Grade	High/low	Price/gal.	Station
Cumberland	Regular	low	1.069	Hess,Second St. Millville
		high	1.279	Frank Russo Gulf,135 Wheaton Ave, Millville
	Super	low	1.219	Hess,Second St. Millville
		high	1.379	D & L Getty, Vineland
	Premium	low	1.289	Hess,Second St. Millville
		high	1.469	Amoco, Vineland
Salem	Regular	low	1.019	Hess, Rt. 40 Woodstown
		high	1.269	Texaco,Rt. 295 Truck Stop Exit 7
	Super	low	1.239	Hess, Rt. 40 Woodstown
		high	1.349	Fred Harz Mobil,Rt 40,Elmer
	Premium	low	1.279	Hess, Rt. 40 Woodstown
		high	1.499	Gulf (Gary Aires), Rt. 48 Carneys Point

COUNTY	Grade	High/low	Price/gal.	Station
Bergen	Regular	low	1.089	Amerada Hess, Rt. 175, Maywood
		high	1.399	Sunoco, Rt. 46,S. Hackensack
	Super	low	1.199	Merit Oil, 55 Rt.17,Paramus
		high	1.599	Sunoco,441Broad Ave.,Leonia
	Premium			
		low	1.289	Merit Oil, 470 Rt 17, Hasbrouck Heights
		high	1.459	Riverside Sq.Mobil, Hackensack
Cape May	Regular	low	1.139	Shell,509 Rio Grand Wildwood
		high	1.359	Queen's Gulf,Rt 46,Rio Grand Cape May
	Super	low	1.259	Shell,509 Rio Grand Wildwood
		high	1.559	Tom's Sunoco,New Jersey Ave Wildwood
	Premium	low	1.359	Shell,509 Rio Grand Wildwood
		high	1.599	Tom's Sunoco,New Jersey Ave Wildwood

COUNTY	Grade	High/low	Price/gal.	Station
Passaic	Regular	low	1.089	Exxon, E. 33rd St, Paterson
		low	1.089	Texaco,197 Rt 20N, Paterson
		low	1.089	Sunoco, rt 3 Clifton
		high	1.249	Texaco/Peakness Auto Patterson
	Super	low	1.209	Getty Gasway,Rt.20 Patterson
		high	1.359	Sunoco,Ed's Service Center 308 Chamberlain Ave, Patterson
	Premium	low	1.249	Bull Dogs Gas, Patterson
		high	1.419	Sunoco,Ed's Service Center 308 Chamberlain Ave, Patterson
Somerset	Regular	low	1.05	Exxon, Rt 22 W,Greenbrook
		High	1.30	Mobil,Rt. 202-206, Pluckemin
	Super	low	1.17	Somerville Texaco,Rt 22 Somerville
		high	1.399	McFarlands Gulf, 247 Union Ave,, Boundbrook
	Premium	low	1.249	Hess,Rt.22 W, Boundbrook
		high	1.429	KatKo Gulf,Hamilton St. Somerset

COUNTY	Grade	High/low	Price/gal.	Station
Monmouth	Regular	low	1.049	Getty,South St &Throckmortc Rd, Freehold
		high	1.279	Gulf,Broad& Manalapan, Freehold
	Super	low	1.159	Sunoco,Rt.33W,Neptune
		high	1.439	Gulf,Broad& Manalapan, Freehold
	Premium	low	1.229	Getty,Rt.9 South,Freehold
		high	1.399	Gulf,330 Jumping Blvd,Nept.
Morris	Regular	low	1.099	Rockaway Hess,Rt 46, Rockaway
		high	1.499	Greco Mobil Service Center 1235 Rt 10 East, Whippany
	Super	low	1.119	Troys Hill Exxon, Rt. 46 Parsippany
		high	1.319	Clint's Texaco ,Rt.24, Long Valley
	Premium	low	1.339	Troy Hills Exon, Rt 46 Parsippany
		high	1.699	Greco Mobil Service Center 1235 Rt 10 East, Whippany
Ocean	Regular	low	1.059	Hess,Rt 37, Toms River
		high	1.289	Gulf,Rt 35 N, Pt. Pleasant
	Super	low	1.219	Vosper's Texaco,Rt 37 Toms River, NJ
		high	1.419	Sunoco, Jackson
	Premium	low	1.279	Hess. Rt 37, Toms River
		high	1.549	amoco,Rt 70 &527 Toms River

COUNTY	Grade	High/low	Price/gal.	Station
Essex	Regular	low	1.07	Hess, Heller Pkway, Bellevile
		high	1.219	A&L Renna Bros, Getty 66 N. Park St.,E. Orange
	Super	low	1.13	Shell, McCarter Hwy,Newark
		high	1.299	Mobil, McCarter Hwy,Newark
	Premium	low	1.279	Shell, McCarter Hwy,Newark
		high	1.459	Central & Grove Mobil 100 Central Ave,E. Orange
Gloucester	Regular	low	1.069	Chando's Mobil,Broad St, Woodbury
		high	1.159	DiStephanos,Broad St Gibbstown
	Super	low	1.199	Grimelli's Mobil,Evergreen Ave,Woodbury
		high	1.269	Paulsboro Exxon,BerkeleyRd Paulsboro
	Premium	low	1.279	C-Mart,Rt. 45,Woodbury
		high	1.429	Amoco,South Broad Woodbury
Hudson	Regular	low	1.069	Exxon 10th St & Kennedy N. Bergen
		high	1.369	Henry's Service Station 9th St. & Grand Ave N. Bergen
	Super	low	1.149	Getty, Rt 3 & Tonnelle, N. Bergen
		low	1.149	Manny's Mobil,76th & Tonnelle, N. Bergen
		high	1.429	Gulf,on Broadway, Bayonne
	Premium	low	1.21.9	Exxon 10th St & Kennedy N. Bergen
		high	1.469	Henry's Service Station 9th St. & Grand Ave N. Bergen

COUNTY	Grade	High/low	Price/gal.	Station
Sussex	Regular	low	1.059	Agway,Rt 206, Augusta
		high	1.299	Citgo,Rt. 23, Montague
	Super	low	1.179	Agway,Rt 206, Augusta
		high	1.299	Sussex Gulf,1 Main St.,Sussex
	Premium	low.	1.279	Bob's Crossroads Service Junction Rt.639 &565 Sussex
		high	1.449	Gulf, (Interstop Inc.) Rt. 23 Wantague
Union	Regular	low	1.079	Hess,North Center St., Westfield
		high	1.399	Gulf,Washington & South Ave Cranford
	Super	low	1.199	Exxon,TerrellRd & Front St Plainfield
		High	1.699	Exxon, Raritan Road,Rahway
	Premium	low	1.249	Exxon,TerrellRd & Front St Plainfield
		high	1.399	Citgo,Centennial & south Cranford
Warren	Regular	low	1.069	Hess,Main St. at Willow Grove Hacketstown
		High	1.119	Shell,Rt.517S,Allamuchy
			1.119	Shell,Rt 46 & 517, Hacketstown
			1.119	Mobil, High St. (Rt.517) Hacketstown
	Super	Low	1.239	Hess,Main St. at Willow Grove Hacketstown
		high	1.279	Mobil, High St. (Rt.517) Hacketstown
		high	1.279	Shell,Rt 46 & 517, Hacketstown
	Premium	low	1.279	Hess,Main St. at Willow Grove Hacketstown
		high	1.339	Shell,Rt.517S,Allamuchy
		high	1.339	Mobil, High St. (Rt.517) Hacketstown

COUNTY	Grade	High/low	Price/gal.	Station
Hunterdon	Regular	low	1.089	Agway,Old Rt 22,Clinton
		high	1.209	Croton,Rt12,Flemington
	Super	low	1.219	Agway,Old Rt 22,Clinton
		high	1.409	Croton,Rt12,Flemington
	Premium	low	1.289	Agway,Old Rt 22,Clinton
		high	1.329	Croton,Rt12,Flemington
Mercer	Regular	low	1.069	Mobil,Rt 33,Mercerville
		high	1.349	Fowlers Gulf,271 Nassau St Princeton
	Super	low	1.209	Exxon,Whitehorse Mercervle Rd, Mercerville
		high	1.489	Lawrenceville Mobil 2417 Main St, Lawrenceville
	Premium	low	1.279	Pennington Automotive Rt 31,Pennington
		high	1.549	Fowlers Gulf,271 Nassau St Princeton
Middlesex	Regular	low	1.089	Hess.Rt. 1 & Apache St N. Brunswick
		high	1.169	Citgo,Rt.1 North,Middlesex
	Super	low	1.219	Hess.Rt. 1 & Apache St N. Brunswick
		high	1.369	Edison American Amoco, 21 Rt 1 So., Edison
	Premium	low	1.219	Hess.Rt. 1 & Apache St N. Brunswick
		High	1.389	Citgo,Rt. 1 N. Middlesex

COUNTY	Grade	High/low	Price/gal.	Station
Atlantic	Regular	low	1.069	Fisca,Rt. 30,Absecon
		high	1.359	Mobil,Atlantic City Expy, Hammonton,NJ
	Super	low	1.239	Fairway Citgo,Rt. 9 & Mays Landing Rd, Mays Landing
		high	1.519	Mobil,Atlantic City Expy, Hammonton
	Premium	low	1.239	Miller Gas, Blk Hrse Pke, Mays Landing
		high	1.559	Mobil, Atlantic City Expy, Hammonton
Burlington	Regular	low	1.069	Hess(Amerada),Rt.73 Mapleshade
		high	1.349	Charlie's Sunoco,Sunset Rd Willingboro
	Super	low	1.239	Hess, Rt 73, Mapleshade
		high	1.449	Charlie's Sunoco,Sunset Rd Willingboro
	Premium	low	1.229	Texaco Star Enterprice Rt. 73 & Waverly Rd., Mapleshade
		high	1.479	Eastgate Sunoco, Church & Texas Ave,Mt. Laurel
Camden	Regular	low	1.069	Ellisburg Mobil, Ellisburg Circle, Cherry Hill
		high	1.119	Amoco, on Blockwood, Blockwood, NJ
	Super	low	1.259	Brown's Atlantic, Haddonfield & Park, Pennsauken
		high	1.699	Tony's Mobil, Eveston & Burlington Rd, Voorhees
	Premium	low	1.259	Brown's Atlantic, Haddonfield & Park, Pennsauken
		high	1.439	Sunoco,Rt 70,Mercer St Cherry Hill

LPS New Jersey Department of Law and Public Safety

Office of the Attorney General
Robert J. Del Tufo, Attorney General

News

For immediate release
August 24, 1990
Contact: Lisa Guide
201/648-3274

Weekly Gas Price Survey Shows Wide Variations in Prices

Newark--Consumers are paying up to a 42 cent difference for a gallon of regular gas, a 40 cent difference for super and a 43 cent difference for premium gas, according to a weekly gas price survey conducted by the N.J. Division of Consumer Affairs. The prices were announced today by Consumer Affairs Director Patricia A. Royer.

"Our message to the consumer is: a little extra legwork could save you a lot of money. Your $10.00 could get you six and a half gallons of regular gas, or it could get you nine and a half gallons. It all depends where you buy," said Royer. "We are seeing a general increase, but each county has wide variations in prices."

A Getty station, Main St., Boonton, was the site of the top posted price. The initial report was received by a consumer call-in to a special hotline number and confirmed by a state investigator from the Office of Consumer Protection. Late yesterday, the station owner alleged he was not currently selling gasoline, but acknowledged his displayed price was $1.829 a gallon. The next highest price was $1.699 for premium at Amoco, N. Albany and Ventnor Aves., Atlantic City.

Consumers are still urged to call gas prices in to 1-800-492-4242. Consumers are urged to report prices for regular, super and premium grades.

Royer also noted a pattern in the shifting of prices throughout the week.

"Our initial price reports received Friday through Tuesday were lower than the confirmations of those prices conducted yesterday afternoon and this morning," she said. "Prices are changing everyday.

"We saw fluctuations of up to ten cents in the two or three days between inspections. In most cases, however, it was not unusual to see an increase of approximately five cents between inspections, and in one case a Hudson County station dropped its price ten cents between inspections."

Regular gas prices ranged from $1.059 - $1.479/gallon. The low regular was reported at Tom's Mobil, Broad St., Paulsboro. High regular was reported at Texaco, Carson Ave., Atlantic City. Last week's low regular was $1.019. High regular was $1.499.

Super prices ran from $1.159 - $1.559/gallon. The low price was reported at Amoco, North Broad St., Elizabeth. High was reported at Parkway Auto Service, North Albany and Ventnor Aves., Atlantic City. Last week's Super high was $1.699 and low was $1.119.

Premium prices started at $1.269 and topped at $1.699/gallon at the Atlantic City Amoco. The low price was found at Friendly Sunoco, Bergen Blvd., Ft. Lee . Last week's Premium low was $1.219. The high was $1.699.

According to Royer, the list was compiled from consumer calls to state, county and municipal consumer affairs office and the Board of Public Utilities; and price checks by county Weights and Measures offices and other state employees. The prices used in the survey were taken between August 17 and August 21. Every price received is confirmed by a in-person inspection.

Royer urged motorists to watch for differences in street sign prices and pump prices.

"We have a report of a ten cent difference between a street sign price and a pump price," she said.

The violation is under investigation by Weights and Measures, she said.

-30-

COUNTY	Grade	High/low	Price/gal.	Station
Atlantic	Regular	low	1.149	Shell, 1155 No. Albany Ave, Atlantic City
		high	1.479	Texaco, Carson Avenue Atlantic City
	Super	low	1.289	Shell, 1155 No. Albany Ave Atlantic City
		high	1.559	Amoco, No Albany & Ventnor Atlantic City
	Premium			
		low	1.399	Shell, 1155 No. Albany Ave Atlantic City
		high	1.699	Amoco, No Albany & Ventnor Atlantic City
Bergen	Regular	low	1.089	Hess, Maple Ave, Glen Rock
		high	1.269	Sunoco, Passaic & First St. Hackensack
	Super	low	1.189	Sunoco, Bergen Blvd, Fort Lee
		high	1.429	Super Value, Rt 46 & Ridgefield Ave, Ridgefield
	Premium			
		low	1.269	Sunoco, Bergen Blvd, Fort Lee
		high	1.499	Sunoco, Passaic & First St. Hackensack
Burlington	Regular	low	1.079	Texaco, Rt 73 & Waverly Maple Shade
		low	1.079	Mobil, Rt 130 & Kiem Blvd. Burlington
		high	1.319	No Brand, 205 Rt 22, Woodland Twp.
	Super	low	1.219	Sunoco, Church & Texas Mt. Laurel
		high	1.429	No Brand, 205 Rt 22, Woodland Twp.
	Premium	low	1.289	Texaco,Rt. 73 & Waverly Maple Shade
		high	1.369	Sunoco, Church & Texas Mt. Laurel

COUNTY	Grade	High/low	Price/gal.	Station
Camden	Regular	low	1.079	Getty, White Horse Pike & Evesham Ave, Magnolia
		high	1.299	Gulf, 7th & Cooper, Camden
	Super	low	1.249	Shell,Evesham & Burnt Mill, Woodcrest
		high	1.399	Gulf, 7th & Cooper, Camden
	Premium*	low	1.479	Gulf, 7th & Cooper, Camden
		high	1.649	Mobil, Haddonfield Rd Haddonfield
Cape May	Regular	low	1.129	Getty, 425 W. Rio Grand Wildwood
		high	1.299	Sunoco, NJ & Burke Aves Wildwood
		high	1.299	Cremen's Sunoco,Bayshore Rd N. Cape May
			1.299	Villas Texaco,Bayshore & St. Johns Ave, Villas
	Super	low	1.219	Getty, 425 W. Rio Grand Wildwood
		high	1.399	Sunoco, 301 W. Spruce N. Wildwood
	Premium	low	1.289	Mobile, Bayshore & Ferry N. Cape May
		high	1.599	Sunoco, NJ & Burke Aves Wildwood
Cumberland	Regular	low	1.099	Hess, Carl's Cnr, Bridgeton
		high	1.399	M Gas, 2nd & Landis, Vineland
	Super	low	1.189	Coastal Oil, Irving Ave Bridgeton
		high	1.499	M Gas, 2nd & Landis, Vineland
	Premium	low	1.329	Coastal Mart, Burlington Rd. Bridgeton
		high	1.449	Gulf, 815 Wheaton Ave Millville

** Only 2 stations reporting premium prices*

COUNTY	Grade	High/low	Price/gal.	Station
Essex	Regular	low	1.089	Hess, 150 Washington,Nutley
		high	1.389	Sunoco,JFK Blvd, Bloomfield
	Super	low	1.209	Sunoco,College & Irvington S. Orange
		high	1.519	Exxon,Wilson Ave. & Hensler Newark
	Premium	low	1.299	Sunoco, 3rd & Bloomfield Newark
		high	1.589	Exxon,Wilson Ave. & Hensler Newark
Gloucester	Regular	low	1.059	Tom's Mobile,Broad Street Paulsboro
		high	1179	DiStephanos,Broad St Gibbstown
	Super	low	1.229	Tom's Mobile,Broad Street Paulsboro
		high	1.279	DiStephanos,Broad St Gibbstown
	Premium	low	1.269	Tom's Mobile,Broad Street Paulsboro
		high	1.429	McCarney's,Broad St Woodbury
Hudson	Regular	low	1.099	Snappy's Exxon, Paterson Plank Rd.,N. Bergen
		high	1.369	Henry's Service Station Puritan Brand, Grand Ave N. Bergen
	Super	low	1.249	Omar Sunoco, Kennedy Blvd N. Bergen
		low	1.249	Amoco, Kennedy Blvd N. Bergen
		low	1.249	George's Amoco,Kennedy Blvc N. Bergen
		low	1.249	C.L. Kosdenbader & Son,Rt 3 East,(Shell), Secaucus
		high	1.499	Sunoco,Garfield & Comminupaw Ave,Jersey Cit
	Premium	low	1.299	Landa's,1023 Kennedy Blvd N. Bergen
		high	1.539	Sunoco,Garfield & Comminupaw Ave,Jersey Cit

COUNTY	Grade	High/low	Price/gal.	Station
Sussex	Regular	low	1.139	Exxon,Rt 206 & Augusta, Augusta
		high	1.209	Citgo,Rt 23,Montague
	Super	low	1.229	Shell,Sparta Ave,Sparta
		high	1.309	Citgo,Rt 23,Montague
	Premium	low	1.329	Getty,RD2,Box 376, Gainesville
		high	1.409	Citgo,Rt 23,Montague
Union	Regular	low	1.079	Exxon,1951 E.Edgar Rd, Linden
		high	1.429	Exxon,Madison Hill Rd Raritan Rd, Clark,NJ
	Super	low	1.159	Amoco,North Broad St Elizabeth
		High	1.479	Exxon,Madison Hill Rd Raritan Rd, Clark,NJ
	Premium	low	1.279	G&M Exxon,Westfield & Elmura Ave,Elizabeth
		low	1.279	Merit, St. George Ave,Linden
		high	1.569	Exxon,Madison Hill Rd Raritan Rd, Clark,NJ
Warren	Regular	low	1.089	Hess,Main St & Willow Grove Rd, Hacketstown
		High	1.239	Gulf,Rt. 519,Springtown
	Super	Low	1.229	Parkway Shell,Memorial Parkway,Phillipsburg
		high	1.369	Gulf,Rt. 519,Springtown
J				
	Premium	low	1.299	Hess,Main St & Willow Grove Rd, Hacketstown
		low	1.299	Dave's Auto,3rd Ave,Alpha
			1.299	Hess Station,South Main St Phillipsburg
		high	1.469	Gulf,Rt. 519,Springtown

COUNTY	Grade	High/low	Price/gal.	Station
Hunterdon	Regular	low	1.139	Exxon, Rt. 22, Whitehouse
		high	1.189	Gulf, Rt. 22, Whitehouse
	Super	low	1.279	Exxon, Rt. 22, Whitehouse
		high	1.349	Gulf, Rt. 22, Whitehouse
	Premium	low	1.339	Exxon, Rt. 22, Whitehouse
		high	1.429	Gulf, Rt. 22, Whitehouse
Mercer	Regular	low	1.069	Mobil, W. Upr Ferry & Grand West Trenton
		high	1.199	Exxon, Parkway & Lwr Ferry Ewing
		high	1.199	Gulf, Mountain View & Bear Tavern Rd, West Trenton
	Super	low	1.209	Shell, Parkway & N. Olden Ave Ewing
		high	1.349	Gulf, 801 Parkway Ave Ewing
	Premium	low	1.269	Shell, Parkway & N. Olden Ave Ewing
		high	1.469	Gulf, Rt 1 South, Hightstown Rd, Hightstown
Middlesex	Regular	low	1.079	Hess, Milltown Rd, Milltown
		low	1.079	Exxon, Rt. 9 & Perrinneville Rd, Old Bridge
		high	1.249	Citgo, Woodbridge Avenue Edison
	Super	low	1.189	Merit, Convery Blvd. Perth Amboy
		high	1.429	Citgo, Woodbridge Avenue Edison
	Premium	low	1.279	Hess, Rt. 18, E. Brunswick
		High	1.549	Gulf,8 Hwy 25, Metuchen

COUNTY	Grade	High/low	Price/gal.	Station
Monmouth	Regular	low	1.079	Exxon,Hwy 34 & 35 Manasquan
		high	1.199	Gulf,Rt. 33 & Main,Neptune
	Super	low	1.209	Sunoco,Rt 7,Seagirt Ave Seagirt
		high	1.389	Gulf,Rt.34 & Main,Manasquan
	Premium	low	1.279	Texaco,Craig Rd, Manalapen
		high	1.389	Gulf,Rt 35, Sea Girt Ave, Seagirt
Morris	Regular	low	1.139	Hess,Rt. 10 E, Ledgewood
		high	1.529	Getty,Main St.,Boonton
	Super	low	1.249	Hess,Rt. 10 E, Ledgewood
		low	1.249	Exxon,Rt. 46W, Ledgewood
		high	1.519	Gulf, Columbia Tpk,Florham Pk
	Premium	low	1.329	Hess,Rt. 10 E, Ledgewood
		high	1.829 *	Getty, Main St, Boonton *
Ocean	Regular	low	1.079	Exxon Shop, Rt. 37E & West End Ave, Island Heights, NJ
			1.079	Hess, Rt. 37 E., Toms River, NJ
		high	1.289	Collins Sunoco, Rt. 9, Waretown,NJ
	Super	low	1.219	Vospers Texaco, Rt. 37 E., Toms River, NJ
		high	1.389	Pt. Pleasant Getty, Bridge Ave., Pt. Pleasant,NJ
	Premium	low	1.289	Hess, Rt. 37 E., Toms River, NJ
		high	1.449	Soltzers Service, Bridge Ave., Pt. Pleasant,NJ

*** Station alleges it does not sell gas**

COUNTY	Grade	High/low	Price/gal.	Station
Passaic				
	Regular	low	1.079	Citgo, Rt. 23, W. Milford,. NJ
		high	1.399	Sal's Center Line Service 1058 Main, Clifton
	Super	low	1.219	Coastal, Belmont Ave. N. Haledon, NJ
		low	1.219	Standard Shell, 1st Ave. Paterson, NJ
		low	1.219	Geirard Shell, 81 1st Ave. Paterson, NJ
		high	1.499	Sal's Center Line Service 1058 Main, Clifton
	Premium	low	1.249	Coastal, Belmont Ave. N. Haledon, NJ
		low	1.249	Franco, 377 McBride, Paterson
		high	1.439	Wayne Hills Getty, Hamburg Tpk Wayne, NJ
Salem	Regular	low	1.069	Pagnottos Sunoco, Rt. 130, Carneys Point
		high	1.269	295 Truck Stop,Texaco,Rt. 295, Exit 7 Pedricktown
	Super	low	1.169	Coastal, Rt. 40, Sharptown, NJ
		high	1.329	Fred Harz Mobil, Rt. 40, Elmer
	Premium	low	1.299	Hess,Rt 40, Woodstown
		low	1.299	Coastal, Rt. 40, Sharptown, NJ
		low	1.299	Pagnottos Sunco,Rt 130 Carneys Point
		high	1.499	Gary Aires Gulf, Rt. 48, Carneys Point, NJ
Somerset	Regular	low	1.069	N. Plainfield Amoco, Rt. 22 W., N. Plainfield, N
		low	1.069	Hess #30320, Rt. 22 W., BoundBrook, NJ
		high	1.209	ABC Oil, 233 Rt. 22, Greenbrook, NJ
	Super	low	1.209	Joe's Getty, Rt. 22 E., Greenbrook, NJ
		high	1.349	Katko Gulf, Hamilton St. Somerset, NJ
	Premium	low	1.269	Joe's Getty, Rt. 22 E., Greenbrook, NJ
		high	1.429	Katko Gulf, Hamilton St. Somerset, NJ

SPOT PRICES	NO2	CHANGE PREV. DAY	UNL	CHANGE PREV. DAY
NY HARBOR	.5675	+.0025	.6700	-.0075
G. COAST	.5550	UNCHD	.6125	+.0075
GPF III	.5675	+.0025	.6250	-.0025
CHICAGO	.5425	+.0050	.6350	-.0075
L.A.	.5600	+.0100	.6750	-.0150

SPOT PRICES AS OF *** CLOSE *** 07/31/90

MERC QUOTES		OPEN 08/01/90	PREVIOUS CLOSE 07/31/90	CHANGE
NO2	SEP	.5895	.5835	+.0060
UNL	SEP	.6290	.6246	+.0044
CRUDE	SEP	20.90	20.69	+.2100

** PRICES FOR NEAR MONTH **

MARKET ALERTS

*** SPOT LPG PRODUCTS WERE SHARPLY HIGHER IN ACTIVE DEALINGS YESTERDAY. THE FIRMER NYMEX AND GOOD REFINERY BUYING HELPED BOUY PRICES. AUGUST PROPANE ROSE 3/4 CENT IN BELVIEU WHILE CLIMBING A PENNY IN CONWAY. NORMAL BUTANE GAINED 1 CENT IN BELVIEU TO .[illegible] -.3050 AND A PENNY IN CONWAY TO .3350 -.3400 DESPITE BUILDS IN INVENTORIES. ISO SURGED 1 3/4 CENTS IN BELVIEU TO .4075 -.4125 [illegible] GAINING 1 CENT IN CONWAY TO .3675 -.3800. NATURAL GASOLINE WAS [illegible] 1 CENT HIGHER AT BOTH LOCATIONS.

*** NYMEX FUTURES GOT OFF TO A STRONG START YESTERDAY MORNING AS MUCH OF THE ACTIVITY WAS SHORTCOVERING AHEAD OF THE EXPIRING AUGUST PRODUCT CONTRACTS. THERE WAS ALSO INCREASED CONCERN OVER THE IRAQI TROOPS ALONG THE BORDER WITH KUWAIT. PRODUCT PRICES CAME OFF EARLY HIGHS IN AFTERNOON ACTIVITY WITH CRUDE REMAINING FIRM. SPOT PRICES WERE MIXED WITH GASOLINE FALLING AS [illegible] CONTINUE TO [illegible]. HEATING OIL EASED SLIGHTLY BUT MANAGED TO [illegible] OVER MONDAY'S RANGES. TRADING WAS QUIET WITH MANY PLAYERS ON THE SIDELINES AWAITING THE API REPORT. SPOT PRICES ON THE U.S. GULF AND IN MIDWEST MARKETS DRIFTED LOWER IN LINE WITH THE MERC.

*** WEST COAST SPOT PRODUCTS WERE MOSTLY HIGHER IN THIN AFTERNOON DISCUSSIONS YESTERDAY WITH GASOLINE CLIMBING 1 1/2 TO 2 1/2 CENTS IN LA AND SAN FRAN RE- SPECTIVELY. UNEXPECTED REFINER PROBLEMS HELPED BOLSTER PRICES WITH MANY PLAY- ERS SIDELINED AWAITING TONIGHT'S API REPORT. CASH DIESEL REMAINS FIRM WITH STRONG BUYING INTEREST FROM THE FAR EAST. PREMIUM DIFFERENTIALS CONTINUE TO WEAKEN AT BOTH LOCATIONS.

*** THE SLOW STEADY UPWARD PRICE MOVEMENT IN EUROPE CONTINUES. ON THE LONDON IPE, AUGUST GASOIL IS UP $2.50 PER TONNE AND NORTH SEA CRUDE FUTURES ARE UP OVER 30 CENTS FROM YESTERDAY. PART OF LONDON'S GAINS ARE PLAYING CATCH UP TO NEW YORK NOW THAT LONDON MARKETS HAVE GONE BACK TO THEIR EARLIER CLOSING TIMES. SPOT WTI CRUDE POSTINGS ARE UP 50 CENTS TO $[illegible]. THERE WAS NOT MUCH ACTIVITY IN U.S. GULF SPOT PRICES AFTER THE API REPORT. DESPITE HIGHER CRUDE INVENTOR- IES, CRUDE PRICES ARE CALLED HIGHER AND AS WELL AS PRODUCTS. THE BULLISH CON- TINUES, SO WE LOOK FOR THE UPTREND TO CONTINUE.

* *** IRAQ HAS LEFT JEDDAH, SAUDI ARABIA, WHERE TALKS WITH KUWAIT WERE UNDERWAY TO RESOLVE THEIR CONFLICT. IRAQI NEWSPAPERS HAVE UNLEASHED A NEW BARRAGE OF VERBAL ASSAULTS AGAINST KUWAIT.

(C) COMPUTER PETROLEUM CORP. 1989 (800) 328-7353

DATE: 08/03/90 PRICES ADJUSTED FOR PROMPT PMT. AND SUPERFUND TIME:
PADD I [illegible] NEWARK, NJ VOLUMETRIC GALS. TARIFF - .0[illegible]

X

CONFIRMED		AS OF	* --UNL--	--REG--	--PUL--	--NO2--	--NO1--	--SAE
AMOCO		08/03	+.7203	-----	+.3635	-.6727	+.7515	1-[illegible]
BP	3	08/03	+.7331	-----	+.3668	+.6326	-----	1-[illegible]
BP	U	08/03	.7202	-----	.3470	.6326	-----	1-[illegible]
CATAMOUNT		08/03	+.7573	-----	-.8960	+.6517	-----	1-[illegible]
CITGO		08/03	-.7272	-----	-.8658	-.6450	-----	[illegible]
COASTAL	NY	08/03	.7583	-----	.8621	.6315	-----	[illegible]
CROWN		08/03	-.7207	-----	-.3574	-.6563	-----	1-[illegible]
DREYFUS		08/03	.7302	-----	-----	.6390	-----	[illegible]
EXXON		08/03	-.7187	-----	-.[illegible]	-.6[illegible]	-----	[illegible]
GETTY		08/03	-.7316	-----	[illegible]	[illegible]	-----	[illegible]
GULF/CF		08/03	-.7271	[illegible]	-.8732	-.6608	[illegible]	[illegible]
HESS		08/03	-----	[illegible]	[illegible]	.6270	[illegible]	
HUNT		08/03	-----	-----	-----	[illegible]	-----	
KOCH		08/03	-----	-----	-----	[illegible]	-.7[illegible]	
MOBIL		08/03	-.7236	-----	-.8[illegible]	-.6[illegible]	-.7[illegible]	[illegible]
NRTHVILLE		08/03	-.7838	-----	-.88[illegible]	-.6[illegible]	-----	[illegible]
ROYAL		08/03	-.72[illegible]+	-----	-.8[illegible]+	-.6[illegible]+	-----	[illegible]
S.R.& M.		08/03	-----	-----	-----	-.6333	-----	
SUNOCO		08/03	-.7212	-----	-.8736	+.6[illegible]	-----	[illegible]
TEXACO		08/03	+.7135	-----	+.8633	+.6[illegible]	+.7[illegible]	[illegible]
RANGE - LOW			.7187	-----	.8471	.6270	[illegible]	
RANGE - HIGH			.7775	-----	.8391	.6561	[illegible]	
RACK AVERAGE			.7381	-----	.8707	.6[illegible]	[illegible]	
PRI PUB/AVG		07/27	.6883	-----	.8202	.6[illegible]	[illegible]	

* IMPORTANT! ALL PRICES MUST HAVE ADDED STATE AND FEDERAL TAXES OF APPROX. 22 ¢, FOR MOTOR FUELS.

DATE: 08/03/90 PRICE MOVES - CONFIRMED TODAY TIME:
PADD I [illegible] NEWARK, NJ

EFFECTIVE		AS OF	--UNL--	--REG--	--PUL--	--NO2--	--NO1--	-
AMOCO		08/03	+.[illegible]	-----	-.1100	-.0700	[illegible]	1-[illegible]
BP	3	08/03	+.0570	-----	-.0570	+.0500	-----	1-[illegible]
CATAMOUNT		08/03	+.[illegible]	-----	-.[illegible]	-.0500	-----	[illegible]
CITGO		08/03	-.0400	-----	-.0400	+.0500	-----	1-[illegible]
CROWN		08/03	-.0400	-----	[illegible]	-.0200	-----	1-[illegible]
EXXON		08/03	[illegible]	-----	-.1300	-.0400	-----	[illegible]
GETTY		08/03	-.[illegible]	-----	[illegible]	+.[illegible]	-----	[illegible]
GULF/CF		08/03	+.0500	-----	-.0500	+.0500	-.[illegible]	1-[illegible]
KOCH		08/03	-----	-----	-----	+.0500	-.0[illegible]	
MOBIL		08/03	-.0400	-----	+.0400	+.0450	-.[illegible]	[illegible]
NRTHVILLE		08/03	+.1400	-----	-.[illegible]	+.0400	-----	1-[illegible]
ROYAL		08/03	+.0200+	-----	+.0200+	+.0200+	-----	[illegible]
S.R.& M.		08/03	-----	-----	-----	-.0450	-----	
SUNOCO		08/03	-.0250	-----	-.1150	-.0450	-----	[illegible]
TEXACO		08/03	+.0200	-----	-.1200	+.0800	-.0800	1-[illegible]

(C) COMPUTER PETROLEUM CORP. 1990 (800) 328-7353 RESTART=[illegible]

48X

DATE: 08/03/90 *** PETRONET [illegible]

PADD 4 (ROCKY MTNS.)	61 %	+ .0375	00 %	- .0000	21 %
PADD 5 (WEST COAST)	59 %	+ .0281	00 %	- .0133	24 %
NATIONAL AVERAGE	78 %	+ .0312	00 %	- .0283	[illegible] %

(C) COMPUTER PETROLEUM CORP. 1989 (800) 328-7333

DATE: 08/20/90 PRICES ADJUSTED FOR PROMPT PMT. AND SUPERFUND TIME: 10:[illegible]
PADD 1 [illegible] NEWARK, NJ VOLUMETRIC GALS. TARIFF - .0[illegible] [illegible]

CONFIRMED	AS OF	*--UNL--	--REG--	--PUL--	--NO2--	--NO1--	-GAS/O[illegible]
AMOCO	08/17	.8094	-----	.9529	.7470	.8553	1-10/1-
BP B	08/20	+.8321	-----	+.9608	+.7538	-----	1-10/[illegible]
BP U	08/20	.8930	-----	1.0153	+.7638	-----	1-10/1
CATAMOUNT	08/17	.9108	-----	1.0296	.7742	-----	1-10/2-
CITGO	08/20	+.8460	-----	+.9846	+.8102	-----	1-10/1-
COASTAL NY	08/20	+.9533	-----	+1.1145	+.8004	-----	1-10/1
CROWN	08/20	.8351	-----	.9440	+.8201	-----	1-10/[illegible]
DREYFUS	08/20	+.9835	-----	-----	+.8133X	-----	1-10/[illegible]
EXXON	08/20	+.8188	-----	+.9852	+.7757	-----	1-10/[illegible]
GETTY	08/20	+.8888	-----	+1.0019	+.8534	-----	1-10/[illegible]
GULF/CF	08/20	+.8757	-----	+1.0143	.7678	.8331	1-10/1
HESS	08/17	-----	-----	-----	.7503	-----	[illegible]
HUNT	08/20	-----	-----	-----	+.7855	-----	[illegible]
KOCH	08/20	-----	-----	-----	.7085	.8785	[illegible]
MOBIL	08/20	.7990	-----	.9425	+.7533	+.8341	1-10/1
NRTHVILLE	08/20	+1.0103	-----	+1.1818	+.8227	-----	1-10/1-
ROYAL	08/20	+.8881	-----	+1.0267	+.8004	-----	1-10/1-
S.F.& M.	08/20	-----	-----	-----	+.7573	-----	[illegible]
SUNOCO	08/20	+.8814	-----	+1.0108	+.7538	-----	1-10/1-
TEXACO	08/20	+.8188	-----	+.9533	+.7717	+.8410	1-10/1-
RANGE - LOW		.7990	-----	.9425	.7470	.8331	
RANGE - HIGH		1.0103	-----	1.1818	.8094	.8785	
RACK AVERAGE		.8767	-----	1.0050	.7830	.8457	
PRI/PUB/AVG	08/17	.8539	-----	.9922	.7679	.8490	

*- IMPORTANT: ALL PRICES MUST HAVE ADDED STATE AND FEDERAL TAXES OF APPROX 22¢ FOR MOTOR FUELS.

DATE: 08/20/90 PRICE MOVES - CONFIRMED TODAY TIME: 10:[illegible]
PADD 1 190 NEWARK, NJ

EFFECTIVE	AS OF	--UNL--	--REG--	--PUL--	--NO2--	--NO1--	-
BP B	08/18	+.0100	-----	+.0100	+.0200	-----	1-1[illegible]
BP U	08/18	-----	-----	-----	-.0200	-----	[illegible]
CITGO	08/18	+.0200	-----	-.0300	+.0300	-----	1-10/[illegible]
COASTAL NY	08/18	+.0500	-----	+.0500	+.0300	-----	1-10/1
CROWN	08/18	-----	-----	-----	+.0250	-----	[illegible]
DREYFUS	08/18	+.0800	-----	-----	+.0800X	-----	1-10/1
EXXON	08/20	+.0050	-----	+.0050	+.0300	-----	1-10/1-
GETTY	08/18	+.0200	-----	+.0200	+.0300	-----	1-10/1-1
GULF/CF	08/18	+.0400	-----	-.0400	-----	-----	1-10
HUNT	08/18	-----	-----	-----	+.0500	-----	1-
MOBIL	08/18	-----	-----	-----	+.0100	+.0100	1-
NRTHVILLE	08/18	-.1700	-----	-.1100	+.0750	-----	1-10/1-
ROYAL	08/18	+.0300	-----	+.0300	+.0400	-----	1-10/1-
S.F.& M.	08/18	-----	-----	-----	-.0175	-----	1-
SUNOCO	08/18	+.0200	-----	+.0200	-.0175	-----	1-10/1-
TEXACO	08/18	+.0050	-----	-.0050	+.0100	+.0100	1-10/1-

(C) COMPUTER PETROLEUM CORP. 1989 (800) 328-7333 REST [illegible]

49X

MOTOR FUELS COMMITTEE RESOLUTION TO THE PETROLEUM MARKETERS ASSOCIATION OF AMERICA BOARD OF DIRECTORS, RELATIVE TO POSITIONS REGARDING ANTICOMPETITIVE PRACTICES AFFECTING INDEPENDENT PETROLEUM MARKETERS

WHEREAS, anticompetitive practices involving integrated petroleum refining companies are being observed on a national basis; and

WHEREAS, ever since the Iraq and Kuwait encounter certain integrated petroleum refining companies have engaged in unfair marketing practices, including (a) restraining retail gasoline prices without providing a similar restraint at the wholesale level, (b) increasing the wholesale terminal price of gasoline without commensurate increases in the delivered price charged to dealers and (c) artificially restricting supply to their wholesale customers, without applying similar restrictions to their dealers or their direct operated outlets; and

WHEREAS, it is believed that these anticompetitive practices by integrated petroleum refining companies are being used as a means to gain marketshare and are occurring throughout the United States; and

WHEREAS, concentration of marketshare amongst refiners will not serve the best interest of consumers and the economic interests of the public; and

WHEREAS, there is a present lack of adequate refining capacity in the country, and the political climate is such that significant expansion of existing refineries or construction of new refineries is unlikely; and

WHEREAS, this lack of refining capacity provides a strong incentive and ability to refiners to engage in inequitable activities in the wholesale and retail markets to maximize their profits and marketshare; and

WHEREAS, several member associations and many individual marketers have confirmed that they continue to face unfair and predatory competition from refiners; and

WHEREAS, state associations have represented that PMAA policies regarding such anticompetitive practices influences both suppliers and individual state legislative, regulatory, and executive attitudes.

THEREFORE BE IT RESOLVED, THAT PMAA

(1) Develop federal divorcement legislation to be introduced in Congress to correct the unfair trend towards increased refiner market share through directly owned and operated motor fuels retail outlets; and

(2) Prepare an accompanying policy statement that documents the unfair and anticompetitive refiner practices the legislation is designed to address; and

(3) Study, monitor and publicize all industry trends and developments that relate to changes in marketshare and patterns of anticompetitive behavior, and urge each member of PMAA to collect and forward state and local information on a regular basis; and

(4) Request the Department of Energy and the Department of Justice and the Federal Trade Commission to conduct a study or studies of anticompetitive practices in the petroleum industry; and

(5) Develop and evaluate other legislative, regulatory and litigation options based on the results of (3) and (4) that will address anticompetitive practices, including but not limited to federal below cost sales prohibitions and amendments to the PMPA; and

(6) Based on the results of the above studies, review PMAA positions with respect to federal measures dealing with anticompetitive marketing practices, particularly those dealing with below cost sales and predatory pricing, and report developments periodically to the Board for its consideration and action, if necessary; and

(7) Update its 1983 study and analysis of state motor fuels below cost sales laws to provide the latest information on these laws to its members; and

(8) Revise, if necessary as determined by this study, PMAA's Model Below Cost Sales Statute; and

(9) Make available to its members whatever assistance they request in their efforts to revise or enact state legislation to effectively prohibit below cost sales; and

(10) Renew its efforts to assist and support the efforts of PMAA members to address the anticompetitive problems which may exist at the local, state or regional level.

PMAA
PETROLEUM MARKETERS ASSOCIATION OF AMERICA
1120 VERMONT AVE. NW • SUITE 1130 • WASHINGTON, DC 20005 • (202) 331-1198

August 20, 1990

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The Petroleum Marketers Association of America (PMAA) represents over 10,000 independent petroleum product wholesalers and retailers throughout the United States. Collectively these marketers sell over half the gasoline, 75 percent of the home heating oil and 60 percent of the diesel fuel consumed by our country annually.

PMAA and its members support your actions thus far both in dealing with the immediate crisis in the Middle East and its economic impacts within the U.S. Like most Americans, however, we remain concerned about the future impacts of this crisis. Specifically, we see great volatility in the price of crude oil and petroleum products. This volatility stems from the projected shortfall of crude oil from Iraq and Kuwait resulting from the world wide economic embargo. There are reports that at least part of this shortfall will be made up from increased production by Saudi Arabia, Venezuela, and other countries. Additional supplies may come from increased domestic production. Demand may also be reduced as a result of the current economic slowdown, and because of higher prices.

It is impossible to assess what the potential shortfall will be after all of these steps have been taken. As a result of this uncertainty, speculation on commodity markets as well as on the physical spot markets is that the value of crude oil and petroleum products will be greater in the future than they are today.

Mr. President, you recently urged the oil companies to exercise restraint in their pricing practices. In the short term, that effort has been successful in terms of retail gasoline prices. However, the same restraint is not being practiced in the wholesale gasoline market and is not being practiced at all in the wholesale distillate market or the crude oil market. By looking at the wholesale distillate market, one can see what unrestrained market forces are doing to petroleum product prices. The price of distillate in some markets has increased by as much as 40 percent since the Iraqi invasion.

55X

August 20, 1990
The President -2-

We believe much of this increase is the result of the uncertainty concerning the future of crude oil supplies. Moreover, we believe that these increases will continue unless the markets are reassured that the projected shortfall in crude oil is going to be made up.

If, after all potential sources of supply are considered, a shortfall still exists in crude oil availability, PMAA would urge that you consider auctioning crude oil in the Strategic Petroleum Reserve (SPR). While we understand your reluctance to release oil from the reserve as a means of controlling prices, it would seem appropriate to use the reserve to reduce rampant speculation and provide a price that is realistically in line with world supply and demand and is not built up by stock speculation and hoarding. We also believe that the SPR was originally designed to deal with both actual and potential disruptions.

Only you, Mr. President, and your advisors are in a position to know the true magnitude of the crude oil supply shortfall facing this nation. And, only you are in a position to address that shortfall by use of the SPR. PMAA urges that you use the reserve in an appropriate fashion, consistent with existing law, to address any potential supply shortfall. By dealing with supply problems associated with this crisis in a positive manner, you can help prevent needless spirals on the commodity and spot markets for crude oil and petroleum products.

Thank you for your consideration of these views.

Sincerely,

Phillip R. Chisholm

Phillip R. Chisholm
Executive Vice President

PRC:cp

56X

STATEMENT ON GASOLINE PRICE INCREASES
IN REACTION TO IRAQI INVASION OF KUWAIT

MY NAME IS LOUIS MARRONI AND I AM THE MARKETING MANAGER FOR STAR ENTERPRISE, A SUBSIDIARY OF TEXACO REFINING AND MARKETING INC., AND WE ARE RESPONSIBLE FOR THE MARKETING AND REFINING OF TEXACO PRODUCTS IN THE NORTHEASTERN UNITED STATES.

CRUDE OIL AND PETROLEUM PRODUCTS ARE COMMODITIES TODAY AND THEIR WHOLESALE PRICES ARE LARGELY DETERMINED IN COMMODITY MARKETS, JUST AS IN THE PRICE OF GRAIN, FOR EXAMPLE. THE DRIVING MECHANISM OF THAT VERY COMPETITIVE MARKETPLACE IS THE LAW OF SUPPLY AND DEMAND.

THE RISING PRICE OF OIL AND PETROLEUM PRODUCTS HAS AN INSTANTANEOUS EFFECT ON THE MARKET BECAUSE THE PURCHASE PRICE IS IN MOST CASES TODAY SET ON THE DATE OF DELIVERY. SO THE LOAD OF OIL OR GASOLINE SHIPPED FROM THE PERSIAN GULF SEVERAL WEEKS AGO AND ARRIVING AT A U.S. PORT TODAY IS USUALLY PAID FOR AT TODAY'S MARKET PRICE WHICH IS STRONGLY INFLUENCED BY THE MERCANTILE EXCHANGE. THE AMERICAN PUBLIC AND APPARENTLY MUCH OF OUR NEWS MEDIA ARE UNDERSTANDABLY CONFUSED ON THIS POINT. THEY SEEM TO BELIEVE THAT OIL DELIVERED TO THE U.S. FROM THE MIDDLE EAST TODAY WOULD HAVE BEEN PURCHASED WEEKS BEFORE AT THE THEN-PREVAILING PRICE OR SUPPLIED OUT OF INVENTORY. THESE ASSUMPTIONS ARE INCORRECT. TO REPEAT: QUANTITIES OF CRUDE OIL AND FINISHED PRODUCT ENTERING THE U.S. REFINERIES OR DISTRIBUTION SYSTEMS TODAY ARE PAID FOR AT TODAY'S MARKET PRICE, NOT THE PRICE 45 DAYS AGO. ALSO, MUCH OF THE INVENTORY REPORTED TO HAVE BEEN AVAILABLE WAS ON SHIPS AT SEA AND AS YET UNPRICED.

LET ME TURN NOW TO WHY THE PRICES OF OIL AND REFINED PRODUCTS HAVE INCREASED IN RECENT WEEKS. SUPPLY AND DEMAND IN COMMODITY MARKETS IS, OF

COURSE, HEAVILY INFLUENCED BY ANTICIPATION. IRAQI PRESSURES ON OPEC PRICING MEETINGS, FOLLOWED BY THE INVASION OF KUWAIT BY IRAQ AND THE EMBARGO OF IRAQI AND KUWAITI CRUDE OIL ALL THREATEN TO EVENTUALLY REDUCE OIL SUPPLIES. THESE EVENTS HAVE LED TO THE INCREASED CRUDE OIL AND PRODUCT PRICES ON WORLD COMMODITY MARKETS. THESE INCREASES ARE NATURALLY BEING PASSED ALONG THE VARIOUS CHANNELS OF DISTRIBUTION TO THE RETAIL LEVEL IN A COMPETITIVE MARKET-PLACE. HOWEVER, AT LEAST IN MY COMPANY, THEY ARE A LONG WAY FROM BEING RECOVERED.

PRIOR UNRECOVERED COST INCREASES HAVE BEEN IN THE SYSTEM SINCE EARLY JULY WHEN CRUDE PRICES, THEN AT $17 PER BARREL, STARTED TO INCREASE IN ANTICIPATION OF THE LATE JULY OPEC PRICE MEETING. THE AVERAGE RETAIL PRICE OF REGULAR UNLEADED GASOLINE ACROSS THE U.S. IN EARLY JULY WAS ABOUT $1.05 PER GALLON. SINCE IRAQ'S INVASION OF KUWAIT ON AUGUST 1ST, THE PRICE PER BARREL OF CRUDE HAS RISEN TO $31.25 PER BARREL BY MONDAY, AUGUST 24TH, AN INCREASE OF ABOUT $14 PER BARREL OVER THE EARLY JULY PRICE. MEANWHILE, TEXACO'S DELIVERED PRICE TO ITS RETAILERS AND WHOLESALERS ACROSS THE U.S. HAS INCREASED APPROXIMATELY 12-14 CENTS A GALLON SINCE AUGUST 2ND.

CRUDE OIL PRICES HAVE RISEN MORE THAN 100 PERCENT SINCE EARLY JUNE, WHILE RETAIL PRICES OF GASOLINE HAVE GONE UP CONSIDERABLY LESS, INDICATING THAT REFINER/MARKETERS ARE NOT YET RECOVERING IN THE MARKET PLACE EVEN A THIRD OF THE CRUDE OIL COST INCREASES THEY HAVE INCURRED SINCE EARLY JULY.

THE U.S. IS NOT SELF-SUFFICIENT IN PETROLEUM; IT IMPORTS ABOUT 50 PERCENT OF ITS OIL NEEDS. A SIGNIFICANT PORTION OF THOSE IMPORTS IS IN THE FORM OF FINISHED PRODUCTS SUCH AS GASOLINE AND HEATING OIL. ANY REFINERY OR MARKETER COMMITTED TO KEEPING ITS CUSTOMERS FULLY SUPPLIED WITH PRODUCT MUST BE WILLING TO PAY PREVAILING WORLD PRICES FOR RAW MATERIALS <u>AND</u> REFINED PRODUCTS.

TEXACO PRODUCES 830,000 BARRELS A DAY OF CRUDE OIL AND LIQUIDS IN THE U.S., REFINES 1,440,000 BARRELS A DAY AND SELLS 2,125,000 BARRELS A DAY. SIXTY PERCENT OF WHAT TEXACO SELLS, IN OTHER WORDS, IS PURCHASED ON THE OPEN MARKET AT PREVAILING PRICES.

THE VAST MAJORITY (OVER 90 PERCENT) OF TEXACO'S ROUGHLY 16,000 BRANDED RETAIL OUTLETS ARE INDEPENDENTLY OWNED. INDEPENDENT BUSINESSMEN WHO OPERATE AT THE RETAIL LEVEL AND SET THEIR OWN PRICES MAY HAVE INCREASED THE PRICE OF PRODUCT SOLD LAST WEEK IN ORDER TO GENERATE SUFFICIENT REVENUE TO COVER THE HIGHER COST OF REPLACING THAT PRODUCT THIS WEEK.

OUR COMPANY'S "GUIDING PRINCIPLES" CALL FOR THE DELIVERY TO CUSTOMERS OF PRODUCTS OF "PROVEN HIGH QUALITY AT FAIR PRICES AND TO SERVE THEM IN SUCH A MANNER AS TO EARN THEIR CONTINUING RESPECT, CONFIDENCE AND LOYALTY, BOTH BEFORE AND AFTER SALE."

FOLLOWING THESE PRINCIPLES, TEXACO AND STAR ENTERPRISE WILL USE THEIR BEST EFFORTS TO KEEP THEIR CUSTOMERS SUPPLIED WITH PETROLEUM PRODUCTS IN THESE DIFFICULT CIRCUMSTANCES. WE WILL CONTINUE TO PRICE OUR PRODUCTS FAIRLY. OUR PRICES, HOWEVER, MUST INCLUDE THE INCREASED COST OF PRODUCTS AND CRUDE OIL PURCHASED FROM OUTSIDE PARTIES TO PROVIDE THE FUNDS NECESSARY TO OBTAIN REPLACEMENT SUPPLIES OF CRUDE OIL AND PRODUCTS TO RUN OUR BUSINESS ON AN ONGOING BASIS.

TEXACO'S EXPLORATION, PRODUCTION, REFINING, MARKETING AND TRANSPORTATION EFFORTS ARE DEDICATED TO FINDING, PRODUCING AND ACQUIRING SUPPLY OF CRUDE OIL AND REFINED PRODUCTS THROUGHOUT THE WORLD TO SUPPLY OUR CUSTOMERS. EXPERIENCE HAS SHOWN THAT COMPETITIVE MARKET FORCES PROVIDE THE BEST AND MOST EFFECTIVE SYSTEM OF SUPPLYING ENERGY MARKETS. GOVERNMENT INTERVENTION IN THE FORM OF PRICE CONTROLS AND ALLOCATION SYSTEMS IN THE 1970'S CREATED VERY COSTLY SUPPLY

DISRUPTIONS AND EVEN GREATER SHORTAGES. IF GOVERNMENT AND INDUSTRY WORK TOGETHER IN A FREE MARKET SETTING, HOWEVER, WE WILL HAVE THE BEST PROSPECTS FOR MEETING OUR COMPANY'S ENERGY NEEDS DURING THIS PERIOD OF SUPPLY DISRUPTION.

INTERNATIONAL DISRUPTION AND CRISES HAVE OCCURRED IN THE PAST IN OUR BUSINESS AND CAN BE EXPECTED TO OCCUR AGAIN IN THE FUTURE. BECAUSE OF THIS, WE WOULD BE REMISS IN LEAVING THIS MEETING WITHOUT MAKING SOME SUGGESTIONS THAT MIGHT HELP LESSEN THE PROBLEMS IF THEY DO IN FACT HAPPEN. THEY ARE AS FOLLOWS:

1. ENCOURAGE EXPANDED EXPLORATION FOR OIL IN OUR COUNTRY BOTH ON AND OFF SHORE SO WE WOULD BE LESS DEPENDENT ON FOREIGN SUPPLY THAN WE ARE TODAY.

2. ENCOURAGE EXPANSION OF DOMESTIC REFINERIES AND MAYBE THE DEVELOPMENT OF 1-2 NEW REFINERIES.

3. RE-EXAMINE OUR MARITIME LAWS ON THE REQUIREMENTS BEFORE ACCEPTING FOREIGN VESSELS INTO U.S. WATERS SO THAT TEMPORARY RELAXATIONS CAN OCCUR DURING PERIODS OF CRISIS.

4. WORK TOWARDS ESTABLISHING A NATIONAL ENERGY POLICY.

5. OPEN A DIALOGUE WITH THE SEC OR OTHER APPROPRIATE FEDERAL AGENCIES ON HOW YOU CAN MORE EFFECTIVELY CONTROL THE SPECULATION WHICH TAKES PLACE IN THE FUTURES COMMODITY MARKET IN TIMES LIKE THIS.

I WOULD LIKE TO CLOSE BY POINTING OUT THAT AS MUCH AS WE MIGHT LIKE TO THINK THAT THE STATE OF NEW JERSEY IS AN ISLAND IN AND OF ITSELF, <u>IT IS NOT</u>! AND AS MUCH AS WE AMERICANS WOULD LIKE TO THINK AMERICA IS AN ISLAND IN AND OF ITSELF, <u>IT IS NOT</u>! ALL OF US MUST ENSURE THAT OUR INDUSTRIES CAN COMPETE IN THE REAL WORLD, AND GENTLEMEN, THE REAL WORLD IS AN INTERNATIONAL MARKET PERMITTING UNFETTERED AND FREE MARKET FORCES TO CONTINUE TO OPERATE.

<u>Opening Statement</u>

to the Joint Meeting of the
Assembly Consumer Affairs Committee
and the
Assembly Energy and Environment Committee
State of New Jersey

by

William L. Leffler

Manager - Energy Planning
Shell Oil Company
Box 2463
Houston Texas 77252

Members of the Committee:

Shell Oil appreciates the opportunity to speak before the Committee today. At the outset, I would like to say that I will be speaking only for Shell Oil Company and not for the oil industry. Any response I give will relate to Shell Oil's business or opinions.

At the same time, we are here to answer all your questions to the best of our ability. We will tell you everything we can.

Finally, there may be some questions that require responses that contain proprietary information. We would be glad to provide that information to the Committee privately to protect its confidentiality.

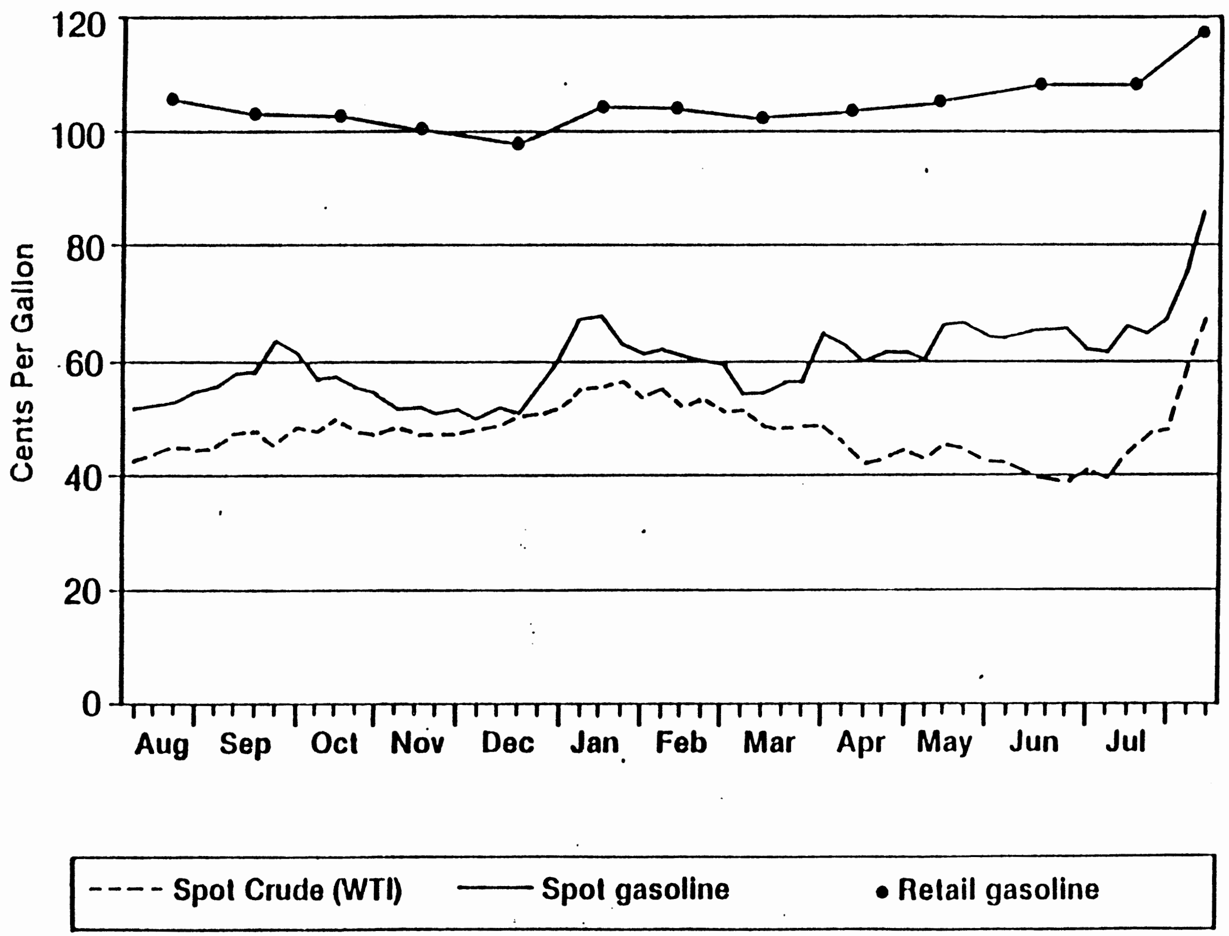
Shell Oil company is engaged in the distribution and marketing of motor fuels at the wholesale and retail level in the State of New Jersey. Our primary activities are sales of gasoline under the Shell brand. In 1989, we sold 415 million gallons of gasoline in New Jersey, representing 12 percent of all the gasoline sold in your state.

Shell gasoline is sold through 266 Shell branded gasoline stations in New Jersey, all owned by Shell and operated by independent dealers and through stations along the New Jersey Turnpike. Nearly all the gasoline is distributed from our terminal at Sewaren, New Jersey.

Shell does not sell heating oil or propane in the State of New Jersey.

CHART NUMBER 1

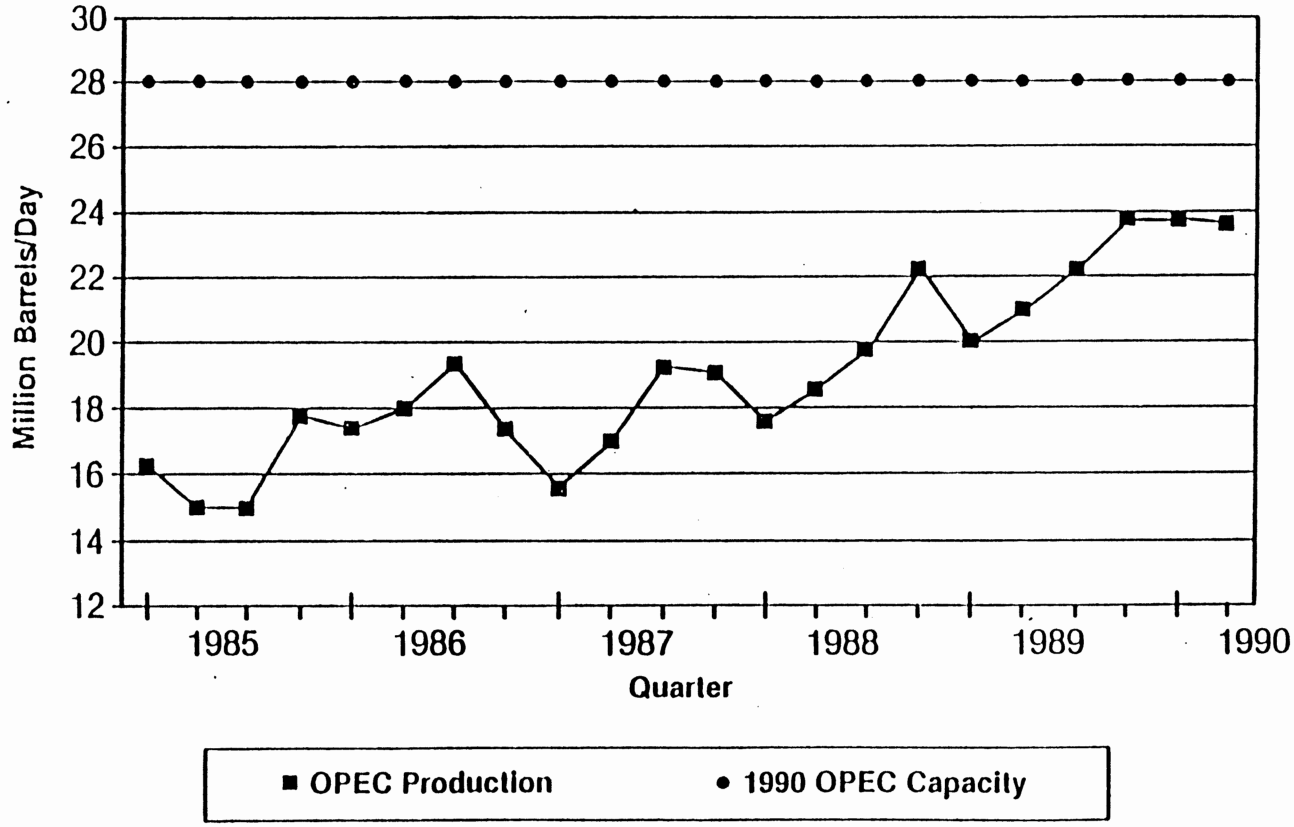
Spot and Retail Gasoline Prices



Sources: London Oil Reports, Oil Buyers Guide
Bureau of Labor Statistics, AAA.

CHART NUMBER 2

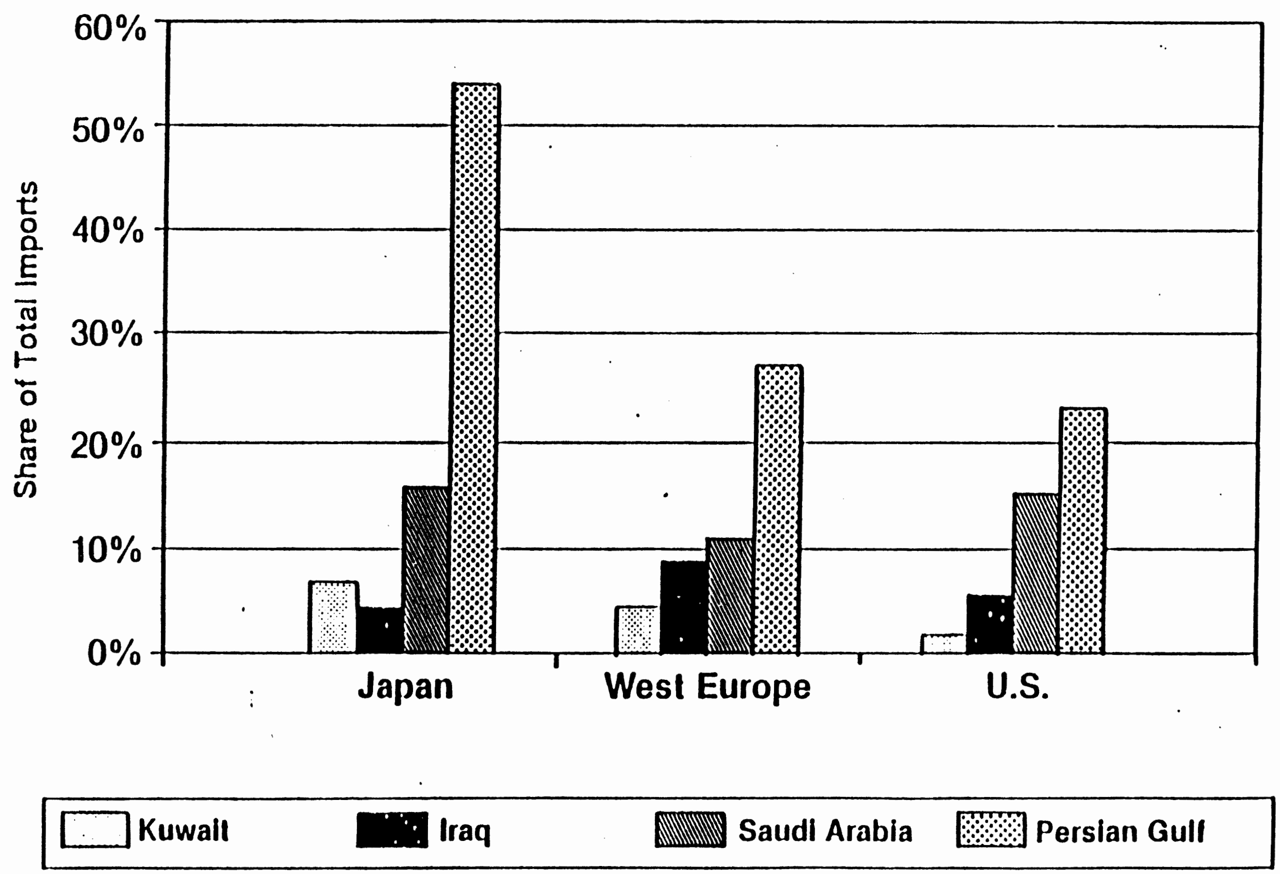
Current OPEC Production Capacity
and Changing OPEC Production Levels



Source: International Energy Agency, CIA, County NatWest

CHART NUMBER 3

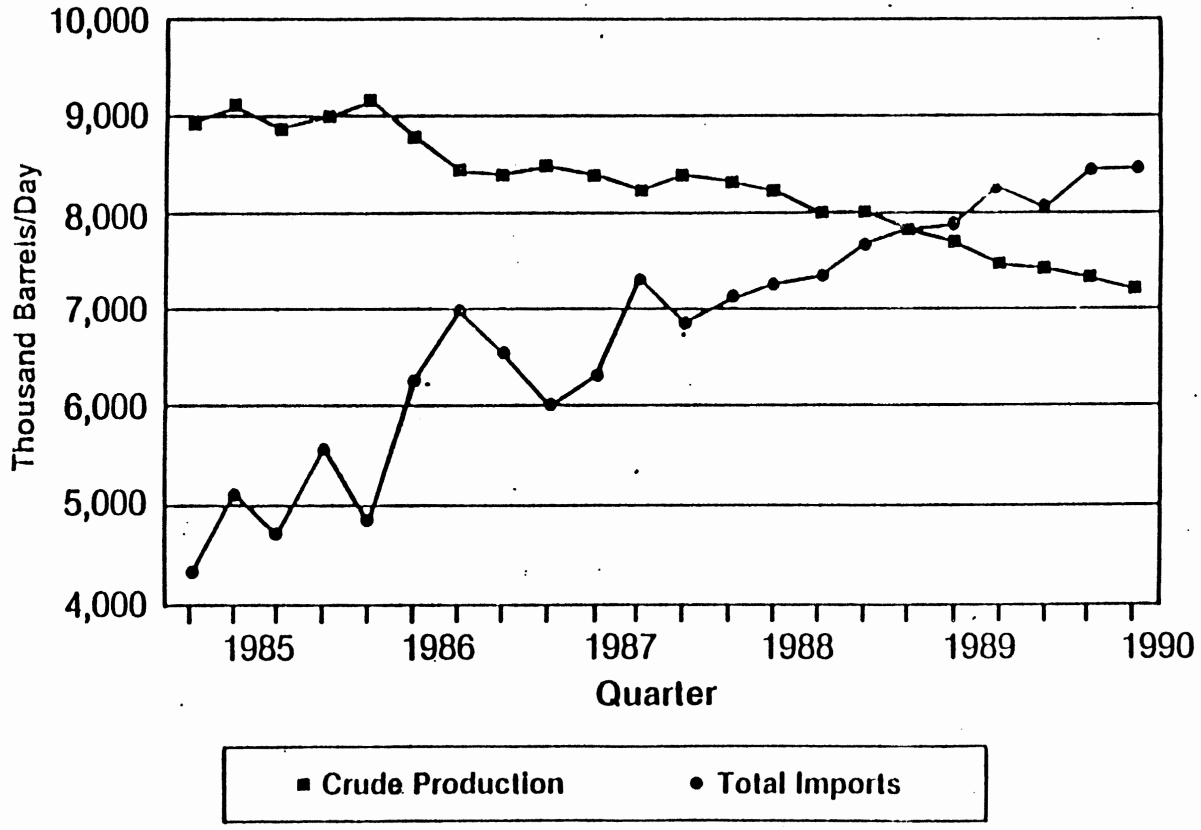
1989 Oil Imports By Source
Japan, Western Europe and the U.S.



Source: CIA

64X

U.S. Production of Crude Oil
and U.S. Petroleum Imports



Source: DOE, API

X 5 6

Statement of
Paul White
Business Analysis Manager
Exxon Company, U.S.A.
to the
The Honorable David Kronick
Chairman
of the
Consumer Affairs Committee
of the
New Jersey Assembly
August 23, 1990

Exxon Company, U.S.A. appreciates the opportunity to provide comments on the recent fuel price increases.

Your Committee's recent interest in gasoline prices, and indeed that of all Americans, is easy to understand. Gasoline is a product that almost all of us use every day. What is not so easy to understand are the many variables that interact to drive the prices we see on the pump at the service station.

There are literally thousands of participants in the gasoline marketplace including over 100 refiners, 12,000 wholesalers and distributors, and some 160,000 gasoline outlets. In Exxon's view, the major factor driving prices is competition among these market participants. There are, of course, many factors which influence an individual competitor's position or actions in the market. Among these are inventories, seasonal demand, spot market dependencies, the Mercantile Exchange and crude cost.

For example, average U.S. motor gasoline inventories, as reported by API for the summer of 1990, are the lowest since 1984. Another important element, particularly in the Northeast, is seasonality, whether it's summer when drivers purchase more gasoline or winter when homeowners buy more heating oil. Additionally, the spot gasoline market is much more important than in the past since more companies have term contracts whose prices are related to the spot market. From August 1 through August 17, 1990, spot gasoline prices have increased in New York Harbor by about 23¢ per gallon. At the same time, prices on the MERC have increased by 32¢ per gallon and contributed to increased short term volatility. Finally, the cost of crude oil, particularly the marketplace's assessment of future crude costs and availability, is also a major factor.

From the end of June to the Iraqi invasion in early August, crude prices rose by $4.00 per barrel, in reaction to the news that OPEC agreed to reduce production by about 1 million barrels per day. Little, if any, of this increase was reflected in gasoline prices in the marketplace.

Since August 1, the Iraqi invasion of Kuwait has put in question the production of about 4 million barrels per day of crude oil. That is equal to about 7-8% of the Free World's current demand and the resulting concerns about crude supplies have driven crude prices up another $6.50 per barrel through August 17. In total, since June, average crude prices have risen about $10.50 per barrel, or about 25¢ per gallon.

Exxon's U.S. gasoline prices are determined in the competitive market and have increased much less than spot gasoline prices and crude oil costs since the Iraqi invasion. Specifically in New Jersey from August 1 to August 17, 1990, Exxon's wholesale gasoline price to service station dealers has increased by only a little more than 7¢ per gallon. Our branded rack price to distributors, which accounts for less than 2% of our gasoline sales in the state, has increased by about 13¢ per gallon.

There is little lag between crude price increases and the impact such increases have on domestic product costs. The price for the great majority of oil from the Middle East is set by the contract terms with producing countries at the prevailing price on or about the day the oil is landed, not when it is loaded for export.

Exxon currently purchases 2,700,000 barrels of crude oil and products each day on the world market. To obtain these supplies, we must compete on world markets and pay world market prices. Otherwise, Exxon would not be able to produce the products needed by our customers in the U.S. and throughout the world.

Exxon has an obligation, both in New Jersey across the nation, to keep our customers supplied with petroleum products. We will continue to do this by pricing our products in a manner that reflects competitive market conditions.

DMS2686
8/17/90

Commerce and Industry Association of New Jersey
15 East Midland Avenue • P.O. Box 768 • Paramus, New Jersey 07653-0768
• (201) 261-4600 •

August 21, 1990

Honorable Robert Smith
Chairman, Assembly Engergy & Environmental Committee
44 Stelton Road
Piscataway, New Jersey 08854

Dear Assemblyman Smith:

I am writing to you today on behalf of the Commerce & Industry Association of New Jersey which represents approximately 2,000 firms in Bergen, Essex, Hudson, Morris, Passaic and Union counties, in regards to the recent rise in retail gasoline and heating oil prices. I would like to present the opinion of the Association that New Jersey consumers are not being victimized by so-called "price gouging" and the legislature should be slow to develop any initiatives to deal with it.

While the appearance of opportunism seems to be present on behalf of oil companies, the reality is that the marketplace is moving in ways to prevent future shortages or lessen their impact. The rise in prices serves as a natural conservation mechanism that will cause people to alter their driving habits to conserve fuel. In this way, should oil imports be cut off or restricted, the impact of this action would be much less severe as we would have more oil still on hand.

An attempt by the legislature to keep prices artificially low, thus allowing the public to maintain their current use habits (or increasing their consumption due to their own fears of an eventual shortage) would mean that any shortfall in supplies would create greater hardships in the future.

Despite the pronouncements by some, oil companies cannot charge "whatever they want." Rather, consumers ultimately determine what the price will be based upon their purchasing decisions.

It was not until the federal government deregulated prices and removed itself from the supply question did the crisis abate. Since that time, supplies have been abundant and rates have seen fairly stable.

Robert Smith
page 2

It would be imprudent of the legislature to inhibit the natural workings of the marketplace, particularly considering the important conservation mechanism it is providing. The short term political gains to be made should not be overshadowed by the long term consequences of any actions the legislature might take.

On behalf of the 2,000 members of the Commerce & Industry Association of New Jersey, I would urge you to "do nothing."

Sincerely,

Richard L. Duprey
Director of Government Relations

RLD/rt

21X

Mobil Oil Corporation

3225 GALLOWS ROAD
FAIRFAX, VIRGINIA 22037-0001

D. R. HAYWARD
VICE PRESIDENT
U.S. SUPPLY & TRANSPORTATION
MARKETING & REFINING DIVISION — U.S.

August 24, 1990

The Honorable Robert G. Smith
Chairman
Assembly Energy and Environment Committee
7911 Bergenline Avenue
North Bergen, New Jersey 07047

Dear Mr. Smith:

On behalf of Mobil Oil Corporation, I would like to take this opportunity to discuss the recent gasoline price increases and provide additional pricing information for consideration by your committee.

First and foremost, I would like to assure you that Mobil has been exercising pricing restraint on gasoline prices to our customers. (See Exhibit "A", letter from A.E. Murray to President George Bush.) Our costs have risen rapidly following the Iraqi invasion of Kuwait. To date our cost increases have substantially exceeded our price increases to our customers. The following information provides some additional detail regarding our supply system, crude oil sources, costs, and pricing.

Supply System

Mobil's marketing and refining assets in New Jersey include a refinery in Paulsboro, and terminals in Trenton and Linden. We have 255 owned or leased service stations of which 105 are company operated and 150 are dealer operated. In addition, we have wholesale supply contracts with 68 independent dealers and 15 distributors who supply 213 service station locations.

The Paulsboro refinery supplies product for a portion of Southern New Jersey, Pennsylvania, and upstate New York. The product for Pennsylvania and New York is shipped through a Mobil owned pipeline system. We supply product for the rest of New Jersey, (not supplied by Paulsboro), from the Gulf Coast via Colonial Pipeline or from purchase and exchange agreements with other companies.

The efficient utilization of Mobil's supply system requires coordination and scheduling of supplies and assets on a regional basis, and on a larger scale, a national and international basis. For example, for Mobil, New Jersey is part of a dynamic system that includes the Gulf Coast, Southeast, Middle Atlantic and Northeastern states. Product is supplied from Mobil refineries in Chalmette, Louisiana, and Beaumont, Texas, in addition to Paulsboro, New Jersey. As Mobil's marketing sales are typically more than refinery production we supplement with purchased product from domestic and foreign sources. Product is transported to terminals through a variety of owned and third party pipelines, and owned and chartered marine equipment. In addition, we have a variety of exchange and throughput agreements with other companies to supply product.

Supplying our customers through this dynamic supply system requires constant scheduling and rescheduling of supply to each terminal to meet the demands of our customers. Most of our inventory in the system is pipeline fill, barge fill, tank bottoms etc.; so it is not available for sale to our customers. Operating inventory that is available for sale in terminals constitutes a relatively small percentage of our total system inventory. Typically, terminal available inventory will vary from not more than one week to 10 days of sales following receipt of a shipment, to near zero or a few days immediately preceding the next shipment. Because Mobil operates as an integrated dynamic system, available inventory in one location may frequently be directly or indirectly transferred to another location by direct transportation of product, rescheduling of shipments, or buy/sell or exchange agreements with third parties. The net result of our supply activity is that our customers are supplied on an on-going basis, rather than from inventory.

Crude Oil Supply

Mobil's U.S. Marketing and Refining Division has term supply arrangements for nearly 100% of refinery runs. Slightly over one-third of our supply comes from Mobil U.S. equity crude production. Another third is purchased from a variety of domestic sources, including independent producers, crude resellers, royalty oil, and other integrated oil companies. The balance of our term supply comes from foreign sources, including Canadian and Mexican (about 10% each), and less than 5% each from Venezuela and Iraq (pre-embargo). In addition, in order to optimize the input to our refineries from a logistics, quality, and yield standpoint, we are regular participants (buyers and sellers) in the spot market for a wide variety of domestic and foreign crude oil.

Mobil

Most of our crude oil purchases are tied directly or indirectly to the spot market. Most domestic purchases are tied to domestic postings which rapidly fluctuate in response to spot market conditions. Most of our foreign cargo purchases are tied to spot market formulas with pricing windows established to approximate refinery arrival dates. As a result, our raw material costs change rapidly as spot market prices change.

Pricing

Although Mobil certainly pays attention to cost and profitability, the most important factor in setting prices to our customers is the competitive marketplace in which we operate. In making pricing decisions there is no pre-set formula. Our pricing decisions result from an evaluation of a variety of factors including competitive prices, sales levels, customer concerns, profitability, anticipated future market conditions, raw material costs, taxes, and a variety of short term and long term considerations.

Since the Iraqi crisis, Mobil's prices to dealers and distributors have not increased as much as our raw material cost increases. For example, Mobil's New Jersey unleaded gasoline price change from July 1 through August 23 demonstrate Mobil's substantial pricing restraint; (See Exhibit "B", Mobil pricing data). Moreover, Mobil's July gasoline prices to dealers and distributors changed little while our raw material costs were rising even before the Iraqi invasion. (See Exhibit "C", Mobil Op Ed). Notably, Mobil does not set gasoline prices at dealer operated service stations. Rather, the dealer, acting as an independent businessman, sets gasoline prices based on what he believes to be in the best interest of his business.

I hope that the information that I have provided will confirm what Mobil has been saying all along: we have exercised pricing restraint by passing along only a fraction of our cost increases to our distributors and dealers. We are available to provide additional information if necessary or answer any questions.

Very truly yours,

D R Hayward

D. R. Hayward
Vice President, U.S. Supply

10182
Attachments

EXHIBIT LIST

Exhibit A	Letter from A. E. Murray to President George Bush
Exhibit B	Mobil Pricing & Supply LPS Report for historical posted dealer tank wagon prices - Mobil v. Competition
Exhibit C	Mobil Op Ed "Where's the Rip Off"

Mobil Corporation

150 EAST 42ND STREET
NEW YORK, NEW YORK 10017-5666

ALLEN E. MURRAY
CHAIRMAN OF THE BOARD
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

August 7, 1990

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

Congratulations on your firm stance opposing Iraq's invasion of Kuwait and your successful leadership in bringing so many countries together in an embargo of Iraq's own and captured oil.

But a successful embargo will impact on the world's oil supply by some four million barrels a day. In the short run, physical and political constraints will not allow these amounts to be substantially made up elsewhere; neither can consumers adjust their demand quickly. In situations like this, market perceptions and uncertainties can lead to a lessening of resolve.

In order to provide some stability and lessen uncertainties, I urge you to consider the immediate release of some oil from the Strategic Petroleum Reserve (SPR), and to ask our allies to take similar action. The SPR was designed to protect consumers during supply shortfalls and can both moderate a shortage and temper panic buying. An SPR release would help stiffen the resolve of our allies, by demonstrating our resolve to keep the boycott going long enough to be effective. Furthermore, this demonstration of our determination could help encourage increased output by those other oil-producing nations who realize, as we in the industry do, that highly volatile prices do not serve anyone's long-term interests.

Please be assured that you have Mobil's full support in the actions you take during this time of crisis.

Sincerely,

Allen E. Murray

768

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
NEWARK
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<------------------------------ BRAND					------------------------------>
DATE	< MOBIL >	< AMOCO ->	< EXXON ->	<- GULF ->	< SHELL ->	< SUNOCO >	< TEXACO >
----------	-------	-------	-------	-------	-------	-------	-------
1990-07-02	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-03	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-04	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-05	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-06	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-07	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-08	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-09	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-10	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-11	75.55	77.60	76.80	73.70	76.25	78.50	76.20
1990-07-12	75.55	77.60	76.80	73.70	76.25	78.50	77.20
1990-07-13	75.55	77.60	76.80	73.70	76.25	78.50	77.20
1990-07-14	75.55	77.60	76.80	73.70	76.25	78.50	77.20
1990-07-15	75.55	77.60	76.80	73.70	76.25	78.50	77.20
1990-07-16	75.55	77.60	76.80	73.70	76.25	78.50	77.20
1990-07-17	75.55	77.60	76.80	73.70	77.25	78.50	77.20
1990-07-18	76.55	78.10	76.80	73.70	77.25	78.50	77.20
1990-07-19	76.55	78.10	76.80	73.70	77.25	79.50	77.20
1990-07-20	76.55	78.60	76.80	73.70	77.25	79.50	77.20
1990-07-21	76.55	78.60	76.80	73.70	77.25	79.50	77.20
1990-07-22	76.55	78.60	76.80	73.70	77.25	79.50	77.20
1990-07-23	76.55	78.60	76.80	73.70	77.25	79.50	77.20
1990-07-24	76.55	78.60	76.80	73.70	77.25	79.50	77.20
1990-07-25	76.55	78.60	77.30	73.70	77.25	79.50	77.20
1990-07-26	76.55	78.60	77.30	73.70	77.25	79.50	77.20
1990-07-27	76.55	78.60	77.30	73.70	77.25	79.50	77.20
1990-07-28	77.05	78.60	77.30	73.70	77.25	79.50	77.20
1990-07-29	77.05	78.60	77.30	73.70	77.25	79.50	77.20
1990-07-30	77.05	78.60	77.30	73.70	77.25	79.50	77.20
1990-07-31	77.05	78.60	77.30	73.70	77.25	79.50	77.20
1990-08-01	77.05	78.60	77.30	73.70	77.25	79.50	77.20
1990-08-02	77.05	78.60	77.30	73.70	77.25	79.50	77.20
1990-08-03	80.55	79.60	77.30	73.70	79.75	79.50	79.20
1990-08-04	81.55	81.60	82.30	73.70	83.75	82.00	82.20
1990-08-05	81.55	81.60	82.30	73.70	83.75	82.00	82.20
1990-08-06	81.55	83.60	82.30	73.70	83.75	82.00	82.20
1990-08-07	82.55	83.60	82.30	73.70	83.75	88.50	83.20
1990-08-08	83.55	84.60	83.30	73.70	83.75	88.50	83.20
1990-08-09	83.55	85.60	83.30	73.70	83.75	87.00	83.20
1990-08-10	83.55	85.60	83.30	73.70	83.75	87.00	83.20
1990-08-11	83.55	85.60	83.30	73.70	83.75	87.00	83.20
1990-08-12	83.55	85.60	83.30	73.70	83.75	87.00	83.20
1990-08-13	83.55	85.60	83.30	73.70	83.75	87.00	83.20

REPORT ID: QLPP0205
1990-08-23 13.20.52

"B" 77X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
NEWARK
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	BRAND						
DATE	MOBIL	AMOCO	EXXON	GULF	SHELL	SUNOCO	TEXACO
1990-08-14	83.55	85.60	84.30	73.70	83.75	87.00	83.20
1990-08-15	83.55	85.60	84.30	73.70	83.75	87.00	84.20
1990-08-16	83.55	85.60	84.30	73.70	84.75	87.00	84.20
1990-08-17	83.55	85.60	84.30	73.70	84.75	88.00	84.20
1990-08-18	83.55	85.60	84.30	73.70	84.75	89.00	84.70
1990-08-19	83.55	85.60	84.30	73.70	84.75	89.00	84.70
1990-08-20	83.55	85.60	85.30	73.70	84.75	89.00	84.70
1990-08-21	84.05	86.60	85.30	73.70	85.75	89.00	86.70
1990-08-22	85.05	86.60	86.30	73.70	85.75	89.00	87.70
1990-08-23	85.05	86.60	86.30	73.70	85.75	89.00	87.70
AVERAGE	78.96	80.75	79.57	73.70	79.67	82.03	79.63

REPORT ID: QLPP0205
1990-08-23 13.20.52

78X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
CAMDEN
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<------	------	BRAND	------	------	------>
DATE	< MOBIL >	< AMOCO ->	< EXXON ->	< SHELL ->	< SUNOCO >	< TEXACO >
1990-07-02	73.60	75.60	74.50	73.65	77.00	71.50
1990-07-03	73.60	75.60	74.50	73.65	77.00	71.50
1990-07-04	73.60	75.60	74.50	73.65	77.00	71.50
1990-07-05	73.60	75.60	74.50	73.65	77.00	71.50
1990-07-06	73.10	75.60	74.50	73.65	77.00	71.50
1990-07-07	73.10	75.10	74.50	73.65	77.00	71.50
1990-07-08	73.10	75.10	74.50	73.65	77.00	71.50
1990-07-09	73.10	75.10	74.50	73.65	77.00	71.50
1990-07-10	73.10	75.10	74.50	73.65	77.00	71.50
1990-07-11	73.10	75.10	74.50	73.65	77.00	71.50
1990-07-12	73.10	75.10	74.50	73.65	77.00	71.50
1990-07-13	73.10	75.10	74.50	73.65	77.00	72.50
1990-07-14	73.10	75.10	74.50	73.65	77.00	72.50
1990-07-15	73.10	75.10	74.50	73.65	77.00	72.50
1990-07-16	73.10	75.10	74.50	73.65	77.00	72.50
1990-07-17	73.10	75.10	74.50	74.65	77.00	72.50
1990-07-18	74.10	75.10	74.50	74.65	77.00	74.80
1990-07-19	74.10	75.10	74.50	74.65	78.00	74.30
1990-07-20	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-21	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-22	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-23	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-24	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-25	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-26	74.10	76.10	74.50	74.65	78.00	74.30
1990-07-27	74.10	76.10	74.50	74.65	76.00	74.30
1990-07-28	74.10	76.10	74.50	74.65	76.00	74.30
1990-07-29	74.10	76.10	74.50	74.65	76.00	74.30
1990-07-30	74.10	76.10	74.50	74.65	76.00	74.30
1990-07-31	74.10	76.10	74.50	74.65	76.00	74.30
1990-08-01	74.10	76.10	74.50	74.65	76.00	74.30
1990-08-02	74.10	76.10	74.50	74.65	76.00	71.15
1990-08-03	77.60	76.10	74.50	76.65	76.00	73.15
1990-08-04	78.60	79.60	79.50	80.65	79.00	76.25
1990-08-05	78.60	79.60	79.50	80.65	79.00	76.25
1990-08-06	78.60	80.60	79.50	80.65	79.00	76.25
1990-08-07	79.60	81.60	79.50	80.65	86.00	81.00
1990-08-08	80.60	81.60	80.50	80.65	86.00	81.00
1990-08-09	80.60	82.60	80.50	80.65	84.00	81.00
1990-08-10	80.60	82.60	80.50	80.65	84.00	81.00
1990-08-11	80.60	82.60	80.50	80.65	84.00	81.00
1990-08-12	80.60	82.60	80.50	80.65	84.00	81.00
1990-08-13	80.60	82.60	80.50	80.65	84.00	81.00

REPORT ID: QLPP0205
1990-08-23 13.29.03

79X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
CAMDEN
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

DATE	MOBIL	AMOCO	EXXON	SHELL	SUNOCO	TEXACO
1990-08-14	80.60	82.60	81.50	80.65	84.00	81.00
1990-08-15	80.60	82.60	81.50	80.65	84.00	82.00
1990-08-16	80.60	82.60	81.50	81.65	84.00	82.00
1990-08-17	80.60	82.60	81.50	81.65	85.00	82.00
1990-08-18	80.60	83.60	81.50	81.65	86.00	82.00
1990-08-19	80.60	83.60	81.50	81.65	86.00	82.00
1990-08-20	80.60	83.60	82.50	81.65	86.00	82.00
1990-08-21	81.60	83.60	82.50	82.65	86.00	84.00
1990-08-22	82.10	83.60	83.50	82.65	86.00	85.50
1990-08-23	82.10	83.60	83.50	82.65	86.00	85.50
AVERAGE	76.30	78.18	76.99	76.88	79.68	76.08

REPORT ID: QLPP0205
1990-08-23 13.29.03

80 X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
NO. SHORE-MONN
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<--- BRAND				-->
	< MOBIL >	< EXXON ->	< SHELL ->	< SUNOCO >	< TEXACO >
DATE					
1990-07-02	73.80	75.40	74.15	76.90	75.10
1990-07-03	73.80	75.40	74.15	76.90	75.10
1990-07-04	73.80	75.40	74.15	76.90	75.10
1990-07-05	73.80	75.40	74.15	76.90	75.10
1990-07-06	73.80	75.40	74.15	76.90	75.10
1990-07-07	73.80	75.40	74.15	76.90	75.10
1990-07-08	73.80	75.40	74.15	76.90	75.10
1990-07-09	73.80	75.40	74.15	76.90	75.10
1990-07-10	73.80	75.40	74.15	76.90	75.10
1990-07-11	73.80	75.40	74.15	76.90	75.10
1990-07-12	73.80	75.40	74.15	76.90	75.00
1990-07-13	73.80	75.40	74.15	76.90	75.00
1990-07-14	73.80	75.40	74.15	76.90	75.00
1990-07-15	73.80	75.40	74.15	76.90	75.00
1990-07-16	73.80	75.40	74.15	76.90	75.00
1990-07-17	73.80	75.40	75.15	76.90	75.00
1990-07-18	74.80	75.40	75.15	76.90	75.00
1990-07-19	74.80	75.40	75.15	77.90	75.00
1990-07-20	74.80	75.40	75.15	77.90	75.00
1990-07-21	74.80	75.40	75.15	77.90	75.00
1990-07-22	74.80	75.40	75.15	77.90	75.00
1990-07-23	74.80	75.40	75.15	77.90	75.00
1990-07-24	74.80	75.40	75.15	77.90	75.00
1990-07-25	74.80	75.40	75.15	77.90	75.00
1990-07-26	74.80	75.40	75.15	77.90	75.00
1990-07-27	74.80	75.40	75.15	77.90	75.00
1990-07-28	74.80	75.40	75.15	77.90	75.00
1990-07-29	74.80	75.40	75.15	77.90	75.00
1990-07-30	74.80	75.40	75.15	77.90	75.00
1990-07-31	74.80	75.40	75.15	77.90	75.00
1990-08-01	74.80	75.40	75.15	77.90	77.10
1990-08-02	74.80	75.40	75.15	77.90	78.35
1990-08-03	78.30	75.40	77.15	77.90	79.10
1990-08-04	79.30	80.40	81.15	80.40	78.25
1990-08-05	79.30	80.40	81.15	80.40	78.25
1990-08-06	79.30	80.40	81.15	80.40	78.25
1990-08-07	80.30	80.40	81.15	87.00	83.50
1990-08-08	81.30	81.40	81.15	87.00	83.50
1990-08-09	81.30	81.40	81.15	85.40	83.50
1990-08-10	81.30	81.40	81.15	85.40	83.50
1990-08-11	81.30	81.40	81.15	85.40	83.50
1990-08-12	81.30	81.40	81.15	85.40	83.50
1990-08-13	81.30	81.40	81.15	85.40	83.50

REPORT ID: QLPP0205
1990-08-23 13.29.44

81X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
NO. SHORE-MONN
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	BRAND				
DATE	MOBIL	EXXON	SHELL	SUNOCO	TEXACO
1990-08-14	81.30	82.40	81.15	85.40	83.50
1990-08-15	81.30	82.40	81.15	85.40	84.50
1990-08-16	81.30	82.40	82.15	85.40	84.50
1990-08-17	81.30	82.40	82.15	85.40	84.50
1990-08-18	81.30	82.40	82.15	86.40	84.60
1990-08-19	81.30	82.40	82.15	86.40	84.60
1990-08-20	81.30	83.40	82.15	86.40	84.60
1990-08-21	82.30	83.40	83.15	86.40	86.50
1990-08-22	82.30	84.40	83.15	86.40	90.40
1990-08-23	83.00	84.40	83.15	86.40	90.40
AVERAGE	76.95	77.89	77.38	80.30	78.55

REPORT ID: QLPP0205
1990-08-23 13.29.44

32X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
TRENTON
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<---------------------- BRAND	----------------------	----------------------	--------------------->	
DATE	< MOBIL >	< AMOCO ->	< EXXON ->	< SHELL ->	< SUNOCO >
1990-07-02	73.95	75.10	75.30	74.45	77.70
1990-07-03	73.95	75.10	75.30	74.45	77.70
1990-07-04	73.95	75.10	75.30	74.45	77.70
1990-07-05	73.95	75.10	75.30	74.45	77.70
1990-07-06	73.95	75.10	75.30	74.45	77.70
1990-07-07	73.95	75.10	75.30	74.45	77.70
1990-07-08	73.95	75.10	75.30	74.45	77.70
1990-07-09	73.95	75.10	75.30	74.45	77.70
1990-07-10	73.95	75.10	75.30	74.45	77.70
1990-07-11	73.95	75.10	75.30	74.45	77.70
1990-07-12	73.95	75.10	75.30	74.45	77.70
1990-07-13	73.95	75.10	75.30	74.45	77.70
1990-07-14	73.95	75.10	75.30	74.45	77.70
1990-07-15	73.95	75.10	75.30	74.45	77.70
1990-07-16	73.95	75.10	75.30	74.45	77.70
1990-07-17	73.95	75.60	75.30	75.45	77.70
1990-07-18	74.95	75.60	75.30	75.45	77.70
1990-07-19	74.95	75.60	75.30	75.45	78.70
1990-07-20	74.95	75.60	75.30	75.45	78.70
1990-07-21	74.95	75.60	75.30	75.45	78.70
1990-07-22	74.95	75.60	75.30	75.45	78.70
1990-07-23	74.95	75.60	75.30	75.45	78.70
1990-07-24	73.95	75.60	75.30	75.45	78.70
1990-07-25	73.95	75.60	75.30	75.45	78.70
1990-07-26	73.95	75.60	75.30	75.45	78.70
1990-07-27	73.95	75.60	75.30	75.45	76.70
1990-07-28	74.45	75.60	75.30	75.45	76.70
1990-07-29	74.45	75.60	75.30	75.45	76.70
1990-07-30	74.45	75.60	75.30	75.45	76.70
1990-07-31	74.45	76.30	75.30	75.45	76.70
1990-08-01	74.45	76.30	75.30	75.45	76.70
1990-08-02	74.45	76.30	75.30	75.45	76.70
1990-08-03	77.95	76.30	75.30	77.45	76.70
1990-08-04	78.95	79.80	80.30	81.45	79.70
1990-08-05	78.95	79.80	80.30	81.45	79.70
1990-08-06	78.95	80.80	80.30	81.45	79.70
1990-08-07	79.95	80.80	80.30	81.45	86.70
1990-08-08	80.95	81.80	81.30	81.45	86.70
1990-08-09	80.95	82.80	81.30	81.45	84.70
1990-08-10	80.95	82.80	81.30	81.45	84.70
1990-08-11	80.95	82.80	81.30	81.45	84.70
1990-08-12	80.95	82.80	81.30	81.45	84.70
1990-08-13	80.95	82.80	81.30	81.45	84.70

REPORT ID: QLPP0205
1990-08-23 13.30.19

83x

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
TRENTON
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	BRAND				
DATE	MOBIL	AMOCO	EXXON	SHELL	SUNOCO
1990-08-14	80.95	82.80	82.30	81.45	84.70
1990-08-15	80.95	82.80	82.30	81.45	84.70
1990-08-16	80.95	82.80	82.30	82.45	84.70
1990-08-17	80.95	82.80	82.30	82.45	85.70
1990-08-18	80.95	83.80	82.30	82.45	86.70
1990-08-19	80.95	83.80	82.30	82.45	86.70
1990-08-20	80.95	83.80	83.30	82.45	86.70
1990-08-21	81.95	84.80	83.30	83.45	86.70
1990-08-22	82.75	85.80	84.80	83.45	86.70
1990-08-23	83.45	85.80	84.80	83.45	86.70
AVERAGE	76.80	78.23	77.81	77.68	80.38

REPORT ID: OLPP0205
1990-08-23 13.30.19

84X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
ATLANTIC/MAY
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<---------------------- BRAND --------------------->				
DATE	< MOBIL >	< AMOCO ->	< EXXON ->	< SHELL ->	< SUNOCO >
1990-07-02	73.65	75.10	75.00	74.15	77.10
1990-07-03	73.65	75.10	75.00	74.15	77.10
1990-07-04	73.65	75.10	75.00	74.15	77.10
1990-07-05	73.65	75.10	75.00	74.15	77.10
1990-07-06	73.65	75.10	75.00	74.15	77.10
1990-07-07	73.65	75.10	75.00	74.15	77.10
1990-07-08	73.65	75.10	75.00	74.15	77.10
1990-07-09	73.65	75.10	75.00	74.15	77.10
1990-07-10	73.65	75.10	75.00	74.15	77.10
1990-07-11	73.65	75.10	75.00	74.15	77.10
1990-07-12	73.65	75.10	75.00	74.15	77.10
1990-07-13	73.65	75.10	75.00	74.15	77.10
1990-07-14	73.65	75.10	75.00	74.15	77.10
1990-07-15	73.65	75.10	75.00	74.15	77.10
1990-07-16	73.65	75.10	75.00	74.15	77.10
1990-07-17	73.65	77.75	75.00	75.15	77.10
1990-07-18	74.45	77.75	75.00	75.15	77.10
1990-07-19	74.45	77.75	75.00	75.15	78.10
1990-07-20	74.45	77.75	75.00	75.15	78.10
1990-07-21	74.45	77.75	75.00	75.15	78.10
1990-07-22	74.45	77.75	75.00	75.15	78.10
1990-07-23	74.45	77.75	75.00	75.15	78.10
1990-07-24	74.45	77.75	75.00	75.15	78.10
1990-07-25	74.45	77.75	75.00	75.15	78.10
1990-07-26	74.45	77.75	75.00	75.15	78.10
1990-07-27	74.45	77.75	75.00	75.15	78.10
1990-07-28	74.45	77.75	75.00	75.15	78.10
1990-07-29	74.45	77.75	75.00	75.15	78.10
1990-07-30	74.45	77.75	75.00	75.15	78.10
1990-07-31	74.45	77.75	75.00	75.15	78.10
1990-08-01	74.45	77.75	75.00	75.15	78.10
1990-08-02	74.45	77.75	75.00	75.15	78.10
1990-08-03	77.95	77.75	75.00	77.15	78.10
1990-08-04	78.95	77.75	80.00	81.15	80.60
1990-08-05	78.95	77.75	80.00	81.15	80.60
1990-08-06	78.95	77.75	80.00	81.15	80.60
1990-08-07	79.95	77.75	80.00	81.15	87.10
1990-08-08	80.95	78.75	81.00	81.15	87.10
1990-08-09	80.95	79.75	81.00	81.15	85.60
1990-08-10	80.95	79.75	81.00	81.15	85.60
1990-08-11	80.95	79.75	81.00	81.15	85.60
1990-08-12	80.95	79.75	81.00	81.15	85.60
1990-08-13	80.95	79.75	81.00	81.15	85.60

REPORT ID: OLPP0205
1990-08-23 13.30.57

85x

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTW PRICES
MOBIL VS COMPETITION
ATLANTIC/MAY
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	BRAND				
DATE	MOBIL	AMOCO	EXXON	SHELL	SUNOCO
1990-08-14	80.95	79.75	82.00	81.15	85.60
1990-08-15	80.95	79.75	82.00	81.15	85.60
1990-08-16	80.95	79.75	82.00	82.15	85.60
1990-08-17	80.95	79.75	82.00	82.15	85.60
1990-08-18	80.95	79.75	82.00	82.15	86.60
1990-08-19	80.95	79.75	82.00	82.15	86.60
1990-08-20	80.95	79.75	83.00	82.15	86.60
1990-08-21	81.65	79.75	83.00	83.15	86.60
1990-08-22	82.45	81.80	84.00	83.15	86.60
1990-08-23	82.45	81.80	84.00	83.15	86.60
AVERAGE	76.67	77.66	77.49	77.38	80.50

REPORT ID: QLPP0205
1990-08-23 13.30.57

86 X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTP PRICES
MOBIL VS COMPETITION
LINDEN-NEWARK
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<---- BRAND ----				
DATE	< MOBIL >	< AMOCO ->	< CITGO ->	< GETTY ->	GULF/CF
1990-07-02	67.35	68.40	66.80	67.15	66.90
1990-07-03	67.35	68.40	66.50	66.65	66.90
1990-07-04	67.35	68.40	66.50	66.15	66.90
1990-07-05	67.35	68.40	66.50	66.15	66.90
1990-07-06	67.35	68.40	66.00	66.35	66.90
1990-07-07	67.35	68.40	65.50	66.35	66.40
1990-07-08	67.35	68.40	65.50	66.35	66.40
1990-07-09	67.35	68.40	65.50	66.35	66.40
1990-07-10	66.85	67.90	65.20	66.35	66.00
1990-07-11	66.35	67.90	65.20	65.85	66.30
1990-07-12	66.35	67.90	65.70	65.85	66.30
1990-07-13	66.35	67.90	65.70	66.35	66.60
1990-07-14	66.85	68.40	67.20	66.85	67.10
1990-07-15	66.85	68.40	67.20	66.85	67.10
1990-07-16	66.85	68.40	67.20	66.85	67.10
1990-07-17	67.35	70.40	68.20	67.85	68.10
1990-07-18	68.35	70.40	68.90	68.35	68.60
1990-07-19	69.35	70.40	68.90	68.35	68.90
1990-07-20	69.35	70.40	68.40	68.75	68.90
1990-07-21	69.35	70.40	68.40	68.75	68.90
1990-07-22	69.35	70.40	68.40	68.75	68.90
1990-07-23	69.35	70.40	68.40	68.75	68.90
1990-07-24	69.35	70.40	68.40	69.05	68.90
1990-07-25	69.35	70.40	68.40	69.05	68.90
1990-07-26	69.35	70.40	68.10	69.05	68.90
1990-07-27	69.35	70.40	68.10	69.05	68.60
1990-07-28	69.85	70.40	69.10	69.05	69.60
1990-07-29	69.85	70.40	69.10	69.05	69.60
1990-07-30	69.85	70.40	69.10	69.05	69.60
1990-07-31	69.85	71.40	69.10	69.55	70.10
1990-08-01	70.35	71.40	69.10	69.55	70.10
1990-08-02	70.35	71.40	69.10	69.85	70.10
1990-08-03	74.35	71.40	73.10	73.85	75.10
1990-08-04	76.35	71.40	76.10	78.35	79.10
1990-08-05	76.35	71.40	76.10	78.35	77.60
1990-08-06	76.35	77.40	76.10	78.35	77.60
1990-08-07	77.35	78.40	82.10	83.35	81.60
1990-08-08	80.35	79.40	82.10	83.35	83.60
1990-08-09	80.35	81.40	82.10	81.35	82.60
1990-08-10	80.35	81.40	82.10	81.35	82.60
1990-08-11	80.35	81.40	82.10	81.35	82.10
1990-08-12	80.35	81.40	82.10	81.35	82.10
1990-08-13	80.35	81.40	82.10	81.35	82.10

REPORT ID: QLPP0205
1990-08-23 13.36.48

87X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTP PRICES
MOBIL VS COMPETITION
LINDEN-NEWARK
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	BRAND				
DATE	MOBIL	AMOCO	CITGO	GETTY	GULF/CF
1990-08-14	80.35	81.40	82.10	81.35	83.60
1990-08-15	80.35	81.40	82.10	81.35	83.60
1990-08-16	80.35	81.40	82.10	83.85	82.60
1990-08-17	80.35	81.40	82.10	85.35	82.60
1990-08-18	80.35	81.40	85.10	87.35	86.60
1990-08-19	80.35	81.40	85.10	87.35	86.60
1990-08-20	80.35	81.40	85.10	87.35	86.60
1990-08-21	82.35	82.40	85.60	89.85	86.60
1990-08-22	83.35	83.10	87.40	89.85	88.60
1990-08-23	83.35	83.10	87.40	89.85	88.60
AVERAGE	72.82	73.56	73.20	73.85	73.92

REPORT ID: QLPP0205
1990-08-23 13.36.48

88X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTP PRICES
MOBIL VS COMPETITION
TRENTON
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

DATE	< MOBIL >	< AMOCO ->	GULF/CF
1990-07-02	67.30	67.50	65.70
1990-07-03	66.50	67.60	65.70
1990-07-04	66.50	67.60	65.70
1990-07-05	66.50	67.60	65.70
1990-07-06	66.50	67.60	65.70
1990-07-07	66.50	67.60	65.70
1990-07-08	66.50	67.60	65.70
1990-07-09	66.50	67.10	65.70
1990-07-10	66.05	67.10	65.20
1990-07-11	66.05	67.10	65.20
1990-07-12	66.05	67.10	65.20
1990-07-13	66.05	67.10	65.80
1990-07-14	66.05	67.10	65.80
1990-07-15	66.05	67.10	65.80
1990-07-16	66.05	68.10	66.30
1990-07-17	67.05	69.60	67.30
1990-07-18	68.55	69.60	67.60
1990-07-19	68.55	69.60	67.60
1990-07-20	68.55	69.60	68.10
1990-07-21	68.55	69.60	68.10
1990-07-22	68.55	69.60	68.10
1990-07-23	68.55	69.60	68.10
1990-07-24	68.55	69.60	68.10
1990-07-25	68.55	69.60	68.10
1990-07-26	69.05	69.60	68.10
1990-07-27	69.05	69.60	67.80
1990-07-28	69.55	69.60	67.80
1990-07-29	69.55	69.60	67.80
1990-07-30	69.55	69.60	67.50
1990-07-31	69.55	70.60	67.50
1990-08-01	69.55	70.60	67.50
1990-08-02	69.55	70.60	67.50
1990-08-03	73.55	70.60	64.50
1990-08-04	76.05	74.60	68.50
1990-08-05	76.05	74.60	68.50
1990-08-06	76.05	74.60	68.50
1990-08-07	77.05	74.60	71.50
1990-08-08	78.05	75.60	76.00
1990-08-09	78.05	76.60	73.00
1990-08-10	78.05	76.60	73.00
1990-08-11	78.05	76.60	73.00
1990-08-12	78.05	76.60	73.00
1990-08-13	78.05	76.60	73.00

REPORT ID: OLPP0205
1990-08-23 13.37.36

89x

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTP PRICES
MOBIL VS COMPETITION
TRENTON
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	<----------- BRAND	-----------	------------>
DATE	< MOBIL >	< AMOCO ->	GULF/CF
1990-08-14	78.05	76.60	74.50
1990-08-15	78.05	76.60	73.50
1990-08-16	78.05	76.60	72.50
1990-08-17	79.55	76.60	72.50
1990-08-18	79.55	77.60	72.50
1990-08-19	79.55	77.60	72.50
1990-08-20	79.55	77.60	76.50
1990-08-21	79.55	78.60	76.50
1990-08-22	80.55	79.60	78.50
1990-08-23	80.55	79.60	78.50
AVERAGE	71.81	71.73	69.21

REPORT ID: QLPP0205
1990-08-23 13.37.36

90X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTP PRICES
MOBIL VS COMPETITION
PAULSBORO
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

	BRAND						
DATE	< MOBIL >	< AMOCO ->	ASHLAND	< CITGO ->	GULF/CF	< SUNOCO >	< TEXACO >
1990-07-02	67.25	68.30	66.10	67.40	67.10	68.20	67.45
1990-07-03	67.25	67.60	65.40	67.40	67.10	67.95	67.45
1990-07-04	66.55	67.60	65.40	67.40	67.10	67.95	67.45
1990-07-05	66.55	67.60	65.40	67.40	67.10	67.70	67.45
1990-07-06	66.55	67.60	64.25	66.90	67.10	67.70	66.75
1990-07-07	66.55	67.10	64.25	66.40	67.10	67.70	66.75
1990-07-08	66.55	67.10	64.25	66.40	67.10	67.70	66.75
1990-07-09	66.55	67.10	64.25	66.40	67.10	67.40	66.75
1990-07-10	66.05	67.10	63.75	66.40	66.60	67.40	66.55
1990-07-11	66.05	67.10	64.75	66.40	66.60	67.40	66.55
1990-07-12	66.45	67.10	65.25	66.80	66.60	67.40	66.35
1990-07-13	66.45	67.10	65.25	66.80	66.90	67.90	67.35
1990-07-14	66.95	68.10	66.25	67.80	67.40	67.90	67.35
1990-07-15	66.95	68.10	66.25	67.80	67.40	67.90	67.35
1990-07-16	66.95	68.10	66.25	67.80	67.40	68.90	67.35
1990-07-17	67.45	69.60	67.75	68.80	68.40	69.90	68.35
1990-07-18	68.45	69.60	67.75	69.50	68.60	69.90	68.35
1990-07-19	68.45	69.60	67.75	69.50	69.10	70.15	68.35
1990-07-20	68.45	69.60	67.75	69.50	69.10	70.15	69.35
1990-07-21	69.05	69.60	67.75	69.50	69.10	70.15	69.35
1990-07-22	69.05	69.60	67.75	69.50	69.10	70.15	69.35
1990-07-23	69.05	69.60	67.75	69.50	69.10	70.15	69.35
1990-07-24	69.05	69.60	67.75	69.50	69.10	70.15	69.35
1990-07-25	69.05	69.60	67.75	69.50	69.10	70.15	69.35
1990-07-26	68.55	69.60	67.00	69.50	69.10	70.15	69.35
1990-07-27	68.55	69.60	67.00	69.50	68.60	70.15	69.35
1990-07-28	69.55	69.60	68.00	70.00	69.10	70.15	69.35
1990-07-29	69.55	69.60	68.00	70.00	69.10	70.15	69.35
1990-07-30	69.55	69.60	68.00	70.00	69.10	71.65	69.35
1990-07-31	69.55	70.60	68.00	70.00	69.40	71.65	69.35
1990-08-01	69.55	70.60	68.00	70.00	69.40	71.65	69.65
1990-08-02	69.55	70.60	68.50	70.00	69.40	71.65	69.65
1990-08-03	73.55	70.60	75.50	74.00	74.40	74.15	71.65
1990-08-04	75.55	70.60	85.50	77.00	78.40	75.15	74.65
1990-08-05	75.55	70.60	85.50	77.00	77.40	75.15	74.65
1990-08-06	75.55	75.90	85.50	77.00	77.40	75.15	74.65
1990-08-07	76.55	75.90	85.50	82.00	81.40	79.15	76.55
1990-08-08	77.55	76.90	88.50	82.00	83.90	80.15	77.55
1990-08-09	77.55	77.90	88.50	82.00	80.90	80.15	77.55
1990-08-10	77.55	77.90	88.50	82.00	80.90	80.15	77.55
1990-08-11	77.55	77.90	88.50	82.00	80.90	80.15	77.55
1990-08-12	77.55	77.90	88.50	82.00	80.90	80.15	77.55
1990-08-13	77.55	77.90	88.50	82.00	80.90	80.15	77.55

REPORT ID: QLPP0205
1990-08-23 13.38.40

91X

PRICING & SUPPLY LPS REPORT
HISTORICAL POSTED DTP PRICES
MOBIL VS COMPETITION
PAULSBORO
FOR PRODUCT - 03501
1990-07-02 THRU 1990-08-23

DATE	MOBIL	AMOCO	ASHLAND	CITGO	GULF/CF	SUNOCO	TEXACO
1990-08-14	77.55	77.90	88.50	82.00	81.40	80.15	78.55
1990-08-15	78.55	77.90	91.50	82.00	80.40	81.15	78.55
1990-08-16	79.05	77.90	91.50	82.00	80.40	81.15	78.55
1990-08-17	79.05	77.90	91.50	82.00	80.40	81.15	78.55
1990-08-18	79.05	78.90	96.50	85.00	84.40	81.15	78.55
1990-08-19	79.05	78.90	96.50	85.00	84.40	81.15	78.55
1990-08-20	79.05	78.90	96.50	85.00	84.40	86.15	78.55
1990-08-21	79.05	79.90	101.50	85.00	84.40	87.15	80.55
1990-08-22	80.05	80.90	101.50	85.50	86.40	87.15	82.55
1990-08-23	80.05	80.90	101.50	85.50	86.40	87.15	82.55
AVERAGE	71.79	72.05	76.13	73.72	73.40	73.74	71.98

EPORT ID: QLPP0205
1990-08-23 13.38.40

92X

Where's the rip-off?

The sharp increase in gasoline prices has sparked thousands of words, most of them accusing the oil industry of reaping undeserved profits. Industry spokesmen have attempted to respond, with little apparent success.

So we decided to let the numbers do the talking.

West Texas Intermediate is a benchmark domestic crude oil. We've translated the price per barrel on the spot market to cents per gallon, and tracked the price movement from early July to last Tuesday. Gasoline also trades on the spot market, and we've shown the average spot price of regular unleaded across the U.S.

Finally, we've shown the average price we charged our dealers in 29 key cities for regular unleaded, along with the price for Mobil distributors. The dealers account for 70 percent and the distributors for about 30 percent of our gasoline business.

CRUDE/PRODUCT PRICES
JULY 3, AUGUST 7

(All numbers cents/gallon)	7/3/90	7/17/90	* 7/31/90	** 8/2/90	8/7/90	Increase 7/3-8/7
West Texas Intermediate Spot Market Crude	40.2	44.4	48.1	55.5	70.5	+30.3
† Regular Unleaded Spot Market Gasoline	60.4	63.7	62.8	68.9	85.1	+24.7
Average Mobil Price To Dealer Regular Unleaded	74.5	73.6	74.7	75.0	81.2	+ 6.7
Average Mobil Price To Distributor Regular Unleaded	67.8	68.0	69.6	69.8	78.3	+10.5

*OPEC Met July 26-27
**Iraq Invaded Kuwait August 2
†Platt's Low-Weighted Average

The table shows that market prices for both crude oil and gasoline rose far more sharply than Mobil's.

One final observation: Much crude is now bought on terms specifying that the price is to be set by the spot market at the time of delivery. So the price of the gasoline you buy today was not set in concrete weeks ago.

Mobil

93X

76121
90