



Automotive Trade Organizations of California, Inc.

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A Response To Allegations of Price Gouging

Several state attorneys general are jumping on the political bandwagon to conduct investigations into alleged "price gouging" by a handful of petroleum marketers in the wake of the Sept. 11 terrorist attacks. Oil companies have joined in by warning their employees, wholesalers and retailers not to gouge prices.

This association shares the concern of other major oil industry groups that there appears to be no specific definition of what constitutes price gouging, and that without such a definition, there is the risk that many innocent marketers could be held liable for responding to actual market conditions.

In California, most major oil companies increased wholesale prices by as much as twenty cents per gallon in the hours immediately following the September 11th attacks in the apparent fear of a run-up in prices that "may" occur in an uncertain future. They curtailed or even stopped sales to unbranded wholesalers. In addition, many gasoline retailers received notices from their suppliers informing them that they were being put on 'allocation,' thus limiting their supply of product.

In the days following the attacks, the oil conglomerates have withdrawn their pricing panic and operated under the theory that "prices should remain fixed, so that no one takes advantage of American citizens for profit." The result is that we are paying even higher prices now than we should be! In recent days, NYMEX prices have dropped significantly, but wholesale prices have only trickled lower, a good sign, but why aren't they plummeting?

The shutdown of our nation's commercial air system has created a large decrease in demand for jet fuel. Americans are driving less, therefore gasoline demand has subsided. When, in recent memory, has the gasoline market seen such a curtailing of activity? Prices should be dropping drastically at the pump! However, dealers can't reduce prices if the oil companies "maintain the status quo."

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“These same attorneys general should be asking oil company executives why the price is not coming down in line with decreases in demand. Not decreasing the price in this time of national calamity is no different than raising prices,” commented Will Woods, AuTO-CA’s executive director.

“I am stunned that the majors are concerned about "price gouging", in light of the fact that the clear recessionary pressures we faced shortly before the 9/11 debacle were caused primarily by the run-up in gasoline prices earlier this year by Tosco (Union 76) and followed by the other major oil companies,” Woods continued.

“I find it reprehensible that most of these companies reported obscenely record profits in the 2nd quarter, resulting from nothing other than an effort to increase profits at the expense of consumers and many retailers.

“Price gouging, no matter the national circumstance, is reprehensible. The fact that it happened before or after the WTC/Pentagon attacks matters not.

“These companies threaten their employees, wholesalers and retailers for doing the very same thing (though on an infinitesimally smaller scale!) that the oil companies perpetrated on the U.S. economy and our citizens in the spring of this year to the tune of billions of dollars.

“As an American veteran, I am disgusted that the media allows these companies to escape their wrath under the cover of the currently patriotic fervor.

Patriotism is a 24/7/365 proposition!

"Where was their flag waving last spring?"

AuTO-CA represents over 500 independently-owned service station dealers, auto repair shops, car washes and convenience stores throughout the state. Our members are not the major oil companies; we are small business owners.

Should you have questions regarding this correspondence or other materials you receive related to the oil industry, please don't hesitate to contact Will L. Woods, CAE, Executive Director, at the AuTO-CA office, 714.734.1801.