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Intended Consequence of Franchise Fee Not Feasible, OPIS Director Says

Madison, Wis. (April 3, 2007) – Ben Brockwell, Director of the Oil Price Information Service, (OPIS) outlined factors affecting oil prices, including proposed taxes that would hurt local petroleum retailers and consumers, at the Wisconsin Petroleum Marketers and Convenience Store Association (WPMCA) annual meeting today in Madison, Wis.

The proposed 2.5% oil company franchise fee touted by Governor Jim Doyle in his budget will likely increase the price of gas without dipping into profits from the Big Oil companies. The fee is really a hidden gas tax that would be passed on to retailers and consumers despite statutes prohibiting Big Oil attempts to recover costs. No state has ever successfully blocked oil companies from passing these fees along to retailers.

“The petroleum supply chain is the most complex of any retail product,” Brockwell said. “Policy-makers don’t realize that.”

Brockwell said America’s oil business will continue to become increasingly regionalized, with disparities in supply, price and expansion in the Midwest versus the South, for example. The proposed franchise fee could result in supply shortages for Wisconsin and price increases of as much as five cents per gallon, and would disproportionately hurt retailers on the state border. Retailers in the Midwest already make the smallest gasoline profit margins in the nation due to the prevalence of independent retailers and therefore competition.

“There’s this fictitious notion that retailers are making tons of money, but that’s not true,” Brockwell said. “Unfortunately, when you have a business with a marquee company that’s been making profits like [Big Oil companies] have, you will be a target. It’s unfair, but it’s the way it is.”

The majority of gas stations and convenience stores in Wisconsin are locally owned independent gas and convenience stores. WPMCA represents over 2,000 independent petroleum marketers, convenience store owners, truck stop and travel plaza operators, automotive oil change outlets and other automotive service providers throughout Wisconsin. These companies sell over 80 percent of the motor fuel and nearly all of the farm fuel and heating oil sold in Wisconsin.

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