STATE OF MAINE
ONE HUNDRED AND SEVENTH LEGISLATURE

COMMITTEE ON ENERGY

December 28, 1976

Senator Jerrold B. Speers, Chairman
Legislative Council
State House
Augusta, Maine 04333

Dear Senator Speers,

In accordance with the directive of the Legislative Council, directing the Committee on Energy "to investigate means to reduce the cost of gasoline to Maine consumers and to investigate changes needed to make Maine's excess profits statutes workable," we enclose herein the final report of the Committee.

Respectfully submitted,

John B. Roberts
Co-Chairman, Energy Committee

Robert M. Farley
Co-Chairman, Energy Committee

REPORT OF THE COMMITTEE
ON ENERGY
ON ITS STUDY OF
THE GASOLINE INDUSTRY AND THE GASOLINE MARKET IN MAINE

December 28, 1976

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THE GASOLINE INDUSTRY AND THE GASOLINE MARKET IN MAINE

On July 23, 1975, the Legislative Council approved a study proposal directing the Joint Standing Committee On Energy "to investigate means to reduce the cost of gasoline to Maine consumers and to investigate changes needed to make Maine's excess profits statutes workable."

The study proposal was the result of substantial changes in the Maine gasoline market. At the same time that gasoline prices soared, gasoline distributors (wholesalers) entered the retail gasoline market and competed against branded and independent dealers. As a result of their wholesale activities, the gasoline distributors had an economic advantage that the branded dealers did not possess. Many branded dealers feared that they would be eliminated from the retail market, and a few distributors would control the supply and price of gasoline in Maine.

In order to complete the task assigned in the study order, the Committee held two public hearings in Sanford and Bangor to obtain testimony from gasoline dealers and distributors; conducted a survey of retail service station ownership in Maine; and studied several topics including the past, present, and potential usage of gasoline and oil energy, the present and estimated future supply of gasoline and oil, and the structure of the industry in Maine.

The testimony presented at the public hearings and the results of the Committee's survey and research led the Committee to the following conclusion:

Limited oil and gas reserves throughout the world and in the United States make oil generated energy a short term source of energy. The United States has roughly a 25 years' maximum supply of oil and gas, and Middle Eastern reserves have been estimated to contain a 25-40 years' supply at the current consumption rate.

Investment in oil exploration and development in alternate energy sources has been insufficient to produce the energy the nation will require in the next 25 years. Insufficient investment in energy research and development is due, to a large degree, to the great cost involved and the lack of cooperation between the public and private sector.

The Arab oil embargo in 1972-73 led to federal regulation of the oil industry, but the financial burden of energy development, for the most part, was placed on the private sector. On the one hand, the oil industry and other energy industries opposed competition from the public sector in energy production and sought financial incentives, including higher energy prices to invest in energy research and development. The federal government, on the other hand, feared the economic repercussions of high energy prices and enacted price controls and other regulations to ameliorate the economic impact of the energy crisis.

As a result of the conflict between the public and private sector, insufficient investment incentives, and the high cost of energy development, there has not been the investment in energy development and production on the level that is required to avert another crisis. If the present rate of investment in the energy field continues at the present level and technological "break-throughs" are not accomplished in the energy field in the short term, a crisis of much greater severity than the crisis of the early 1970's could occur within the next 25 years.

While severe oil shortages, particularly in gasoline, are probable in the next 15-25 years, the retail gasoline market in Maine may become increasingly concentrated which, without proper controls, could have a serious effect on the price, supply, and distribution of gasoline in Maine. For the most part, the price and supply of gasoline in Maine is a situation that the federal government can best regulate. State powers are too limited to regulate multi-national firms. In Maine, however, the growing influence of the gasoline distributors in the retail market portends an ominous future, together with many other factors, for the branded dealer. If the present trend continues, a small group of vertically integrated distributors could gain control of the retail gasoline market. Without federal controls, the price of gasoline could sky rocket, and Maine distributors could concentrate on high volume metropolitan areas to the detriment of the rural sections of the State.

The theory that the retail gasoline market in Maine will become increasingly concentrated, that gasoline supplies in Maine will be extremely limited within the next 15 years, and that an energy crisis could occur within the next 15-25 years in Maine is based upon the following:

1. Maine and New England's dependence upon oil is greater than that of any other region in the nation.

2. World oil reserves are sufficient for roughly 25 years at present consumption levels.

3. Oil exploration and alternative energy research and development are progressing at a very slow rate.

4. There are very few alternative energy replacements capable of replacing oil energy, and oil conservation will force a major reduction in gasoline consumption.

5. Limited oil supplies will cause a major reduction in the number of distributors and retail service stations in Maine.

CHAPTER I
OIL USAGE IN NEW ENGLAND AND MAINE

The dependence of Maine and New England upon oil generated energy is greater than that of any other region in the nation. Table A shows that the New England region in the past 16 years has lacked alternative energy sources to oil.

TABLE A
COMPOSITION OF ENERGY USAGE IN THE UNITED STATES, NEW ENGLAND, AND MAINE IN 1960 AND 1972

	UNITED STATES		NEW ENGLAND		MAINE	
	% OF TOTAL ENERGY IN 1960	% OF TOTAL ENERGY IN 1972	% OF TOTAL ENERGY IN 1960	% OF TOTAL ENERGY IN 1972	% OF TOTAL ENERGY IN 1960	% OF TOTAL ENERGY IN 1972
COAL	22.6 %	18.1 %	12.9 %	1.4%	0%	0%
HYDRO POWER	3.9 %	4.3 %	3.0 %	2.0%	14.7%	6.8%
NATURAL GAS	31.4 %	44.3 %	6.1 %	9.0%	0%	0%
NUCLEAR POWER	0.01%	0.08%	0.02%	3.3%	0%	0%
PETROLEUM	42.8 %	44.3 %	73.8 %	84.3%	85. %	93.1%

In addition to Maine's almost exclusive dependence upon oil, the increase in Maine's oil consumption between 1960 and 1972 exceeded that of New England and the nation. Table B describes the rate of increase or decrease in usage of all energy fuels in Maine, New England, and the United States.

TABLE B
RATE OF INCREASE OR DECREASE OF ENERGY CONSUMPTION IN THE UNITED STATES, NEW ENGLAND, AND MAINE BETWEEN 1960 AND 1972

	UNITED STATES	NEW ENGLAND	MAINE
TOTAL ENERGY	+ 64.1%	46.2%	+ 90.8%
COAL	+ 31.4%	- 86.0%	0%
HYDRO POWER	+ 80.5%	- 5.4%	- 12.0%
NATURAL GAS	+132.0%	+ 11.6%	0%
NUCLEAR POWER	+10,472.0%	+25,325.0%	+600.0%
PETROLEUM	+ 70.0%	+ 67.1%	+108.0%

Although New England and Maine were more dependent upon petroleum than the nation, generally, New England and Maine utilized petroleum for heating and electricity generation to a much larger extent than the nation. Table C describes the usages of petroleum in 1960 and 1972 in the three geographical regions.

TABLE C
PERCENTAGE OF PETROLEUM CONSUMED BY USAGE IN 1960 AND 1972 IN THE UNITED STATES, NEW ENGLAND, AND MAINE

	UNITED STATES		NEW ENGLAND		MAINE	
	1960	1972	1960	1972	1960	1972
ASPHALT	3.6%	3.3%	2.2%	1.5%	3.1%	1.6%
DISTILLATE FUEL OIL	21.3%	19.6%	36.2%	27.9%	29.7%	25.1%
GASOLINE	46.6%	44.7%	28.3%	27.8%	32.9%	24.7%
JET FUEL	1.0%	4.5%	0.67%	2.3%	0.008%	1.2%
KEROSENE	3.1%	1.6%	4.7%	1.4%	9.2%	3.6%
LIQUIFIED PETROLEUM	7.1%	9.5%	1.4%	1.6%	1.7%	1.5%
RESIDUAL FUEL OIL	17.2%	16.9%	26.6%	37.5%	22.9%	42.1%

While New England and Maine utilize roughly 70 percent of their petroleum supply for heating and electrical generation purposes, the nation, generally, uses 50 percent of its petroleum for transportation purposes. Thus, the nation has a greater ability to conserve oil by reducing gasoline and jet fuel consumption than New England and Maine which expend approximately 30 percent of their petroleum supply for transportation.

An analysis of the increase in consumption of various types of petroleum during the period 1960-1972 shows that with the exception of jet fuel, Maine's greatest increases occurred in the consumption of heating oils. Maine lagged significantly behind the United States and New England in terms of increases in gasoline consumption between 1960 and 1972.

While Maine and New England may consume a larger percentage of oil for their energy needs than other sections of the nation, they consume less energy per capita than any other region. With 5.8 percent of the nation's population in 1972, New England consumed 4.4 percent of the nation's energy. Much of the energy consumed by New England occurred in the southern portion of the region.

CHAPTER II
WORLD OIL RESERVES

World oil reserves have been estimated by geologists to suffice for roughly 25 years at present consumption levels. Middle Eastern oil reserves which together with other foreign oil provide 40 percent of the nation's oil needs and supply over 60 percent of Maine's oil needs, have been estimated to contain a 25-40 year's supply of oil at present rates of use. United States proved and estimated oil reserves have been calculated by the U.S. Geological Survey to contain a minimum of 12 1/2 (82.7 billion barrels) years'and a maximum of 26 years' (160 billion barrells) supply of oil. The United States has approximately a 30 year supply (713.2 trillion cubic feet) of natural gas.

Some of the oil and gas reserves are located off the nation's coasts. Between 9 1/2 percent and 24 percent (10-15 billion barrels) of the nation's total estimated oil reserves and between 6 percent and 25.6 percent of the nation's total gas reserves are located off shore. Presently, off shore wells provide 7 percent of the domestic oil and 19.8 percent of the domestic natural gas consumed in the nation.

CHAPTER III
OIL EXPLORATION AND ENERGY RESEARCH & DEVELOPMENT

If energy consumption in the United States increases 40 percent between 1976 and 1990, nuclear power increases to produce 50 percent of the nation's electrical power by 1990, and coal production is increased 5 percent per annum, there would be roughly an oil saving of 27 percent and a natural gas saving of 17.8 percent by 1990. Assuming that the oil reserves of the Middle East and the United States are sufficient for a 25 year period at 1972 consumption levels, the United States will consume 60 percent of its oil supply by 1990. The oil savings therefore would fall short of the decrease in the oil reserves by 122 percent. The construction and development costs of U.S. oil reserves, and the construction of nuclear and coal power plants would be in excess of $600,000,000,000 at 1972 cost levels. Excluding the costs of developing additional coal reserves, nuclear fuel costs, power plant operating costs and inflation, the U.S. would have to spend alone $40,000,000,000 per annum on nuclear, coal, and oil energy by 1990 to generate a 27 percent oil saving.

Energy generated from the sun, coal gassification, shale, fusion, wind, and the tides will be minimal by the year 2,000. According to the Energy Research Development Association and the Shell Oil Company, these sources of energy will not emerge as significant energy sources until the 21st century.

Statistical data computed by the major oil companies and by the Federal Energy Administration project an increase in total national energy demands at 2-3 percent per annum throughout the decade of the 1980's compared to a 5 percent per annum growth in demand in the 1960's. Conceivably, the nation's demand for energy in 1990 could be 40 percent greater than the present rate of energy consumption.

Presently, the private sector, namely the major oil companies, is financing the development and exploration of the nation's oil reserves. The level of private investment, which was roughly

$13,500,000,000 in 1973, is inadequate to avert an energy crisis. If the level of private investment does not change and inflation proceeds at a rate of 5 percent per annum, it would require 60 years to develop the nations oil reserves.

Research and development of other energy resources is also primarily the function of the private sector. Oil company investments in other energy resources (excluding oil and gas) have been estimated at $10,000,000,000 compared to $1,000,000,000 expended by the Energy Research and Development Administration of the federal government.

In addition to $10,000,000,000 of investments in energy research and development outside the petroleum industry, the major oil companies have invested in coal mines, geothermal steam, and uranium fields and mines. Major oil companies own roughly 18 percent of the coal supply and 21 percent of the nation's uranium supply.

The cost of energy development to meet the nation's energy needs is beyond the ability of the private sector. To develop the nation's total oil reserves (estimated roughly at $400,000,000,000) and the nation's nuclear power generation capability to produce 50 percent of the total amount of electricity produced in 1972 (estimated at $200,000,000,000) alone will cost more than half of the nation's annual gross national product. If coal gassification, solar energy, geothermal energy sources are to be developed to meet the energy needs of the United States by the year 2,000, the total cost will greatly exceed the gross national product several times.

CHAPTER IV
ENERGY CONSUMPTION WITHOUT CONSERVATION: A CRISIS WITHOUT REMEDY?

If the present rate of energy research and development as well as the present rate of oil consumption continues without signigicant change for the next 15-25 years, a major energy crisis will occur that will be far worse than the oil crisis of 1972-73. This conclusion is based upon the following:

1. The world's oil supply is sufficient for 25 years at the present consumption level

2. The cost of energy development and research will prevent the development of alternate energy systems until the 21st century on a scale sufficient to replace oil entirely.

3. Coal and nuclear power along with oil exploration are developed at the rate described in Chapter III.

In order to survive an energy crisis or to avert one, a very forceful and comprehensive conservation program will have to be implemented. Reduced gasoline consumption will certainly be part of the conservation effort, and probably the major goal of the program. Conservation of gasoline, however, will be more difficult in rural states such as Maine than in urban areas.

In a major energy conservation effort, Maine will probably experience greater hardship than many other states. In the nation generally, gasoline can be conserved to produce greater oil savings which can be used for other purposes. In the United States, gasoline comprised 50 percent of total oil consumption in 1972, whereas in Maine, gasoline comprised 25 percent of the State's total oil use. In addition, petroleum comprised only 43 percent of the nation's total energy use compared to 85 percent and 93 percent of the energy used in New England and Maine respectively.

While the United States also relies to a large extent on natural gas for energy, which may be sufficient for 30 years from domestic sources, Iran and Kuwait have natural gas deposits that could meet a portion of U.S. demand. Unlike the nation, Maine utilizes almost no natural gas which leaves the State with very few energy alternatives.

Presently, federal and State regulation have failed to control energy consumption in the United States. Federal regulation and energy programs have not been directed specifically toward energy conservation, but have been more concerned with price control, fuel allocation, and stimulating research in alternative energy sources. As a result, energy conservation programs have been left to the several states to develop and implement.

The retail prices of middle distillates (#2 heating oil, kerosene, and diesel oil) and gasoline have recently been lifted. In the case of fuel oil, the price increases cannot raise dealer profit margins more than 4 cents per gallon above the profit margin earned in 1972. Thus, price as a conservation measure is limited in its effect.

Lacking the powers and resources of the federal government to implement rigorous and effective conservation programs, the states have formulated voluntary or permissive programs. The success of state and federal energy programs has been very limited as shown by the consumption of oil since the Energy Crisis in 1972-73.

Conservation of energy in Maine will require not only drastic cuts in gasoline consumption, but also heating oils and oil generation of electricity. As oil conservation occurs, there will also be a spin-off effect that will result in a substantial reduction in the number of gasoline and fuel oil distributors and retail outlets. Other effects could be reductions in industrial production, employment, etc..

CHAPTER V
THE MAINE GASOLINE MARKET: THE PRESENT AND FUTURE STRUCTURE

Although there are many firms involved in the production and distribution of oil for Maine, a few firms dominate the gasoline sector of the oil industry in Maine. For example, in 1975, 11 major oil companies supplied 90 percent of the State's oil needs, but 5 firms provided nearly 60 percent of the total. In addition, 11 major oil companies distributed roughly 55 percent and 40 Maine firms distributed 45 percent of the gasoline in the State, but 8 firms, including three Maine companies, distributed nearly 60 percent of the total volume.

In Maine, 3 gasoline distribution firms have been increasing their share of the distribution market. In 1975, the Dead River Company, Webber Oil Company and D. W. Small distributed 72.3 percent of the gasoline distributed by Maine firms. In 1976, the same three firms distributed 83.1 percent of the total volume of gasoline distributed by Maine firms (See Table on next page). Nevertheless, the major oil companies distribute the large portion of the product then Maine gasoline distributors.

TABLE E

THE PROVISION OF OIL AND THE DISTRIBUTION OF OIL IN MAINE

1975 & 1976

PROVISION (SUPPLY BY PROVIDER) OF OIL IN MAINE

	1975	1976
AMERICAN	7.27%	7.327%
BRITISH PETROLEUM	10.28%	10.217%
CHEVON	5.3 %	4.802%
CITGO	6.62%	6.782%
EXXON	14.46%	17.298%
GETTY	3.30%	3.387%
GULF	13.50%	13.396%
MOBIL	9.25%	9.447%
SHELL	6.5 %	6.503%
SUNOCO	5.05%	4.086%
TEXACO	8.6 %	9.824%
	90.13%	93.069%

Distribution of Oil in Maine

	1975	1976
AMERICAN	0.54%	.55 %
BRITISH PETROLEUM	0.63%	.429%
CHEVON	5.30%	4.802%
CITGO	5.70%	5.764%
EXXON	4.0 %	4.06 %
GETTY	3.3 %	3.387%
GULF	13.1 %	13.119%
MOBIL	9.1 %	8.727%
SHELL	3.6 %	3.694%
SUNOCO	3.9 %	2.961%
TEXACO	5.58%	6.847%
	54.75%	54.34 %
ASTROLINE	9.1 %	9.213%
DEAD RIVER	5.1 %	5.520%
D.W.SMALL	2.3 %	3.285%
STONE & COOPER	1.2 %	1.190%
T & M OIL CO.	2.0 %	1.935%
WEBBER OIL CO.	4.6 %	6.920%
NORMAL WHITNEY	2.0 %	2.020%
	26.3 %	30.083%

It is very difficult to calculate precisely the share that each distributor possesses in the distribution sector of the gasoline market. Some distributors have purchased other distribution firms which operate as subsidiaries of the "mother firm" and which continue to pay the excise tax on gasoline. Some major oil companies which supply the distributors pay the excise tax and are compensated by the distributors. Since excise tax payments are the only means by which the share of the gasoline distribution market can be determined for each firm, the statistics pertaining to each firm are not reliable.

Unlike the supply and distribution sectors of the gasoline industry in Maine, the retail gasoline market is not as concentrated. In 1975, there were roughly 1700 gasoline dealers in Maine. A survey of 1164 retail gasoline outlets, conducted by the Joint Standing Committee on Energy, showed that 62.7 percent of the stations were owned by individuals or firms not connected with the production or distribution of gasoline, 21.5 percent were owned by gasoline distributors, and 15.8 percent were owned by major oil companies. Following completion of the survey, one major oil company sold many of its outlets to a major distributor in Maine.

Despite the absence of a monopoly or oligopoly in the retail gasoline market in Maine, a trend can be discerned that started in 1971. Between 1971 and 1975, the percentage of the retail market owned and operated by the major oil companies declined 13 percent, while the percentage of distributor owned service stations increased 11.5 percent and the percentage of "other private owned" service stations increased 4.9 percent.

While the distributor owned service station is not a new development, the type and degree of competition in which it is engaged is new.

In some areas of the State distributor owned service stations are underselling branded dealers at the retail level. According to Maine gasoline distributors, they have responded to "cutthroat competition" from branded independents such as Zayre, Cumberland Farms, Gibbs, etc., who are taking the market away from the Maine distributors. Unbranded independents have access to large supplies of oil and ship directly from the central storage area to the retail service operations which enables them to sell gasoline at a much lower price than the price charged by branded dealers. The following table illustrates the effect of the competition upon branded dealers in Maine:

TABLE F
RETAIL PRICE DIFFERENTIAL
BETWEEN BRANDED DEALERS AND DISTRIBUTORS
IN MAINE, JANUARY, 1976

	Average Dealer Tank Wagon Price (Does not include rent)	Average Posted Price of Branded Dealers	Average Posted Price of Distributor Owned Service Stations
Augusta	51.8	59.9	53.9
Gorham/Westbrook	51.8	58.9	53.9
Houlton	53.4	59.9	59.9
Presque Isle	54.4	58.9	53.9
Sanford	53.8	58.9	52.9
Waterville	53.0	59.3	52.9

The results of distributor competition in the retail market may force many branded dealers out-of-business. Distributors may be financing their retail operations via their wholesale operations to meet the level of competition posed by independents. According to the Maine Oil Dealer's Association, distributors receive, on the national average, 4 cents per gallon to finance their distribution operations.

In order to determine the degree to which gasoline distributors must rely on their wholesale operations to finance their retail operations, the Committee on Energy developed 6 models of retail outlets, each with different operating costs. According to the models, a minimum distribution profit margin of 4.5 cents per gallon would be required for the operation of a distributor owned service station. The 4.5 cents per gallon does not include inventory costs, heat and utilities, taxes, insurance, maintenance, or depreciation costs. As a result, Maine oil dealers must be earning in excess of 4 cents per gallon for distribution operations or they must be taking a loss on their retail operations and financing them from their wholesale operations.

As the major oil companies begin to reduce their number of retail outlets in Maine to consolidate and lower costs, Maine distributors may be the principal buyers. As gasoline supplies become more limited, the number of retail outlets will decline significantly, and a few firms could control the distribution and price of gasoline unless precautionary measures are undertaken to prevent an oligopoly from developing.

CHAPTER VI
FINDINGS & RECOMMENDATIONS

While the price and supply of oil including gasoline in Maine is influenced by many factors that are beyond state control and regulation, the trend toward oligopoly control of the retail gasoline market and severe gasoline shortages can be dealt with by the State. In order to resolve the situation in which a few firms control the retail market, and to alleviate crisis situations created by gasoline shortages, the Committee reviewed the following alternatives:

1. A Legislative Divestiture Law at the Retail Level.
2. A Legislative Law to limit petroleum firms to one phase of the petroleum industry.
3. Anti-trust Suits against major oil companies.
4. Regulation of the Oil Industry By The Public Utilities Commission
5. An Excess Profits Tax.
6. Enlargement of the Office of Energy Resources into a Regulatory Agency.
7. A State Allocation Board to enforce energy conservation.
8. Restriction of producers, refiners, and distributors to a specific percentage of the retail gasoline market.
9. Prohibition of oil sales on the wholesale and retail level at prices that are below cost.

1. Retail Divestiture. Retail Divestiture would prohibit major oil companies and distributors from operating retail service stations.

2. General Divestiture. General Divestiture would prohibit any petroleum company from operating on two or more levels. A petroleum firm would be limited to one of the following: refining, distribution, or retailing.

3. Anti-trust Suits. Anti-Trust Suits against the major oil companies would be based on violation of federal or state anti-trust law.

4. Regulation of the oil industry: PUC. Regulation of of the oil industry by the Public Utilities Commission would be based on the assumption or fact that oil is a scarce and very important resource that requires public regulation for the public welfare.

5. Regulation by the Office of Energy Resources (OER). Regulation by the OER would be similar to #4 above.

6. State Allocation Board. A State Allocation Board would establish a conservation plan, allocate oil for each specific use, and enforce conservation measures.

7. An Excess Profits Tax. A State Excise Profits Tax would tax oil company revenues in excess of a specific percent at a very high rate as determined by the Legislature.

8. Limited participation on the retail market. Limited participation of producers, refiners, and distributors on the retail gasoline market would require the Legislature to determine the degree or percentage of outlets that producers, refiners, and distributors could own.

9. Prohibition of oil sales at below cost. Prohibition

of oil sales at below cost would prevent firms that engage in supplying or distributing gasoline from financing there retail operations from their other operations. As a result, cut-throat competition would be eliminated.

Recommendations:

REPORT A

The following members of the Joint Standing Committee on Energy recommend that the 108th Legislature consider the nine proposals regarding possible legislation:

Senator John B. Roberts	Representative Charlotte Z. Byers
Senator Howard M. Trotzky	Representative Lawrence P. Greenlaw,J
	Representative Patrick T. Jackson,Jr.
	Representative Glen W. Torey

REPORT B

The following members of the Joint Standing Committee on Energy dissented from the recommendations in Report A.

Representative Edward C. Kelleher
Representative Lawrence E. Connolly, Jr.
Representative Richard Davies

The minority report recommends the enclosed legislation. In addition, the minority endorses the adoption of the following recommendations:

1. That the Public Utilities Commission and the Office of Energy Resources jointly study and propose regulations to regulate the activities of the oil industry in Maine

2. That the Bureau of Taxation study and propose an excess profits tax to be imposed on all firms doing business in Maine

3. That the Office of Energy Resources study the feasibility of a State Allocation Board to allocate oil for specific purposes to reduce per capita consumption, particularly of gasoline

4. That the Attorney-General conduct a study of the activities and structure of the largest Maine based oil companies and out-of-State oil companies doing business in Maine with respect to compliance to Maine's anti trust legislation.

STATE OF MAINE

RESOLVE, Directing the Public Utilities Commission and the Office of Energy Resources To Jointly Study and Propose Regulations of the Activities of Oil Companies.

Public Utilities Commission and Director of Office of Energy Resources; prepare and propose regulations to regulate activities of oil companies. Resolved: That the Public Utilities Commission and the Director of Office of Energy Resources jointly study, prepare, and propose legislation for the regulation of activities of oil companies doing business in Maine to prevent a few firms from controlling the supply, distribution, and retail sale of oil in Maine. The Public Utilities Commission and the Director of the Office of Energy Resources shall present their recommendations and implementing Legislation to the First Regular Session of the 109th Legislature.

STATE OF MAINE

RESOLVE, Directing the Director of the Bureau of Taxation to Prepare and Propose an Excess Profits Tax to be Levied on all Business Enterprise in Maine

Director of Bureau of Taxation to Propose excess Profits tax legislation. Resolved: That the Director of the Bureau of Taxation, Department of Finance and Administration, is directed to prepare and present excess profits tax legislation to be levied on all business firms in Maine. The Director of the Bureau of Taxation shall present his recommendations and legislation to the First Regular Session of the 109th Legislature.

STATE OF MAINE

RESOLVE, Directing the Director of the Office of Energy Resources To Study the Feasibility of a State Allocation Board to Reduce Oil Consumption

Director of Office of Energy Resources to Study the Feasibility of a State Allocation Board. Resolved: That the Director of the Office of Energy Resources study the feasibility of a State Allocation Board to allocate oil for specific usages to reduce per capita consumption. The Director is directed to present other recommendations and any implementing legislation to the First Regular Session of the 109th Regular Session.

STATE OF MAINE

RESOLVE, Directing the Attorney General to Study the Activities and Structure of the Largest Maine based and Out-of-State Oil Companies Doing Business in Maine with Respect To Compliance Maine's Anti-Trust Legislation.

Attorney General to Study Structure and Practices of Oil Companies. Resolved: That the Attorney General Study the structure and practices of the largestOil Companies organized in Maine and out of Maine doing business in this State with respect to the compliance of these firms to Maine's Anti-trust laws. The Attorney General shall report his findings, recommendations, and any implementing legislation to the First Regular Session of the 109th Legislature.

AN ACT to Restrict Oil Firms to One Phase of the Oil Industry.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 10 MRSA § 1452, as enacted by P.L. 1975, c. 549, is amended by adding a new paragraph to read:

The Legislature further finds that motor fuels are becoming a scarce commodity which is essential to the transporation system of the State, and control by a small number of firms of the supply, distribution, and retail sale of motor fuels would be harmful to the public welfare. Since a small number of firms presently supply and distribute a large proportion of the motor fuels purchased in Maine, and since a small number of firms are gaining a larger and larger percentage of the retail sale of motor fuels, the Legislature declares it to be in the public interest to regulate the activities of oil firms and restrict their activities to one phase of the industry.

Sec. 2. 10 MRSA § 1453, as enacted by P.L. 1975, c. 549, is amended to read by adding a new subsection to read:

13. Retail service station. Retail service station shall mean a facility operated by a retail dealer where motor fuels are sold to the public.

Sec. 3. 10 MRSA § 1454-A, is enacted to read:

§ 1454-A. Regulation of Retail Service Station Operations.

1. Restriction of activites.

A. After September 1, 1978, no producer or refirner of petroleum products shall engage in the distribution of motor fuels to retail service stations or operate a retail service station in this State.

B. After September 1, 1978, no distributor of motor fuels shall engage in the production or refinement of motor fuels or operate a retail service station in this State.

C. After September 1, 1978, no operator of a retail fuel outlet shall engage in the production, refinement or distribution of motor fuels in this State.

2. Voluntary allowances, equipment rentals, apportionment of motor fuels.

A. Voluntary allowances. Every distributor of motor fuels supplying gasoline and special fuels to retail dealers as defined in § 1453 shall extend all voluntary allowances uniformly to all retail dealers supplied.

B. Equipment rentals. Every distributor of motor fuels supplying gasoline and special fuels to retail dealers shall apply all equipment rentals uniformly to all retail dealers supplied.

C. Apportionment of motor fuels. Every distributor of motor fuels shall apportion all gasoline and special fuels to all retail dealers during periods of shortages on an equitable basis and shall not discriminate among the dealers in their allotments.

Statement of Fact

The objective of this legislation is to prevent a few firms from gaining control of all phases of the motor fuels industry in Maine. Since a few firms do exercise considerable influence in the supply and distribution of motor fuels in this State, and since there is a trend of increasing concentration in the retail sale of gasoline, this bill will prevent a few firms from controlling all sectors of the gasoline industry.

AN ACT to Prohibit Producers, Refiners and Distributors of Motor Fuels From Engaging in the Retail Sale of Gasoline.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 10 MRSA § 1452, is enacted by P.L. 1975, c. 549, is amended by adding a new paragraph to read:

The Legislature further finds that motor fuels are becoming a scarce commodity which is essential to the transportation system of the State, and control by a small number of firms of the supply, distribution, and retail sale of motor fuels would be harmful to the public welfare. Since a small number of firms presently supply and distribute a large proportion of the motor fuels purchased in Maine, and since a small number of firms are gaining a larger and larger percentage of the retail sale of motor fuels, the Legislature declares it to be in the public interest to preserve competition in the retail sale of motor fuels by prohibiting producers, refiners, and distributors from engaging in the retail sale of gasoline.

Sec. 2. 10 MRSA § 1453, as enacted by P.L. 1975, c. 549, is amended by adding a subsection to read:

13. Retail Service Station. Retail service station shall mean a facility operated by a retail dealer where motor fuels are sold to the public.

Sec. 3. 10 MRSA § 1454-A is enacted to read:

§ 1454-A. Regulation of Retail Sales.

1. After January 1, 1978 no producer, refiner, wholesaler, or distributor or petroleum products shall operate a major brand, secondary brand, or unbranded retail service station in the State

of Maine with company personnel, a subsidiary company, commissioned agent, or under a contract with any person, firm, or corporation managing a service station on a fee arrangement with the producer or refiner. The station must be operated by a retail service station dealer.

2. Every producer, refiner, or wholesaler of petroleum products supplying gasoline and special fuels to retail service station dealers shall expend all voluntary allowances uniformly to all retail service station dealers supplied.

3. Every producer, refiner, or wholesaler of petroleum products supplying gasoline and special fuels to retail service station dealers shall apply all equipment rentals uniformly to all retail service station dealers supplied.

4. Every producer, refiner or wholesaler of petroleum products shall apportion uniformly all gasoline and special fuels to all retail service station dealers during periods of shortages on an equitable basis, and shall not discriminate among the dealers in their allotments.

Statement of Fact

The intent of this bill is to preserve the competitive structure of the retail gasoline market and to prevent a few firms from gaining control of both the distribution and retail sale of gasoline. This bill prevents producers, refiners, and distributors of motor fuels from operating retail service stations. These firms possess an oil supply and have access to capital to a greater degree than an individual retail dealer. In addition, these firms can finance their retail operations from their wholesale operations.

As a result of this bill, no one firm or small group of firms will gain control of the retail gasoline market and thereby the retail price of gasoline. This bill does not establish an agency to investigate and enforce the law. Individual retail dealers who perceive violations of the law obtain redress through the court system.

AN ACT to Prohibit the Sale of Gasoline Below Cost to Destroy Competition.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 10 MRSA § 1452, as enacted by P.L. 1975, c. 549, is amended by adding a new paragraph to read:

The Legislature further finds that motor fuels are becoming a scarce commodity which is essential to the transportation system of the State, and control by a small number of firms of the supply, distribution, and retail sale of motor fuels would be harmful to the public welfare. Since a small number of firms presently supply and distribute a large proportion of the motor fuels purchased in Maine, and since a small number of firms are gaining a larger and larger percentage of the retail sale of motor fuels, the Legislature declares it to be in the public interest to regulate the activities of oil firms to preserve competition in the retail sale of motor fuels.

Sec. 2. 10 MRSA § 1453, is amended by adding the following subsectionsections to read:

13. Retail service station. Retail service station shall mean a facility operated by a retail dealer where motor fuels are sold to the public.

14. Total cost. Total cost shall mean the delivered cost of the gasoline, rents or mortgage payments, labor, taxes, employee benefit program, insurance, inventory of motor fuels, depreciation, utilities, maintenance, credit card costs, and any other costs involved in the retail sale of gasoline.

Sec. 3. 10 MRSA § 1454-A is enacted to read:

§ 1454-A. Sales of motor gasoline.

1. Distributor as a retailer. Any distributor engaged in the retail sale of gasoline will sell motor gasoline to his retail service stations at a price equal to the price that he charges to all other retail service stations that he supplies, adjusted for actual transportation costs incurred.

2. Retailer dealers. Any person, firm or corporation engaged in the retail sale of motor gasoline shall not offer or sell to the public motor gasoline at less than the total cost incurred by the retail dealer in the sale of gasoline.

Sec. 4. 10 MRSA § 1454-B is added to read:

§ 1454-B. Minimum Retail Price.

The minimum retail price of motor gasoline as described in § 1454-A shall be determined by dividing the actual total costs that a retail dealer incurs in the sale of motor fuels for a calendar month by the total number of gallons sold during that month. All costs of other activities carried on at a retail service station except the sale of gasoline shall not be considered as part of the total cost as defined in this chapter. The assessed value of all property not actually engaged in the retail sales of gasoline shall be exempt from this chapter, and the total cost of supporting activities not engaged in the retail sale of gasoline shall also be exempt from this chapter.

Statement of Fact

The intent of this bill is to preserve the competitive structure of the retail gasoline market and to prevent a few firms from gaining control of both the distribution and retail sale of gasoline. This bill would prevent firms, particularly firms which are vertically integrated, from selling gasoline at retail below cost to the dealer in order to destroy competition. This bill does not set a minimum retail price. The minimum retail price of gasoline is the price at which the most efficient firm can retail gasoline without realizing a loss. The more efficient a retail service station operation is, the lower the minimum retail price will be.

The bill does not establish an agency to investigate and enforce the law. Individual retail dealers who perceive violations of the law obtain redress through the court system.

The objective of the bill is to halt the present trend characterized by cut throat competition and increasing concentration in the retail gasoline market. The long run effect of this trend could be that a very small number of firms could control the distribution and retail price of gasoline.

AN ACT to Limit the Activities of Producers, Refiners, and Distributors of Motor Fuels in the Retail Sale of Gasoline.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 10 MRSA § 1452, as enacted by P.L. 1975, c. 549, is amended by adding a new paragraph to read:

The Legislature further finds that motor fuels are becoming a scarce commodity which is essential to the transportation system of the State, and control by a small number of firms of the supply, distribution and retail sale of motor fuels would be harmful to the public welfare. Since a small number of firms presently supply and distribute a large proportion of the motor fuels purchased in Maine, and since a small number of firms are gaining a larger and larger percentage of the retail sale of motor fuels, the Legislature declares it to be in the public interest to regulate the activities of oil firms to preserve competition in the retail sale of motor fuels.

Sec. 2. 10 MRSA § 1453, is amended by adding the following subsection to read:

13. Retail service station. Retail service station shall mean a facility operated by a retail dealer where motor fuels are sold to the public.

Sec. 3. 10 MRSA § 1454-A is enacted to read:

§ 1454-A. Regulation of Retail Sales.

1. After September 1, 1978, no producer, refiner, distributor and no subsidiary of any producer, refiner, or distributor shall operate directly or indirectly in excess of 3 percent of the total

number of retail service stations as defined in § 1453.

A. Every producer, refiner, or wholesaler of petroleum products supplying gasoline and special fuels to retail service station dealers shall extend all voluntary allowances uniformly to all retail service station dealers supplied.

B. Every producer, refiner, or wholesaler of petroleum products supplying gasoline and special fuels to retail service station dealers shall apply all equipment rentals uniformly to all retail service station dealers supplied.

C. Every producer, refiner or wholesaler of petroleum products shall apportion uniformly all gasoline and special fuels to all retail service station dealers during periods of shortages on an equitable basis, and shall not discriminate among the dealers in their allotments.

Statement of Fact

The intent of this bill is to preserve the competitive structure of the retail gasoline market and to prevent a few firms from gaining control of both the distribution and retail sale of gasoline. This bill would prevent firms from operating more than 3 percent of the total number of retail service stations in Maine. As a result, no one firm or small group of firms could gain control of the retail gasoline market and then control the price of gasoline.

This bill does not establish an agency to investigate and enforce the law. Individual retail dealers who perceive violations the law obtain redress through the court system.