SUMMER 2022

Volume 14 - issue 3

NJ GCA
NEW JERSEY GASOLINE • C-STORE • AUTOMOTIVE ASSOCIATION

On The Road

The Official Communication of the New Jersey Gasoline C-Store Automotive Association

The Gasoline Market

How the current marketplace is hurting gasoline retailers and how we explain it to our customers

&

How the gasoline marketplace is also effecting the repair, convenience, and tire industries

NJGCA *On the Road*
Table of Contents

NJGCA
4900 Route 33 West, Suite 100
Wall Twp, New Jersey 07753
(732) 256-9646 | www.njgca.org

Message From Executive Director Sal Risalvato

Gasoline, The Economy, Customer's Vehicles, and Your Shop

It is hard not to talk about the cost of everything as we are all consumers and purchase groceries and household items. It is even more difficult to ignore the costs when the products we sell are at the center of the debate. Our customers are keenly aware and emotional about the cost of driving and maintaining their vehicles. Of course, the most emotional discussions surround the price of gasoline, but those emotions translate right into your repair shop too.

It is important that you properly communicate with your customers and explain that you "hate these high prices as much as they do." It is important for customers to understand that the price on the pump is not your fault or desire, and that you do not make any more profits when pump prices are higher. This communication with customers is ultra-important. Motorists have no way of understanding why such big price variations are seen from one gas station to the next. You and I know that the price of product may have gone up on today's delivery by 20 cents, while the competitor down the road won't receive another load for another day or two. These huge variations in prices are causing many complaints to the Department of Consumer Affairs. Once policy makers and legislators receive a volume of complaints, then they are compelled to act and give the impression that they are coming to the rescue of their constituents. This makes it more important that you explain to your customers exactly what you are experiencing and how you too are a victim.

Understanding what affects the price of gas that is delivered to your gas station is important. Gasoline is a traded commodity that has up and down price changes by the minute on the mercantile exchange. Rack prices are determined by the commodities market for both refined products such as gasoline and diesel, as well as the market price of crude. The easiest explanation that customers understand is the price of crude oil ultimately determines the price of gasoline. High crude oil prices equal high gas prices. Recently the price of crude oil reached almost $120 a barrel. A year ago, crude oil cost was $65 a barrel. As of this writing crude oil is $96 a barrel.

But what are the factors that affect the price of crude? Certainly, customers understand that the geopolitical circumstances around the world apply upward pressure on the price of crude oil. Crude oil prices are determined like everything else – supply and demand. But even the perception of an imbalance in the supply and demand ratio of crude oil worldwide can cause an immediate spike of crude. Sometimes geopolitical news only one day later may alleviate fears of a crude supply issue and prices that spiked a day earlier suddenly drop like a rock.

Once a week, the Energy Information Agency (EIA) issues a nationwide report that includes the inventories of crude oil stored around the nation. This inventory report does not include what the Federal Government keep in the Strategic Petroleum Reserve (SPR). The report also includes nationwide inventories of gasoline and diesel fuel. The report compares inventories of each with inventories from the same week a year ago and measures the demand that has been recorded over the previous week. Inventories of crude, gasoline, and diesel are measured in "days of supply," meaning if all production came to a halt, how many days would the current inventory of crude, gasoline, and diesel last before the nation was on "empty."

If you have knowledge of the effects on the price you post on your pump, it will be much easier to explain to customers why you are not to blame for the price they must pay.

This is not the first time we have had such a sharp increase in energy prices. Since my first experience in 1979 when the price of gas topped $1 a gallon, I have lived through countless times when the price of gas went up, and then came right back down. Certainly, the amount of increase has not often rivaled what we are experiencing today, but there have always been reasons that affect the supply and demand equation that result in market increases and market decreases. The last time we had a scenario like the current market was in 2008, and what happened after that? The marketplace had a bunch of years with very low prices at the pump.

How does this affect your shop? Well, if you follow the trends each time there are sharp spikes in the marketplace, alternate forms of fuels that are used for our customers' vehicles get a boost in sales and popularity. The media obsesses over these alternatives, and customers alter the cars that they purchase. You may remember the craze after 2008 of vehicles fueled with natural gas. If your shop caters to commercial fleets, then you may have had an influx of company cars driving into your shop powered with natural gas or propane. Some including myself thought that natural gas vehicles would emerge much bigger than they did, but as gasoline and diesel prices receded, so did the attraction to buying vehicles powered by natural gas. There are still shops out there that must be capable of servicing natural gas vehicles as many commercial fleets still use and enjoy their natural gas fueled pickups and vans.

Battery Electric vehicles (BEV) began to emerge in the mix of highs and lows in the gasoline marketplace. A steady increase in popularity has made it common to see many of these vehicles on the road right next to our gasoline vehicles. The most recognizable of course are the Tesla vehicles. The foothold that BEV has made in the past few years will grow stronger as consumers reject the high prices they are angry about at the pump. This now amplifies the requirement that your shop be prepared to service properly and SAFELY all makes of BEVs. The customer that buys gas from you today will never buy another drop once they purchase a BEV. The customer that visits your shop for oil changes and "check engine" computer problems will also disappear once they begin driving a BEV, unless of course you can offer service on their new vehicle.

Polls being conducted as I write this are asking motorists if they intend to buy another gasoline vehicle, or switch to an electric vehicle the next time they are at the car dealership. All indications are that people that previously wouldn't consider a BEV are now giving serious thought to purchasing a BEV as one of their family cars. I add a big HOWEVER to this question. If gas prices drop significantly, what will become of the decision-making process then? Many of you have heard or read my comments over the years regarding high gas prices. When educating your customers, especially if they seek your advice regarding the possible purchase of a BEV, you can use my statement that always holds true, "the best remedy for high gas prices is…high gas prices."

Once the price of gas reaches a point that makes motorists change their driving, travel, and purchase habits; and once their change of habits affects the demand of gasoline, the price always drops…sometimes very quickly. I always have a fear that should the price drop too quickly, that motorists will psychologically think that gas is being sold at a sale price and is a real bargain. This of course makes motorists revert to old buying habits and then puts upward pressure on the price at the pump.

This cycle has been going on for as long as I can remember. Sometimes the cycles that produce lower prices last longer than others. Sometimes the cycles with high prices last longer and are more dramatic in the level of rise. Recently, after a period of uncertainty trying to analyze where prices were heading, I began feeling confident that the recent spike in gas prices would change motorist demand enough and we would see prices drop like a rock at the beginning of August. Most experts expect driving to spike in August creating a greater demand for gasoline. I reasoned that the change in driving habits would cause the markets to panic and prices would drop dramatically. I was wrong! As of this writing the shock and anger over high gas prices has caused my expected price drop to happen much sooner in July. Now my fear is that motorists will hurriedly buy more gas because they view it as a sale price and then the opposite will happen. Gas prices will spike back up again.

Understanding this process, and the situations that influence gas prices should be helpful to you when educating your customers. The marketplace works better when consumers understand how the market works, and certainly it will help them understand that you are only passing along the price of gas whether it is up or down. Take the time and make the effort to school your customers in your shop, and at the pumps. They will appreciate the education.

President’s Message

Happy summer and happy belated 4th of July. The hot weather is here and it’s a crazy time for all of us and our country. Gas prices are through the roof and so is everything else we use. Parts and materials are getting harder to get and yes, we are still dealing with an employee shortage. Yikes, that was a mouthful!

I just want you to know you are not alone. Everybody, everywhere is experiencing the same dilemmas. We are all in the same boat. As I ride around our great state visiting members and non-members I am met with the same consensus. All I can say is hang in there folks. For some of the more seasoned folks (I’m not saying old, but seasoned) this is not your first rodeo. For you newcomers (those born after 1975) tighten up your belts and pay attention to your business. In the end you’ll find out just like our seasoned members, you can do it and sometimes come out better than when you started. The best advice I can give anyone from my experience of 47+ years is that now is not the time to get sloppy in your business. Pay attention to ALL areas of your business. Charge for your labor, you are definitely worth it. In the end only the strong will survive and those who shouldn’t be in business will be gone. When the dust settles you will be a wiser and stronger business owner.

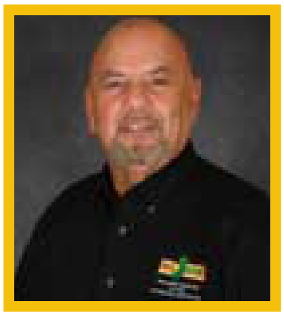
All of you gas guys out there, I feel your pain! I realize the gas load that used to cost $20K is now $40k or more and we are all scattering to make up the extra money to cover the gas loads. The only advice I can offer is don’t wait to raise your price and don’t drop the price so fast (contrary to what this administration says). Keep your margins where they need to be to stay in business and support your family. Take a good look at your credit card fees. If you must increase your spread between cash and credit, DO IT! But be reasonable. The last thing you or NJGCA needs is Consumer Affairs coming down on you for price gouging.

Lastly, in my humble opinion, the current business climate is not going away overnight. November is coming and it is your responsibility to vote for the right people for the right reasons. It’s not personal, it’s about our country and what is beneficial and best for our country as a whole to survive and thrive. After that comes 2024. Do the same, go out and vote. We need to stop the bickering and get back to the basics that made and make our country so great. Even in the worst of times we are still the best country in the world. As always, please feel free to call NJGCA or myself with any problems or concerns and who knows, when I’m out on the road I might show up at your facility.

Have a great, healthy, and prosperous summer and God Bless you all and America.

Joe Ocello,
President, NJGCA
joe@njgca.org
848-333-9257

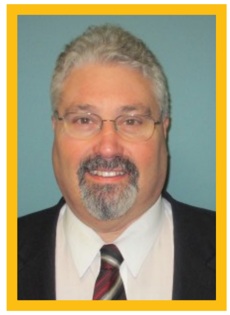
NJGCA Board of Directors and Staff



Joe Ocello
Board President
joe@njgca.org

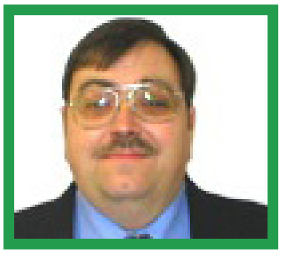
Meerafzal Fazaldin
Vice President
meer.fazaldin@earthlink.net

Kashmir Gill
kashmirgill@gillenergy.com



Sal Risalvato
Executive Director
sal@njgca.org

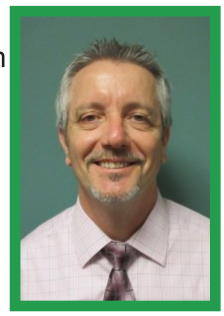
Eric Blomgren
Director of Government Affairs
eric@njgca.org



Lou Papale
Secretary
calllou@netzero.net

Tim Arata
Treasurer
tim@njgca.org

Norman Lippmann
normanmlippmann@gmail.com



Greg Cannon
Membership Director
greg@njgca.org

Craig Copeland
craig135@aol.com

Salvatore Fiore
oatinc@aol.com

ThomasSadowski
tesautocare@hotmail.com

Nick DePalma
Director of Member Services
nick@njgca.org

Jesse Georgaklis
jesse@njgca.org

Daniel Holsten
holstenservice@aol.com

BOARD MEMBERS NOT PICTURED:

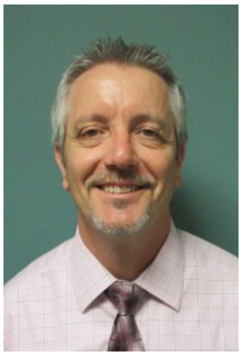
Ebbie Ashabi

Saad Abbasi

Barney Linn

Michelle Horowitz Jackson
Research/ Communications Director
michelle@njgca.org

MEMBERSHIP MEMO



By: Greg Cannon

Hello Everyone,

I hope all of you are fairing well in this roller-coaster economy.

Here is the 2022 mid-year update:

• In an effort to reduce costs and still maintain a useful office presence, NJGCA will be moving our Headquarters to 615 Hope Road – Building Two - Eatontown, NJ 07724 during the month of September of this year. We will be sending out more notices so you can update your records as the date gets closer.

• At this time, you should all be aware of our new email-based dues / reminders invoicing system. The response has been pretty good but I ask that you please check for an NJGCA email in the beginning of the month you renew. There is a link in the notice. When you click on that link it will direct you to the actual invoice which can then be printed or saved as a .pdf. There is another button on the invoice to continue to pay. From there the prompts are easy to follow, your dues will be paid online and you will receive a confirmation email. Please email me if you need assistance with this procedure.

• I'm appealing to our members to please help us with the challenging task of recruiting new members, and retaining current ones. If you hear of a new location opening or someone is selling their location, please let the new owners know the advantages of being a member and contact us so we can make a follow-up visit.

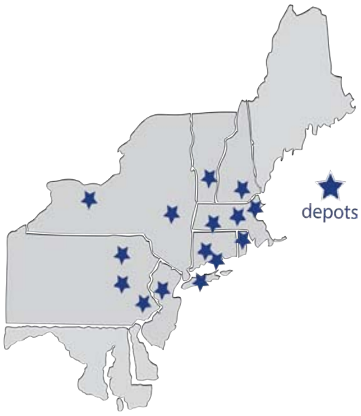
Thank you for reading and have a great summer. Until next time.

Cheers!
Greg

WE ARE NOW THE LARGEST C-STORE SUPPLIER STRICTLY SERVICING THE NORTHEAST

NATIONAL
CONVENIENCE DISTRIBUTORS

J. Polep DISTRIBUTION SERVICES | HAROLD LEVINSON ASSOCIATES LLC | allen brothers



DISTRIBUTING ***PRODUCTS***.
DELIVERING RELATIONSHIPS.
DRIVING ***RESULTS***. FOR OVER 100 YEARS.

PROUDLY...

- DELIVERING 5 DAYS PER WEEK
- SELLING 17,000+ DIFFERENT ITEMS
- EDI ORDERING COMPATIBILITY
- ATTENTIVE SALES PROFESSIONALS
- HOSTING MULTIPLE SEASONAL & VIRTUAL TRADE SHOWS
- OFFERING:
  EXPANDED FOODSERVICE PROGRAMS INCLUDING: PIZZA, CHICKEN, ROLLERGRILL,SANDWICHES,SALADS & GRAB-AND-GO OPTIONS
- HOT & COLD BEVERAGE PROGRAMS: PROPRIETARY ISLAND COFFEE, GREEN MOUNTAIN & CHOCK FULL OF NUTS AS WELL AS ICED, FROZEN AND COLD BREW PROGRAMS
- COMPREHENSIVE PREMIUM CIGARS, OTP, CBD, & VAPE PROGRAMS
- MERCHANDISING SUPPORT & STORE PLANNING
- & SO MUCH MORE...

NCD www.theNCD.com | 1.800.325.2512

Legislative Roundup

Important Issues Affecting Your Business

By: Eric Blomgren

SELF-SERVE

Unfortunately, the state Legislature left for the summer break without moving our bill, A-3105, that would legalize the option of self-serve gas. This was driven by a few factors. The first, and probably most important, was the perception of public opinion. Despite the targeted social media advertising we ran on and off over the course of the last year, and despite the mountain of (largely positive) news coverage we generated, and despite the various compromises we made in the bill and were willing to make, there remains a large and very vocal segment of the public who strongly, strongly oppose any change to the current law whatsoever. They are so irrationally passionate that they literally don't care about the fact that they are forcing millions of their fellow citizens who want to pump gas to not have the option because they are afraid that any form of legalization of self-serve will somehow inconvenience them. They are passionate and they are willing to contact their state legislators and tell them about it, as well as post about it all over social media. Our bill was designed to satisfy their concerns by guaranteeing that full-serve would still be widely available by requiring stations with five or more gasoline dispensers offer some kind of full-service. While many legislators understood that this was a great compromise that should have pleased everyone, a Monmouth University poll found 43% of residents still opposed even this compromise.

We had hoped that the high gas prices would incentivize lawmakers to take bold action to lower prices at the pump, especially with so many motorists concerned about these record prices. There is almost nothing that the state government can do to affect gas prices other than our plan, which has the huge benefit to the state of being absolutely cost free (unlike a gas tax suspension that would be incredibly costly and only temporary). While high gas prices being in the news did ensure that this topic was regularly brought up, it failed to help our cause enough as the skepticism among the public that the savings would be passed on was too immense. It's clear that a huge majority of the public, and a few too many legislators, lack even a basic understanding of the market economics that underpin our entire economy and that dominate your daily lives. They just assume, as a matter of faith, that retailers will pocket all the savings and that there is no way they would ever be passed on. We, and several actual station owners, explained that the force of competition would effectively require stations to pass the savings on. Gas is already priced by the retailer at the lowest possible price in order to attract customers to the entire business. Consumers are extremely price conscious about saving even a penny a gallon on the cost of gas. A station that doesn't pass the savings on to its customers will lose a huge portion of its customers to the competitor that does pass on the savings. While everyone seems to understand that customers are super price conscious about the cost of gas, and that the cost of labor is the largest operating cost stations have, too many are not drawing the natural conclusion that lowering that cost of labor will lead to a lower price. No recent, competent economic studies have been done on the issue showing the impact of the full-service mandate simply because there hasn't been much interest with only two states in the nation having such a mandate. While NJGCA was able to put together an analysis of the average retail margin at stations over the last fifteen years, which showed the average markup jumping from around 15¢ a gallon to over 30¢ a gallon (and therefore showing that there was space in the current retail prices for gas for price to be lowered if the cost of labor was lowered), people were still unwilling to believe.

The same poll from Monmouth University that showed while 54% of residents support having the option of self-serve and that 70% of residents would choose self-serve if it was cheaper than full-serve, 76% believed there would be no savings from legalizing self-serve and that full-serve would just become more expensive. This meant that to many residents, self-serve didn't mean lower prices in a high gas prices crisis, it meant that the full-serve they wanted would be getting even more expensive just when they could least afford it.

The depth of the hostility and irrationality to any kind of change to the law, and the depth of the ignorance about basic economics have proven to be the two biggest issues in changing people's minds. There was little talk about seniors specifically, and not much about job losses (due to the labor shortage everyone is aware of). Many people do not see a crisis, and do not experience too long of a wait. No poll has asked this question specifically, but I suspect that the motorists who fill up most often—and therefore are most likely to experience frequent and annoying wait times—are our biggest supporters, while our opponents are people with overwhelmingly short or no commutes who probably only fill up about once or twice a month, and if they experience a particularly long wait are not annoyed by it.

Among our elected leaders, support was mostly good, and certainly the best it ever has been (though clearly not enough). Governor Murphy has been repeatedly open-minded about the idea, especially as a way to lower gas prices. For years he ignored the opportunity to shut down the debate and say he opposed it, and in recent months has continually stated that he is interested in it and will not rule it out. While he has never publicly called for the Legislature to pass self-serve, we feel confident that if the bill passed both houses of the Legislature, he would sign it into law.

In the Assembly, Speaker Craig Coughlin (D-Middlesex) has been very deliberative about the issue and has made a point of not commenting publicly on his thinking about the issue, instead letting the public debate play out, which we are grateful for. Privately, he has been most skeptical on the question of the savings and the prospect that consumers will see lower prices. A huge portion of the Assembly's membership though has expressed their support to us, and we have no doubt it would easily pass the General Assembly with a huge bipartisan majority if it were put up for a vote. Our list of sponsors and cosponsors (those willing to publicly commit their support to the bill long in advance of a vote) includes men and women, Democrats and Republicans, including members of leadership from both parties.

The state Senate is where we have hit the biggest roadblock. For the last several years, our most influential skeptic was Senate President Steve Sweeney, who had publicly come out against self-serve in the past. We had originally been organizing our efforts to try and get the bill passed during the brief ten week "lame duck" window after the 2021 elections, which was always a longshot given Sen. Sweeney's opposition. But in one of the biggest upsets in New Jersey political history, Sweeney was defeated for reelection in his home district. Senate Democrats decided amongst themselves to appoint Sen. Nick Scutari (D-Union) as the new leader of the state Senate. We were hopeful this would be an improvement for us on this particular issue. In some ways it was, but not enough to get us over the finish line. In March he publicly stated that he does not support a change to the current law, and his position was based on public opinion and the belief that there would not be a meaningful savings. We have of course sought to meet with him and explain the issue in greater detail, but he has decided not to meet with us despite outreach from a wide variety of supporters. It is possible this has been a deliberate strategy to run the clock out on the issue. Support for self-serve has also been weaker among the Senate than the Assembly. While we believe the bill would pass with bipartisan support if it were voted on immediately, senators have tended to be cagier than their Assembly colleagues in revealing whether they actually support a change, and there are a few veteran Democratic Senators who explicitly oppose any change to the law. Senate President Scutari is also sympathetic to the idea that the self-serve ban is a cultural aspect of living in NJ. Ultimately, none of the chief decisionmakers want to act alone, they only want to act if everyone else is going to do it too. If there were more support among legislative leadership we could force it through over public opinion, if there were more support among the public (or just disinterest) we could overcome the hesitancy from leadership and get it done. The two combined proved impossible to overcome before the June 30th summer deadline.

While we did create a meaningful shift in public opinion on the issue through the massive amounts of free media coverage we generated (it would have cost millions of dollars to purchase the amount of coverage we earned for free), further changing it would require huge amounts of dedicated advertising, as in several million dollars' worth. We of course do not have and could not raise that level of money, and the big corporations who could potentially raise it are unwilling to make that level of commitment for this issue, especially since there is not a guarantee that it will pass.

While we have been generally open to compromise further on the language of the bill, there are some compromises we of course cannot make; the main one being a requirement that every single station be obligated to have a dedicated attendant to provide full-serve, since most small locations would be stuck with the same situation they are in now, but the larger locations would see a benefit they could use to lower their costs and lower their price to a level small locations can't match. We also wouldn't be supportive of some legal language that would have the State combing over your books and policing how your prices are set to ensure the savings of self-serve is being passed on, nor would we support any weakening of the below cost selling prohibition.

While we will continue to advocate for the option of self-serve, the structure of the state's legislative calendar means the soonest the bill could be passed would be the end of 2022, if there were enough support in the Legislature. 2023 is an election year for every single state legislator, which will be very much on their minds with each vote they take next year.

STATE BUDGET

On June 29th the Legislature passed the state's Fiscal Year 2023 budget. It spends a record $50.6 billion in the coming twelve months. The chief change being made in this year's budget is the replacement of the current homestead benefit program with the ANCHOR program which will give rebates to households as a way to indirectly lower property taxes. Homeowners with a gross income of up to $150,000 will receive a rebate of $1,500, households of more than $150,000 up to $250,000 will get $1,000, and renters with an income of up to $150,000 will get $450. Applications are expected to be sent in the fall, but checks are not expected to be mailed until May of 2023. This plan only affects households, not business property taxpayers, despite the fact that about half of all property taxes are collected on businesses. The budget is not only balanced but includes $5 billion in funds set aside to avoid new debt or pay down existing debts, and leaves a surplus of $6 billion, which will be critical should the economy head into a recession in the coming year as some suspect. Recessions severely reduce state tax collections, which creates a demand from legislators to raise taxes further, so having a healthy surplus in a time of economic uncertainty is prudent. Republicans criticized the budget for what it does not do: namely it does nothing to cut back on state spending, make meaningful reforms to state government or the drivers of our record property taxes, nor does it cut any taxes or tax rates.

One aspect of the budget that may affect convenience store operators is a temporary "back-to-school" sales tax holiday. From August 27th through September 5th of this year, school supplies will be exempt from sales tax, so if your store stocks any notebooks, glue, folders, pens, pencils, scissors, printer paper/ink, or USB storage drives be aware that during that window sales tax should not be collected on these items. The Department of Taxation will have more info in advance of the tax holiday. The Legislature also approved a $37 million investment in county vocational schools and a $20 million investment in technical education at county colleges, with NJGCA's support. These funds help improve the training facilities for future auto repair technicians.

One thing that was not included was any form of "gas tax holiday", despite some bipartisan support for the effort. New York, Connecticut, and Maryland enacted temporary cuts to their gas taxes, although for different lengths of time. Legislators were concerned that such a holiday would prove extremely costly to the State, and that motorists may not even care about the savings if the tax goes down twenty cents right as the wholesale price goes up twenty-five. They also feared much of the savings would be pocketed by the refiners, wholesalers, or retailers. Several of their proposals, however, would have been quite burdensome to retailers depending on how they were written. One bill required retailers to lower their retail price the moment the tax was lowered, regardless of the fact that all the fuel in the ground had the higher tax rate already paid, and regardless of if the rack price had increased. Legislators decided that such a holiday was a gimmick and was too complicated and costly to bother with (cutting the state's gas tax in half for six months would cost half a billion dollars).

UNEMPLOYMENT INSURANCE TAX INCREASE

As you know, the impact of COVID-19 led to a huge increase in unemployment in 2020, during which the state's UI Trust Fund was drawn down and the state needed loans from the federal government to keep it afloat. Because our UI Fund was in excellent shape before the pandemic, our employer payroll taxes were at low levels. Under current law, the tax is automatically increased in order to refill the fund. But small businesses cannot afford higher payroll taxes while still recovering from the effects of covid while also being hit with inflation. Most states in the nation used a portion of their federal aid money to refill their UI funds last year, but so far Gov. Murphy has refused. The Assembly unanimously passed compromise legislation that would remove the burden of this tax increase for small businesses. The state Senate was expected to follow suit, but under pressure from the Governor they pulled the bill at the last minute. That meant a $300 million increase in payroll taxes effective July 1st. This bipartisan, compromise reform—which doesn't cut any taxes it merely avoids an increase in taxes at a time of record revenue and unprecedented levels of federal aid—was literally the bare minimum Gov. Murphy could have given to help small businesses, and he still chose not to bother with it.

TEEN WORKERS

In June, the Legislature passed a bill (A-4222 from Asm. Roy Freiman and Sen. Vin Gopal) making it easier to hire workers under the age of 18. Most immediately, it repeats the temporary expansion from last year which allows 16 and 17 years old to work up to 50 hours per week (and up to 10 hours per day, with up to six hours straight without a 30-minute break) during summer (between the final day of their individual school year and Labor Day). Under current law, 16 and 17-year-olds can only work up to 40 hours a week, only 8 hours a day, and only for 5 hours straight. This provision is now in effect following the Governor's signing of the bill on July 5th. Effective next year is a more wholesale reform of how workers under 18 can be employed. No longer will these potential employees be required to get working papers from their school, instead there will be an online database managed by the Department of Labor that both minors and employers will register with.

TOBACCO UPDATE

The most significant issue involving tobacco products right now are the proposals to ban the sale of menthol cigarettes. Earlier this year the Biden Administration through the Food and Drug Administration (FDA) formally proposed a nationwide ban on menthol cigarettes and all forms of flavored cigars. Industry estimates are that menthols account for about 40% of cigarettes sold in New Jersey and about half of the cigar products sold in c-stores are flavored. While there isn't a firm timeline for the national FDA ban at this point, it is likely about two years in the future. Too impatient to wait for a national solution, some state lawmakers are working for an immediate ban on menthol cigarettes that would only affect New Jersey businesses. The bill, A-1989, was passed by the Assembly Health Committee in June despite lengthy opposition from a wide variety of stakeholders opposed to it, including not just small business owners but a wide variety of law enforcement experts who testified to the fact that a state level ban will lead to a surge in illegal black-market sales that will only hurt small business owners. Massachusetts is the only state to so far implement a menthol ban and the smoking rate is unchanged as consumers switched to buying from neighboring states or from illegal dealers. At this time the bill has not seen action in the Senate Health Committee.

Recently, the Biden Administration also formally proposed a rule which would require cigarette manufacturers to lower the amount of nicotine in an individual cigarette gradually over the course of years. The idea would be that since absorbing nicotine is the reason people smoke, if it were eventually significantly reduced then people would have no reason to start smoking and current smokers would quit since they were no longer getting their nicotine fix. Cigarette manufacturers have stated they believe it would cause smokers to smoke more in order to get the nicotine they want, or else they would switch to traditional cigarettes illegally shipped in from overseas by criminals (bypassing c-stores). The policy is likely years away from the beginning of implementation, but it does suggest that ten years from now cigarettes are likely to be a much smaller part of the c-store business model than they are now, something that could prove to be a big problem for many businesses for whom as much as 25%-50% of their sales are cigarettes.

Also, a reminder that the new federal ban on synthetic nicotine has taken effect. A few vaping companies had taken advantage of a loophole in federal law that allowed flavored vaping products to be sold if they were made using synthetic nicotine, a fact which was written on the packaging. C-stores should double check their inventory in case they have any products on shelves that includes any amount of “synthetic nicotine”, as these products are now illegal for retail sale.

Finally, on June 23rd the FDA announced that they had rejected the applications submitted by Juul for their line of vaping products, and that retailers were required to immediately remove the products from their shelves and stop selling them. This decision comes as the result of a years long fight over the FDA’s authority to regulate vaping products. It was determined several years ago that no vaping product can be legally sold in the US unless the FDA has approved it as being beneficial to public health, which means it is safer than cigarettes but will not attract new users or anyone underage. All products that were already on the market were allowed to continue being sold until the FDA came to a decision one way or the other. While the FDA has approved several similar products they denied Juul, but Juul immediately filed suit and the courts granted a stay, which allows Juul products to continue to be sold until the case is decided. It is not clear if this case will be wrapped up in a matter of weeks or years, and which side it will come down on. Juul is claiming that their products are similar to the ones already approved and they are being targeted because of the headlines they earned a few years ago. If you would like to see the list of approved vaping products in which there is no risk they will be pulled from the market, you can visit the FDA’s webpage here: https://tinyurl.com/fdavaping

BIDEN ADMINISTRATION RESPONSE TO GAS PRICES

With record gas prices making voters very unhappy, the Biden Administration has been trying to look for ways to lower the price of gas. In March the President announced a record sale of oil from the nation’s Strategic Petroleum Reserve (SPR), up to 180 million barrels of crude oil to be sold through fall, the equivalent of about 1 million barrels per day, and it was combined with releases from several other nations’ strategic reserves. Oil prices continue to be high even with these ongoing releases, although it is possible prices would be even higher without these releases. It also leaves the SPR more than half empty and at the lowest level since 1984. In May the Administration said it plans to start buying oil again to begin refilling the reserve, although if oil prices are still high they may push that off.

The EPA announced that they would allow year-round sale of gasoline blended with 15% ethanol (E15). Previously the sale of this product was not allowed from June 1-September 15th due to the fact it can increase smog. This change though is unlikely to have an impact here in NJ for a variety of reasons. For one, E15 cannot be used in motor vehicles older than MY 2001, in motorcycles, nor in small engines like lawn mowers. If a station were to replace regular gas with E15 it would in effect give up all that business. In most states a sign on the pump could warn customers what not to use E15 for, but with full-serve only a station could be liable if their attendant did not give a customer a warning before pumping E15 that later does damage to an unapproved engine. There are some other regulations a station would have to comply with if they wanted to sell E15 as well, and they would likely have to make some upgrades to the station. This is also only a temporary waiver, it still seems likely that the usual summer ban will be back in effect next year. This also makes it unlikely that many distributors will even offer E15 if a station wanted it. The advantages of E15 are that it costs about 10¢ a gallon less than regular gas yet also has a slightly higher octane level. About 3% of the country's stations currently sell E15, though most are in the Midwest near the cornfields and ethanol plants.

In June Biden officially called for a temporary (three month) suspension of the nation’s 18.4¢ a gallon gas tax and 24.4¢ diesel tax, and he asked states to follow suit by suspending their own fuel taxes or finding another way to give cash directly to residents. Both Congress and most state governments have largely ignored his call. Democrats in the House of Representatives in May passed the “Consumer Fuel Price Gouging Prevention Act”, which singled out motor fuel sales as allegedly hurting the public with “excessive” prices, and gave the President and Federal Trade Commission vague powers to try and regulate the pricing of fuel in the free market, despite conflicting with various state laws on gouging. The bill has not seen action in the US Senate. During a recent speech the President played into this idea by saying “To the companies running gas stations and setting those prices at the pump: this is a time of war, global peril, Ukraine. These are not normal times. Bring down the price you are charging at the pump to reflect the cost you are paying for the product. Do it now. Do it today.” Over the July 4th weekend this statement was tweeted from his official account and roundly mocked as being economically illiterate, including by Amazon founder Jeff Bezos.

There are some other ideas that have been suggested that the President could act on. One would be to suspend the Jones Act, a century old protectionist law that says only US built and flagged ships can move cargo between US ports. But the operating costs for these ships is almost three times higher than the average foreign ship. This law particularly hurts us in the Northeast as there is not enough pipeline infrastructure to move enough fuel from the Gulf Coast refineries up here, so we rely on maritime shipping. JP Morgan recently estimated that suspending the Jones Act would lower gas prices in the Northeast by about 10¢ a gallon. Others have suggested the President ban the export of crude oil from the US. Crude though is part of a global market, and the disruption that would cause through global supply chains could wind up increasing overall prices, particularly in the Northeast. It would also not have an impact on the lack of refining capability, which has been a major contributor to the high prices. Many have pointed out that the Administration should do more to encourage domestic production. Many drillers have been hesitant to increase their production as they fear that prices will fall below profitability in the future, particularly given the statements the President has made about pushing the country into a future with little to no use of fossil fuels. Of course, even if there were a huge expansion of domestic production, that oil would not reach market for some time.

EV CHARGING INFRASTRUCTURE

More details are becoming available about how the State of New Jersey will look to spend the money it has been granted by the federal Bipartisan Infrastructure Act dedicated to increasing the amount of battery electric vehicle chargers available to the public. The State will have a total $104 million to spend over the next several years. The first allotment of money will be targeted at locations that are on or within one mile of the exit of designated major highways. A project will have to be DC fast chargers, and capable of charging up to four electric vehicles at once. It looks like the federal money will be able to cover up to 80% of the cost. If you have a business on or near a major highway and would be interested in investing in EV charging, and have the space, start thinking about if you would be interested in applying for this funding once it becomes available. Most EV charger companies will be able to help with applying for the grants when they are made available. Even with grant money it may not seem worth the expense, but bear in mind that as more chargers get installed statewide there will likely be less and less of a need for future grants, and five or ten years down the road you may be wishing you had acted earlier. You can email Nick@njgca.org for more info.

RIGHT TO REPAIR UPDATE

It has been over 18 months since the voters of Massachusetts overwhelmingly passed an initiative to expand the protections of Right to Repair to include wireless telematics data needed to continue to repair modern vehicles. After passage, the requirements were supposed to apply for MY 2022 vehicles, but auto manufacturers immediately sued. While the decision was due July 1st, the judge has delayed for a sixth time. It's not clear yet how he will rule, and if he does how broad a ruling it will be. Either way, the loser is likely to appeal the decision. Legislation has been introduced to try and enact it federally, but there has been little movement and with elections approaching it is unlikely to see progress for some time. The future for the movement seems to lie in action in individual states to pressure the big auto makers into coming to a compromise. New Jersey will likely be a key battleground, just as it was years ago with the first round of Right to Repair. The auto manufacturers have made clear though that they will fight extremely hard against this idea, and they have huge checkbooks, victory will only be possible with the engaged support of real small business owners sharing their stories with legislators.

BEER AND WINE IN CONVENIENCE STORES

The discussion is again heating up around the topic of reforming our state’s out-of-date liquor license rules. Gov. Murphy has publicly and privately stated that he wants to address this issue in a way to make it easier for small businesses to sell beer and wine to consumers (although he seems more interested in restaurants than retail stores). Assemblyman Joe Danielsen (D-Somerset), the chairman of the committee which oversees liquor license rules, separately held a hearing on the issue. NJGCA testified that the laws should be changed to allow convenience stores the ability to sell beer and wine, as 85% of the nation’s c-stores already do. Generally, the reception was positive, but it’s clear this law will only be changed if we push for it on behalf of small businesses, and that means you will need to contact your legislators to tell them how important this is for you.

GIFT CARD TRAINING MANDATE

As part of a law passed earlier this year, every store which displays gift cards for sale must provide all current employees a brief training on how to detect and respond to gift card fraud. The training is basically just requiring every employee to read the brief materials that have been prepared by the state Attorney General’s office, you can find more information and download the materials by going to this website: https://tinyurl.com/njgctraining and clicking “guidelines” to download the pdf. Every employee must be given this information by August 1st, and all new employees going forward must be given it within the first 45 days.

STOP PAYING PROCESSING FEES...

THE RULES HAVE CHANGED!

The MPX Cash Discount Program gives your business the ability to offset *ALL* processing fees.

PROGRAM BENEFITS

- NO CONTRACT
- Eliminate Fees
- Next Day Funding
- No Hidden Costs
- Sale Amount and Service Fee on Receipt
- Signage Provided

Clover Station 2018 is a countertop all-in-one Point of Sale (POS) system.

PAX S80 countertop payment terminal

MPX
MERCHANTPRO EXPRESS

Louis Puglisi
Senior Account Executive

609-957-1784 Direct
609-269-2256 Fax
888-333-1374 Support
lpuglisi@merchantproexpress.com

Your Referrals Are The Sincerest Compliment I Can Receive

www.MerchantProExpress.com

SUCCESSFUL INDUSTRIES FOR MPX CASH DISCOUNT PROGRAM:

Delivery Service	Convenience Stores
Auto Mechanics	Restaurants
Tow Trucks	Coffee Shops
Plumbers	Liquor Stores
Industrial Trades	And Others...

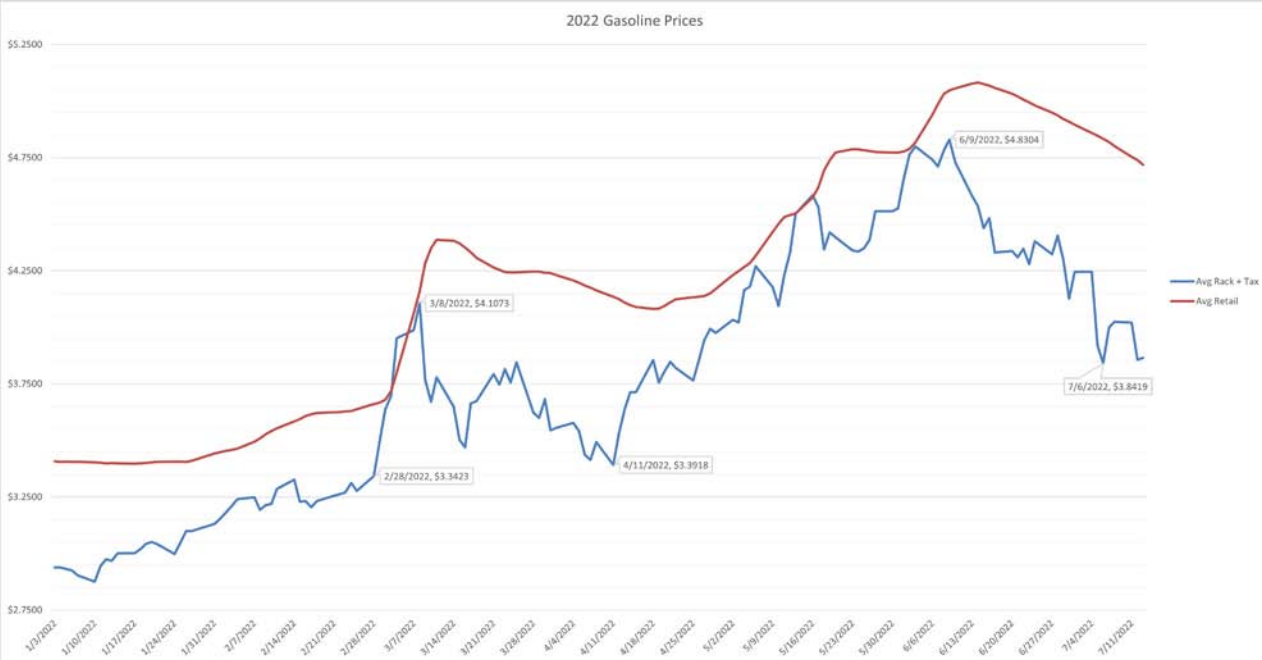
On the Road Feature Story

How the gasoline marketplace is effecting our industries

A Closer Look at Gas Prices in 2022

By: Eric Blomgren

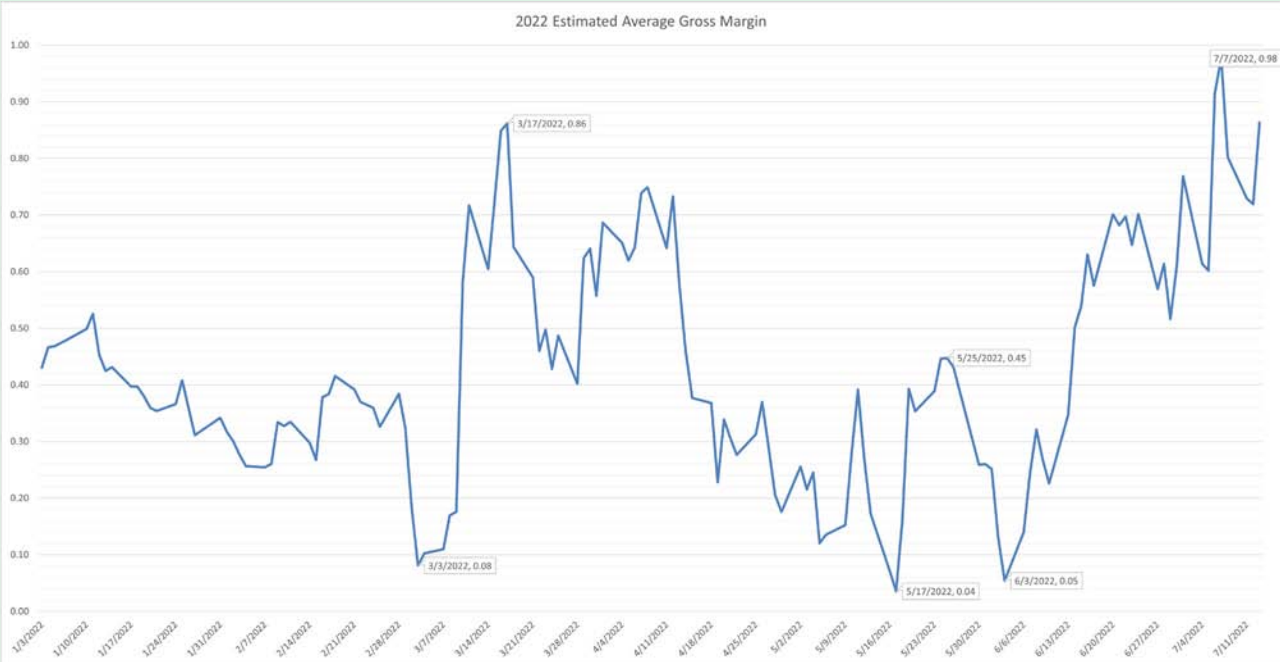
It's been years since the price of gas has so thoroughly dominated our national conversation. It's not hard to understand why, we have seen the highest ever prices in the last few weeks, breaking not just the $4 barrier but even the $5 barrier. According to OPIS, the average retail price for gas in New Jersey was above $5 a gallon from June 8th through June 22nd. The Russian invasion of Ukraine was the kickoff to these record prices, with the average rack price plus tax for regular gas jumping from $3.34 a gallon on February 28th to $4.10 on March 8th. After that initial spike though, rack prices largely began falling, and by April 11th were within a few cents of where they started. Then rack prices started increasing again, until they hit the current all-time record high of $4.83 on June 9th. Since then, the rack price has fallen by about a dollar a gallon. Rack prices had been on the rise even before the invasion however, steadily increasing by about 50¢ a gallon over the two months before the invasion started, and without any geopolitical problems they almost certainly would have continued to increase as we moved into the spring and refiners started maintenance to process the summer blend of gas and speculators started to price in the summer driving season.



If you have been feeling like there's been more volatility than ever, rest assured the data is backing that up. Here's one telling statistic I've calculated using OPIS daily data for the Newark rack. In the last 15 years, there have been just 88 days (out of nearly four thousand) in which the average rack price changed by more than 10¢ a gallon, either up or down. 35 of those days have been in 2022. That's compared to two days in 2021, one in 2019, and zero in 2018. In fact, since March 1st about one of every three days has seen a shift of ten cents or more either up or down from the day before. The second, third, and fourth biggest single day shifts have been in 2022—a 33.9¢ drop on March 9th, a 32.7¢ drop on July 5th, and a 25.5¢ spike on March 4th. The largest single shift was an October 7, 2008 37.8¢ drop resulting from the financial crisis (2008 in the only other year that comes close to this level of volatility).

Margins have seen huge spreads, with some of the highest ever gross margins (though not hitting the heights of 2020). By subtracting the previous day's rack average with taxes from the current day's average retail price, we can get a rough estimate of the average gross margin per day. You can see in the chart below what a rollercoaster it's been, jumping from just 8¢ a gallon on 3/3 to 86¢ a gallon two weeks later, from just 5¢ on 6/3 to 98¢ on 7/7. The average for the year so far is 45¢ a gallon, up from

33¢ in 2021 and 30¢ in 2019. Of course, gross margins need to be higher than ever. Since credit card fees are a percentage of the retail price, a 50% jump in street price means a 50% jump in credit card fees for the same gallon of gas. Labor expenses are higher than ever in order to attract workers, and inflation overall is at the highest level in 40 years. There are also fewer gallons being sold, so the margin per gallon has to be higher to cover costs. Based on data from the state Treasury, gasoline sales have fallen more than 14% from March 2016 to March 2022. Total gasoline sales in 2021 were about 11% less than in 2019.



Are there any guesses we can make about the future by looking at the past? Over the last 15 years, there have been two periods with very high prices (though still below what we saw in May and June this year). In late 2010 and 2011, rack prices jumped from about $2 a gallon (not including taxes here) in September 2010 to about $3.50 in May 2011. After that, prices would hover within a band between $2.50 and $3.35 from May 2011 through October 2014. It was around 2014 that domestic US production really took off, and prices fell dramatically, and stayed lower until this year. The other experience we had with high prices came in 2008, when they jumped almost $1 a gallon in about ten weeks during the spring. They dropped a bit in the summer but remained high, and then absolutely fell off a cliff. On September 15th the average rack price was $3.16. This is also the date that Lehman Brothers declared bankruptcy and the financial crisis truly began. Two months later rack was $1.50 and by Christmas 2008 it hit 95¢ a gallon. So if these two examples are our guide, we could be looking at years of sustained high prices, or prices could plummet before the end of the year, but due to the onset of an official economic recession.

Don’t Blame Gas Stations for High Prices

By: Eric Blomgren

In late June there were some who were starting to blame individual gas retailers for playing a role in the high prices. President Biden stated “My message to the companies running gas stations and setting prices at the pump is simple: this is a time of war and global peril. Bring down the price you are charging at the pump to reflect the cost you’re paying for the product. And do it now.” Also, the NJ state Senate began rushing through a bill, S-2818, that would order the Attorney General to create a study group of law enforcement officials to study gouging that was being done by retailers. NJGCA and our allies sprang into action and met with the sponsors about the complexities of how retailers set their price for fuel, and we were successful in getting the bill amended to remove references to gouging and have the panel focus on all factors that go into gas pricing, not just the retailers. It passed the Senate but not the Assembly. We also put together the below report about how hard it is in this industry to set gas prices, which we thought you may find interesting as well.

June 24, 2022

Re: S-2818 “Establishes ‘Working Group to Study Pricing of Motor Fuels by Retail Dealers.’”

As the nonprofit trade association representing most of the state’s franchisee and independent gasoline stations, we wanted to reach out regarding S-2818, which was recently transferred to the Senate Budget and Appropriations Committee.

We do not oppose the passage of the bill, as we have no doubt that the current high prices in the market are not the result of retailers—in fact, retailers are among the victims of these record high prices. We are confident that any sort of investigation into pricing at retail will only prove that, and that therefore this legislation would just unnecessarily take up the time of the law enforcement individuals who would be assigned to it.

Extreme Volatility

While we have lived through different periods of spiking and collapsing prices over the course of the last 15 years, one aspect of the recent disruption of the marketplace that is new is the degree of volatility in wholesale pricing from day to day. Traditionally, the average wholesale rack price used to change from day to day by about 1-2¢ per gallon. The wholesale rack price is the price at the rack where the tanker trucks fill up to deliver gasoline to the gas stations. Gas stations pay this price plus applicable taxes and trucking. Since the start of Putin’s war against Ukraine, those price shifts have been dramatically greater and less predictable. To demonstrate, here are the changes in the day’s average wholesale rack price by the cent per gallon of gasoline from May 2 to May 27 this year: +6, -1, +14, +2, +9, -9, -8, +13, +10, +17, +8, -5, -18, +7, -2, -6, -1, +1, +4, +13. Together from May 2 through May 27, the total price increase was 54 cents, but look at all those days with dramatic price increase followed by decreases, or vice versa.

There is no pattern to these shifts, and they jump dramatically from one day to the next with no way to predict which direction they will go next or by how much. Whatever the volatility you see on retail price signs as you drive around the state, it is not that extreme a change, and the reason is because the retailer absorbs some of the shocks in their margin. Overregulation of retail pricing would lead to that extreme volatility being passed on penny-for-penny, causing far greater chaos in the marketplace for consumers.

It is sometimes claimed that retail prices take too long to come down, but when prices spike the increase is passed on immediately. But the objective data shows that is overstated. For example, the average wholesale price went up 24¢ a gallon between May 2 and May 6, but the average retail price went up 8¢, it took another five days for the retail price to reflect that full increase. From May 31 to June 3, wholesale went up 27¢ but only 4¢ at retail, with another five days passing before the full cost increase was reflected at the pump. Recent volatility has changed only the scale but not the pattern

Picking a Price

There are a huge set of conflicting factors that a station owner must weigh when they set their retail price for gasoline each day. New Jersey law prohibits stations from changing their price more than once per day, so when they pick a price, it is a commitment. They have to consider how much fuel they have in their underground storage tanks, how much they paid for that fuel, when will they need another fuel delivery, what are their competitors currently charging, and what do they think their competitors will be charging next, which is difficult to gauge because a competitor may receive a delivery on the next day when there is a dramatic price drop. This keeps a retailer from increasing the price even though the most recent delivery came at a much higher cost. The retailer must absorb the price increase, or a portion of it at least.

Some of the biggest and busiest stations get a load of fuel delivered daily, but others only need a delivery every few days. Take a second look at that volatility above and you can see how when the truck pulls in (holding 8,800 gallons of gas), it can either be a devastating blow or like winning the lottery depending on if the price has spiked that day or dropped. Just this week we spoke to a member whose next load of gas started being filled at the terminal at 6:50pm, only for the price to be changed at 7pm and lowered by about 10¢ a gallon, while the truck was still filling up with the more expensive gas. He was understandably unhappy, but of course if the price had increased at 7pm he would have counted himself quite lucky. Imagine his competitor receiving a delivery the next day for 10 cents less. What decision does the first retailer make that received gas at the higher price. This dramatic difference is why we are seeing such large differences in street prices from gas station to gas station.

Margins need to be kept higher on the days when prices fall to make up for the days when margins have to be cut to stay competitive. When the price falls one day, no one can know if that is part of an overall downward trend that will continue for days or weeks, or it is a temporary blip that will be erased by tomorrow's increase. Retailers need to be prepared to pay for the next of load of gas when it is delivered, no matter what the price is. Right now a retailer needs to pay $43,000 for a tanker of gas, up from about $27,000 just in February, and $19,000 eighteen months ago. That is an increase of over $20,000 in inventory for just one load. Most locations hold 3-4 truckloads in their underground storage tanks.

Competition is ruthless in this market because motorists demand it to be. In no other retail sector does the business have a giant sign out front advertising their price down to the penny, giving every potential customer the opportunity to see it and drive away. A recent survey by the National Association of Convenience Stores (NACS) found that 64% of motorists say they would drive 5 minutes out of their way just to save just 5¢ a gallon, and 49% say they would drive 10 minutes to save 5¢. When prices spike retailers are forced to cut their markup in order to stay at least somewhat close to their competitors, or else they will lose their customers, which means it will take even longer to sell through the more expensive fuel they have in the ground. It has never been easier for cost conscious consumers to find the lowest price thanks to rise of internet websites dedicated to finding low prices.

There are a very small percentage of stations that do charge prices much higher than all their neighbors. These outliers have different reasons for making this business decision, often it has to do with a dispute they may have with their supplier and have decided to sell fewer gallons but at least make a profit off the small number of gallons they do sell. They are likely devoted entirely to the onsite auto repair shop, and no longer need a low gas price to attract new customers, but also cannot afford (or are contractually not allowed) to remove their tanks and close the gas business entirely. State law requires their price to be publicly posted so every potential customer knows what it is before they even pull into the station. Even at these locations, their prices do not qualify as "gouging" because their prices are not being increased in response to some kind of supply emergency. These locations always set their prices at a much higher level of markup. There are several in the state that are famous for this practice, and the Department of Consumer Affairs is always receiving complaints about them, however, they are not "gouging". They simply choose to market their product at an extremely high price. Customers are fully aware of the price before they make their purchase and are free to leave, as many do.

Cost Increases

The biggest beneficiary of the spike in gas prices is an entity that almost no one is talking about—credit card companies. About 80% of the credit card market is controlled by Visa and MasterCard. The fees they charge to retailers are something that business owners have no control over, they are told to pay it or not accept any of their cards. With about 85% of gas transactions being paid by card, not accepting their rates is simply not an option. Visa and MasterCard charge US retailers about seven times what their fees are in the European Union.

Because these fees are a percentage of the total sale price, when the retail price of gas goes from $2.50 a gallon to $5 a gallon, the credit card fee literally doubles for the same one gallon of gas. In just the last six months, they have gone up about

50%. This is no small factor, credit cards fees are now the second largest operating cost for gas stations. Needless to say, these cost increases are passed on to the consumer. Two of the largest corporations in the world are making windfall profits off the sale of gas and forcing small businesses and consumers to pay. They are benefiting from inflation across the board for the same reasons—the retail cost of items goes up, the credit fees automatically go up because they are a percentage of the sale, and those costs are passed on to struggling families who can afford it least. There is bipartisan legislation that Assemblyman Moriarty has introduced for the last several years that would inject competition into the market and lower prices, A-1530, which we strongly support. Basically the entire consumer world and media is outraged and fixated on the high price of gasoline, while the credit card companies are quietly laughing at us all the way to the bank. The credit card cost per gallon today is between 12-16 cents per gallon. Many stations offer a discount for cash customers to help save them money.

The cost of labor is the largest operating expense for fuel retailers, particularly given the fact that New Jersey has, as you are aware, the only statewide prohibition on self-serve gas left in the nation. With the ongoing labor shortage, it continues to be extremely difficult to find people willing to work pumping gas, even at rates above minimum wage. Between the minimum wage increases and the labor shortage, wages for attendants have almost doubled over the last decade, and that expense is of course passed on to the consumer as well. There is bipartisan legislation that Assemblywoman Murphy has introduced (A-3105) that would allow those customers who want self-serve to have the option, while preserving the availability of full-serve for those who want it. A poll recently from Monmouth University showed 54% of New Jersey residents support having a choice of both full serve and self serve, and 70% of motorists said they would choose self-serve if it was cheaper. We estimate the savings at the self serve pump to be 10-20 cents per gallon depending on the location.

Increased expenses (including property taxes/rent, various insurances, utilities, etc.) need to be recouped from a smaller pool of gasoline sales. In calendar year 2021, there were nearly 700 million fewer gallons of gasoline sold in state compared to 2016 (based on numbers from the Treasury). That is a decline of more than 16%, or one in six. This was due first to the sharp increase in the tax on gas in November of 2016, and second from disruptions to life triggered by Covid-19, and still affecting driving habits. Even comparing just March 2022 to March 2016 shows a decline of nearly 14%, despite having come out of the covid emergency. With fewer gallons to spread costs over, the markup on each gallon is forced to be higher.

When all costs are factored in, most retailers are lucky if they can break even on the sale of gasoline. Their survival is based on the ability to bring in customers and sell them coffee and other products in their convenience store or auto repair and maintenance services in their shop. Many business owners will take home more profit on a $3 cup of coffee than on a $50 fill up of gas.

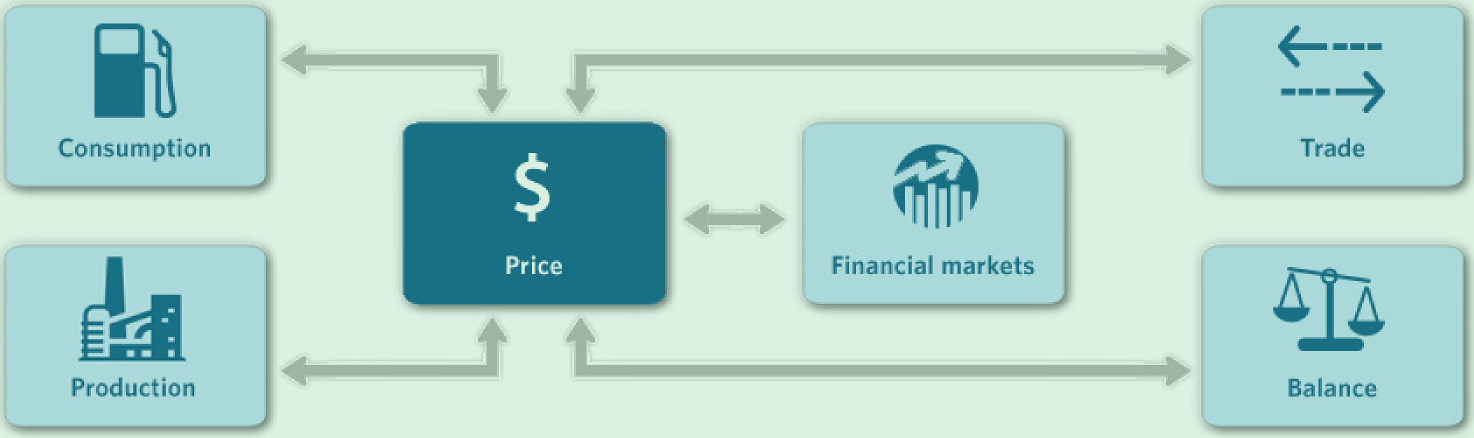
Conclusion

The industry is already closely regulated by the Division of Weights and Measures, within the Department of Consumer Affairs. They ensure that pumps are properly calibrated, that retailers are selling the exact products they claim, that prices are accurately reflected on signage, and other rules governing the sale of motor fuel in a fair market. NJGCA regularly turns businesses in to the State if they are credibly accused of breaking any of these rules, even if they are members. Someone cheating the rules is not only hurting their customers, but they are also hurting the honest retailers.

Retailers are suffering from high gas prices too. Like motorists, they much prefer prices that are flat, boring, and most of all low.

WHAT DRIVES PETROLEUM PRODUCT PRICES?

By: Bruce Bawks, Office of Energy Production and Markets Analysis



WHAT DRIVES PETROLEUM PRODUCT PRICES: OVERVIEW

Although crude oil prices receive a lot of media attention, consumers purchase petroleum products refined from crude oil rather than the crude oil itself. Refiners produce many petroleum products from crude oil for a wide range of applications. Prices for some petroleum products, such as gasoline, are very visible to consumers, while others are much less so. This section focuses on the two most prominent groups of petroleum products—gasoline and distillate (or diesel fuel).

PRICES AND CRACK SPREADS

Gasoline is the most widely used petroleum product in the United States. Although gasoline is traded globally and priced at various locations around the world, all these prices tend to move together in the long run because gasoline can be transported between markets, thereby linking their supply and prices. Differences in absolute price levels as well as short-term price changes across the world reflect varying gasoline specifications, refinery maintenance schedules, unplanned refinery outages, transportation constraints, peak consumption seasons, as well as regional inventory levels. Distillate is also traded globally and priced in various regions around the world. Like the disparity in gasoline prices, the disparity in distillate prices primarily reflects differences in quality, primary uses, seasonal consumption, and local market factors.

SEASONALITY

Petroleum product crack spreads often exhibit seasonality. During the summer months, the underlying commodity of the RBOB front month contract is required to be gasoline with a lower Reid vapor pressure (RVP) specification, a more expensive type of gasoline to refine. Starting March 1, RBOB futures prices tend to increase several cents from February averages to reflect the higher valued commodity. This, in turn, is reflected in a higher crack spread. The crack spread continues to remain fairly high through the late spring and into the summer months as the U.S. driving season picks up, resulting in higher domestic demand for the product. On September 1, the underlying commodity of the RBOB front month contract reverts back to a higher RVP specification, representing a lower-cost gasoline. The gasoline crack spread declines to reflect the lower price of gasoline.

As domestic gasoline consumption declines during the winter months, distillate consumption historically rises as consumers in the United States, particularly in the U.S. northeast, use distillate for heating purposes. With the increased demand, distillate crack spreads are usually highest from October to February.

CONSUMPTION

Countries outside of the Organization for Economic Cooperation and Development (OECD) drove increases in global demand for petroleum products in recent years. In aggregate, non-OECD countries consumed more petroleum products than OECD countries for the first time in 2014. Global distillate consumption tends to rise as developing countries show robust economic growth because their economies tend to be driven by industry and manufacturing rather than services. Distillate consumption can slow if economic growth expectations decline or as more countries move towards a more services-oriented economy. As many non-OECD countries continue to develop, their economies tend to be driven by industry rather than services. This trend has led to an increase in global distillate demand, and worldwide consumption of distillate is now the highest of any of the petroleum products.

Gasoline is the most consumed petroleum product in the United States and is used primarily as a transportation fuel. Gasoline consumption is affected by a variety of factors including gasoline prices, disposable income, employment, weather, vehicle miles traveled, as well as regulations on fuel economy.

Distillate is the second-most consumed petroleum product in the United States. In addition to its use as a transportation fuel, distillate is also consumed for heating and power generation purposes. Distillate's use as a heating fuel drives the seasonal pattern of higher consumption during the winter months. Distillate consumption is affected by economic growth and weather conditions as well as vehicle efficiency and miles traveled of heavy-duty vehicles.

PRODUCTION

Refineries produce a wide range of petroleum products when processing crude oil. More complex refineries can upgrade some of the volume of heavier or lower-quality streams into more valuable products such as gasoline or distillate. Some refineries also have a degree of flexibility with respect to the volume of gasoline versus distillate produced. Price signals can influence short-term production decisions as well as long-term investments that may influence the type of petroleum product produced. Total production of refinery products increased starting in 2013 as U.S. refineries process more crude oil, invest in additional processing units to upgrade products, and expand into international markets. The net increase in production has been driven by large increases in motor gasoline and distillate, despite decreases in products such as residual fuel oil.

TRADE

With significant increases in U.S. crude oil production and higher refinery runs, increased production of petroleum products reduced the reliance on oil imports to meet domestic demand. In the fourth quarter of 2012, the United States became a net exporter of gasoline after historically being a net importer. Since then, the United States has often been a net exporter of gasoline during the winter months. PADD 3 has consistently been a net exporter of gasoline since the third quarter of 2009. However, PADD 1 remains a net importer because of transportation constraints in moving petroleum products from the U.S. Gulf Coast to the U.S East Coast.

The United States became a net exporter of distillate in the fourth quarter of 2007, five years before the first time the United States was a net gasoline exporter. Diesel, a type of distillate, is the primary transportation fuel source in much of the world, unlike in the United States, providing U.S. refiners with international consumers year-round. PADD 3 has been a net exporter of distillate since the third quarter of 2001. PADD 1 is typically a net importer of distillate, while PADD 5 has usually been a net exporter of distillate since 2007.

BALANCE

The seasonal consumption pattern of gasoline, with higher demand in the summer than in the winter, affects inventory management by refiners and end users. In the summer driving season, gasoline inventories tend to decline whereas in the fall and winter, gasoline inventories are replenished. Distillate inventories also exhibit seasonality based on distillate's use as a heating fuel in the winter months, although this effect has declined in recent years as distillate is increasingly used as a low-sulfur transportation fuel. In areas of the United States, such as the Northeast, where distillate is still widely used for heating, inventories display a more pronounced seasonal pattern of decreasing in the winter time and increasing in the summer.

Because inventories can satisfy either current or future demand, their level is sensitive to the relationship between the current product prices and expectations of future prices. If market expectations indicate a change toward relatively stronger future demand or lower future supply, prices for futures contracts will tend to increase, encouraging inventory builds to satisfy the otherwise tightening future balance. On the other hand, a sharp loss of current production or unexpected increase in current consumption will tend to push up spot prices relative to futures prices and encourage inventory drawdowns to meet the current demand. The futures curve for gasoline, for example, exhibits the seasonality inherent to the product's consumption. Prices for summer months are higher, which encourages inventory builds in the transition months between seasons to satisfy future demand.

FINANCIAL MARKETS

Gasoline and distillate both have futures contracts for delivery in New York Harbor on the New York Mercantile Exchange (Nymex). Since 2007, open interest (the number of contracts in a trading session that have not been settled or closed) and trading volume in these contracts increased for both products.

The Commodity Futures Trading Commission publishes a weekly activity report, the Commitment of Traders Report, on oil and petroleum product open interest on exchanges (e.g., Nymex). In this report, the activities of multiple trading categories are detailed, including physical participants (producers, merchants, processors, and end users), money managers (usually hedge funds or other sophisticated traders), and swap dealers (traditionally investment banks or commodity broker/dealers). Money managers generally tend to be net long—more futures contracts are bought rather than sold—on RBOB and ULSD futures, though significant changes in market expectations of demand and supply for these products can push overall positions to be net short.

The industry is already closely regulated by the Division of Weights and Measures, within the Department of Consumer Affairs. They ensure that pumps are properly calibrated, that retailers are selling the exact products they claim, that prices are accurately reflected on signage, and other rules governing the sale of motor fuel in a fair market. NJGCA regularly turns businesses in to the State if they are credibly accused of breaking any of these rules, even if they are members. Someone cheating the rules is not only hurting their customers, but they are also hurting the honest retailers.

Retailers are suffering from high gas prices too. Like motorists, they much prefer prices that are flat, boring, and most of all low.

Source: U.S. Energy Information Administration. *https://www.eia.gov/finance/markets/products/prices.php*

eia

TIRE REVIEW

Rising Gas Prices Impacting Driving, Say 78% of Americans

By: Brian Coote, June 22, 2022, repulished from *Tire Review*

As Americans continue to navigate an evolving economic environment, new data from Hankook Tire's Gauge Index reveals the impact of these pressures on everyday driving. The latest survey found:

• Just as driving frequency approached pre-pandemic norms, an overwhelming majority (78%) say rising gas prices are now impacting daily driving.

• Over half (54%) of Americans say that in the last 30 days, they have driven less often as a result of the cost of gas—up 28% from March 2022, when gas prices first began to tick upwards.

• Gas prices are also proving a powerful incentive for those considering an electric vehicle. One-in-four (26%) say because of current prices, they plan to purchase an electric vehicle in the future. Further, 51% say less money spent on gas is the most appealing benefit of making the switch.

• Rising costs are not just impacting gas prices and how often people are driving. Over a quarter of Americans (26%) say inflation is causing them to perform more basic maintenance tasks at home, too.

The index shows supply chain pressures also continue to impact Americans' automotive decisions. Over one-third (35%) say that due to supply chain issues, they are trying to make their current vehicle last longer. Additionally, 22% are considering holding off on purchasing a new vehicle altogether.

The index shows when the time does come to make a purchase, supply chain concerns could influence what drivers are looking for in their next vehicle. The shortages are impacting what technology is available in new cars, so some buyers may need to sacrifice the latest tech. The Gauge found one-third (32%) say they would be most willing to give up self-parking technology in order to purchase a new vehicle. Drivers are least likely to give up their tire pressure monitoring system (TPMS) or automatic braking—only 6% are willing to do so.

The Hankook Tire Gauge Index is a survey of Americans' attitudes and opinions about driving. The latest survey, conducted May 11-16, 2022, polled 1,060 randomly selected Americans age 18 and older who have a valid U.S. driver's license.

This article was re-printed with permission from the publication and can be found at the following link: https://www.tirereview.com/hankook-tire-gas-prices/

T&R OIL CO.

Whole Sale - Retail
Branded - Unbranded

Proudly Serving New Jersey for Over 80 Years

Alex Tullo (201) 563-0443
alexjr@tullotransport.com

61 Lincoln Highway
Kearny, NJ 07032

Compliance Corner

Compliance – Governance – Regulatory – Administrative Updates

By Nick De Palma, Counsel and Member Services Director

MOTOR VEHICLE INSPECTION PROGRAM UPDATE

Details emerge on MVC's forthcoming contract award to OPUS Inspections.

NJGCA recently offered members a brief inspection program update in our June 9, 2022 Road Warrior e-newsletter.

At that time, we learned a new inspection contract had been awarded to OPUS Inspections. The revelation brought a years-long public bidding process to an end; though there was little notable information to report.

Longtime industry participants will recognize OPUS Inspections, as they have bid on (and won) numerous public projects throughout the country. In fact, OPUS is currently the largest provider of inspections nationwide, with varying emission testing, logistical support, and/or equipment contracts in New York, Delaware, Tennessee, Rhode Island, Wisconsin, Maryland, Colorado, and other state/county jurisdictions.

In New Jersey, OPUS had submitted bids to operate our enhanced inspection and maintenance (I/M) program in past procurement cycles. However, this is the first time they've been awarded a contract since our hybrid inspection program took shape in the late 1990s.

Since our June 9th update, the Treasury Department website officially recognizes that OPUS has been awarded the new inspection contract. The agreement term is for six years, with the option to extend the contact for up to an additional four years.

Nevertheless, we have simultaneously learned that Parsons (as the current program operator) has filed another appeal with the Appellate Division, as well as a separate stay request.

Obviously, any legal challenges will prolong the new contract's implementation, which may take months to resolve.

These impediments aside, our staff recently met with OPUS officials to discuss what we can expect once the program is under way.

While litigation is ongoing, we cannot reveal every detail from that meeting. Still, we can report on the following details.

In accordance with the contract outlines that new inspection equipment ("NGWorkstations") will be sold to Private Inspection Facilities (PIFs) in relative short order. The NGWorkstations will continue to be computer-based, but will be come in three different variants.

- **PC-based PIF Workstation** (includes PC, monitor, barcode reader, printer, scan tool, keyboard, and mouse) = $1,993.78
- **Tablet-based PIF Workstation** (includes tablet, printer, scan tool) = $1,944.60
- **Laptop-based PIF Workstation** (includes laptop, printer, barcode reader, scan tool) = $2,332.79
- **PIF Inspection Transaction Fee** (please note that the transaction fee will include all maintenance) = $2.50 per transaction. There will no longer be a monthly fee.
- Replacements parts and hardware devices will also be made available to PIFs as needed, at a pre-determined price throughout the multi-year contract. This includes monitors, printers, scanners, and other ancillary (but necessary) components.

For the PIF community, there are other important details that are important to note, including:

- Section 3.13.1.12A of the final bid solicitation directs the ultimate award winner to work with NJGCA during to determine PIF recruitment needs. This means that the Association will have a direct line to OPUS officials to assist our members (and the wider PIF community) during the transition, and thereafter.
- OPUS is responsible to set up all ordered equipment and train each user on the new software.

- OPUS must submit a plan to offer the NG-Workstations to PIFs within 30 days after officially taking over the inspection program (which, again, is currently facing a legal challenge).
- Once OPUS is installed as the new operator, it is anticipated that MVC will issue a temporary moratorium on new PIF locations until the existing PIF community has been transitioned to the NGWorkstations. Once all existing PIFs are outfitted, new PIFs will be permitted to apply to the enhanced I/M program.
- OPUS may accept deposits for the NGWorkstations when an order is placed, but the deposit cannot exceed 25% of the total purchase price.
- OPUS must deliver your new NGWorkstation equipment to your PIF location within 90 days of collecting your deposit.
- A PIF support hotline will be created for all locations to report hardware or software issues. Service requests may be submitted through the hotline, and will be staffed Monday to Saturday 8:00 a.m. to 5:00 p.m. (with an automated service taking messages after hours).
- If a problem is reported to the hotline, and the customer service representative cannot correct the problem within 30 minutes, a field technician will be dispatched to the PIF location.

The above aside, the contract also outlines how MVC's existing Central Inspection Facilities (CIFs, aka "the central lanes") will be affected after OPUS officially begins to perform under the new contract.

In doing so, Parsons is obligated to turn over control of the central lanes to OPUS within 90 days of the cessation of all legal proceedings. Furthermore, Parsons personnel is required to cooperate with OPUS to continue to furnish records, data, and related information until the existing facilities are updated with new OPUS-issued equipment. We have learned that OPUS plans to facilitate all equipment changes "lane-by-lane" (shutting down some CIF lanes for new installations while others continue to operate normally). OPUS anticipates that all lanes at state-owned CIF locations will be switched over within nine months to a year.

As per of the bid solicitation, OPUS is encouraged to retain qualified Parsons employees as control transitions. This means that many current Parsons staffers (including CIF inspectors, customer service representatives, equipment repair technicians, and others) will likely migrate from Parsons to OPUS.

While this makes logistical sense and maintains institutional continuity within the program, it also means you may continue to interact with existing Parsons personnel for years to come. Practically speaking, this may be beneficial if you've built a solid working rapport with current staffers – but also underscores the need to be professional and courteous to existing Parsons employees (since you're likely to see many of them continue as OPUS personnel).

New Jersey's inspection program has had a long (and frustrating) history. From the adoption of the Clean Air Act in 1990 and the commencement of Parsons operating the inspection program starting in 1999, to the current program taking root in 2008 and the multiple contract extensions that followed – there have been many twists and turns.

The new inspection program brings to a close an RFP process that began in August 2019, and ends MVC's 20-plus year relationship with Parsons. That brings with it both a sense of renewal for the enhanced I/M program, but also some uncertainty.

Even as we continue to advance the interests of the independent small-business community, and remain committed to seeing New Jersey eventually migrate to an PIF-only program paradigm, we are optimistic that the contract with OPUS will be a positive change for motorists and our PIF members.

Horror Highlight

Horror Highlight: Employee Accountability and Labor Shortages

Learn from your fellow member. Don't let this happen to you!

By: Nick De Palma, Counsel and Member Services Director

The ongoing labor shortage has created enormous difficulties for the business community. No matter the size of the operation, the lasting impact of the COVID crisis has only accentuated the strain many companies are having in finding (and retaining) qualified employees.

While medium- and large-businesses have only recently come to understand this struggle, the small business owners that serve the motoring public have felt this pain very keenly for the last fifteen years. If anything, the fallout effects from the COVID pandemic have only intensified an already existing problem.

When the labor market is tight and manpower is down, the “crop” of available employees often suffers. And unlike previous labor deficits (which could be overcome through negotiating increased compensation, additional benefits, or a flexible work environment to entice qualified candidates to apply), the current paradigm has led to compromised hiring decisions and unintended consequences.

To illustrate this, consider the NJGCA member who was cited by MVC for various vehicle inspection violations. In the current climate and ongoing labor shortage for competent staff, the outcome was not surprising – but utterly avoidable.

Our member operates a few service stations throughout the state, each with fuel and automotive repairs available to patrons. Supervising multiple locations is difficult, but our member has shop managers on site to oversee the work and interact with customers.

Here, our member lost a qualified and knowledgeable technician at one busy location. The staffing loss was preventable, but our member was not flexible in working with the technician to retain him (there is a lesson in this point alone, but this is not the subject of this highlight). The departing technician was a motor vehicle inspector with state issued INL credentials, and the only employee who could perform inspections at that location (though our member employs inspectors at his other shops).

The shop was very busy, and our member was keen to fill the departing technician's position. While searching for a replacement, it became obvious that no qualified and reliable candidate was applying for the job.

Work was soon piling up, and out of desperation, our member hired someone who fell short of the requirements. The new hire was a younger technician and came at the recommendation of an outside third-party. The new hire did not have the full requisite experience, but did have his motor vehicle inspector license. The shop manager promised to “train him on the job;” if only to have additional help to keep incoming work moving.

It does not take much imagination to foresee the eventual outcome. Not only did the shop manager not “train” or “mentor” the new hire, but the young technician was not as capable as the owner was originally led to believe by the outside third-party.

The proof of that later came when MVC cited the shop (and the young technician) for multiple inspection violations. The substance of the actual violations is not important; only that the business was cited for thousands of dollars in fines, the suspension of his PIF license, and the suspension of the young technician's personal INL license.

Thankfully the NJGCA staff was able to step in, represent our member at the MVC hearings, and reduce the total liability to our member. Despite our assistance, the member still had to pay costly fines, and even though the total suspension time was reduced, the loss of the shop's PIF license for a time was unavoidable.

There are many lessons that can be drawn from this single incident that all our members should heed, such as:

- The current labor shortage has triggered a lot of poor hiring choices. This means owners may make an inferior staffing hire entirely out of fear and desperation. Indeed, that was the case for our member. Rather than properly vetting a potential employee, he relied wholly on the recommendation of another. The young technician's capabilities were overrepresented, and the well-meaning intentions of the shop manager evaporated as work piled up. This had an obvious, costly impact for the small business.
- In focusing solely on this one location, the member failed to consider the assets and resources he had at his disposal. This member operates other locations. Though a qualified, full-time hire would have been the ideal solution, our member made a poor staffing choice that cost him time and money. Rather, he should have been creative to fill his immediate needs. For example, he could have restricted all vehicle inspections at the impacted shop to one or two days a week; and redirected another inspector (from one of his other locations) to fill that role on a temporary basis. Not only would this have given him additional time to find the right full-time technician, but it would have allowed him to continue to serve his local patrons without fear of losing business to a competitor.
- While NJGCA was able to help reduce our member's exposure, some facts cannot be entirely explained away. Here, MVC officials made it very plain that all employers are accountable for their employees. As good as our member (and the manager's) intentions were to hire and mentor a younger technician, this does not absolve them from any wrongdoing committed by that hire. The young technician should have either been watched more closely to safeguard any wrongdoing, the scope of his work should have been reduced (doing something other than vehicle inspections), or another hire should have been made altogether.

These above take-away examples are notable, but are not exhaustive. There are other lessons from this one situation that could serve to warn you of possible pitfalls in running your own operations.

Ask yourself,

What could have been done differently?

Where could he have turned to find a qualified employee?

Should the shop manager have been held accountable for the technician's mistakes?

Rather than make a bad hire, could the member have come to an arrangement with another, friendly shop to help redirect workflow or vehicle inspections?

What else can you learn from this?

Nothing can be done about such lapses after they occur, but they can serve as a strong warning for others that are similarly situated.

The takeaway, of course, is ***"Please do not let this happen to you!"***

As a final thought, the loss of a dependable, reliable, and knowledgeable employee should always be avoided when possible. Though only briefly touched on above and not the focus of this highlight, our member created his own staffing problem though rigid management and negative behavior. As grievances mounted, his original technician grew dissatisfied and left. This directly led to the hiring of an unqualified replacement and the many violations issued by MVC officials.

The more understated takeaway is that our member was ultimately placed in a "bad position" due to his own temperament. He ultimately ended up paying for his own limited disposition through fines, lost business, and ancillary difficulties; when he could have meaningfully bargained with his former technician to retain him. In the end, that shortsightedness cost our member more than any bartered arrangement would have.

We know that everyone is short handed and needs employees. We also know that the current business landscape isn't likely to lend itself to correcting this phenomenon anytime soon. As we collectively plod through these obstacles, carefully think through any new hires to avoid similar consequences.

Four Exceptional Students Receive NJGCA & Utica Insurance Scholarship

NJGCA, with the generosity of Utica Insurance, were pleased to award four exceptional students with scholarship funds towards college expenses. Utica is the company that insures NJGCA members through the World Insurance Agency. Award recipients were chosen based on qualifications beyond academics. The scholarship committee evaluated scholarship applicants on their service to their communities, extracurricular activities, and their personal essay which highlighted their need for the award. The students who were awarded funds are as follows:

Taylor Anastasio is starting medical school in the fall at American University of the Caribbean School of Medicine and is studying to become a pediatrician. She is a recipient of the NJGCA scholarship and received $1,250 towards college expenses. Taylor's application was submitted by Atomic Tire, Wrightstown NJ

Josette Sapia will attend Arizona State University in the fall and intends to major in Forensic Science with the ultimate goal of becoming a plastic surgeon. Josette is a recipient of the NJGCA Scholarship with the generosity of Utica Insurance and received $2,500 towards college expenses. Josette's application was submitted by Buy Wise Auto Parts, Vauxhaul, NJ

Jennifer Stamboulian will attend Villanova University studying Accountant and Business Analytics with the hopes of becoming an executive in the automotive industry. Jennifer is a recipient of the NJGCA Scholarship with the generosity of Utica Insurance and received $2,500 towards college expenses. Jennifer's application was submitted by J & Z Auto Repair, Teaneck, NJ

Jessica Twynam is a college sophomore at Texas Christian University and hopes to earn her degree in Early Childhood and Elementary Education with a minor in Deaf and Hard of Hearing studies. She is a recipient of the NJGCA scholarship and received $1,250 towards college expenses. Jessica's application was submitted by Hillcrest Mobil, Cedar Grove, NJ.

In addition to the scholarship award, NJGCA hosted a scholarship awards celebratory dinner in the winner's honor, where certificates of achievement were distributed.

NJGCA is proud to award scholarships to exceptional students to further their goals. If you are a current member and/or MBP in good standing at NJGCA with a rising college student, have them consider applying for next year's scholarship. We will also be looking for members interested in participating on the Scholarship Committee to help choose the winners. If you are a member in good standing, are interested in participating in an opportunity to help students succeed in their college careers, and **do not employ or have a child participating in the running for the scholarship**, please contact Sal to learn more about next year's committee.

THE ENERGY EXAMINER

FROM TRADITIONAL RESOURCES TO ALTERNATIVE ENERGY INNOVATIONS

By Michelle Horowitz Jackson

Since our debut in 2007, NJGCA *On The Road* has brought you timely updates on changes in the energy and automotive industries. Today, each new issue of *On The Road* will bring you more update and information in our *Energy Examiner*. The *Energy Examiner* will offer readers news from around the energy/transportation industry and how it will affect your small business. If you have any questions or comments on what you review in these quarterly pieces, please feel free to reach out to NJGCA.

National Climate News:

President Biden has seen a series of setbacks in the last several weeks when it comes to addressing climate change, threatening the success of the President's climate agenda. For one, the war in Ukraine has reignited global demand for fossil fuels and in part resulted in record high gas prices. Additionally, the Supreme Court issued a ruling that will constrain the EPA's authority to limit carbon dioxide emissions from power plants without Congressional approval. Meanwhile, globally humans in 2021 burned 36 billion tons of carbon dioxide, more than any previous year. These developments will make it nearly impossible for President Biden to make good on his climate goals of cutting emissions for the U.S. in half by 2030 and are increasing reliance on gas and oil drilling.

New Jersey Climate News:

This past winter EmpowerNJ, a coalition of more than 120 environmental, community, religious and grassroots groups in New Jersey, legally petitioned the DEP to adopt rules reducing GHG emissions by 50% by 2030 and restricting the issuance of operating permits for new fossil fuel facilities. However, the DEP denied the petition, just a week after proposing weak rules that do little to limit carbon pollution from power plants. EmpowerNJ is currently suing the administration by appealing to the Appellate Division of the Superior Court. The appeal demands that the DEP reverse its denial of the petition, implement the governor's policy, follow state law and set and enforce 2030 climate pollutant reduction targets.

In July, the Legislature and Murphy Administration diverted money away from the Clean Energy Fund to pay for other government operations, despite the state expecting record high tax collections and with billions in unspent federal aid. Not only is there a record $6 billion state surplus, but the newly adopted budget for the 2023 fiscal year is also a record high at $50.6 billion. However, the budget is once again diverting $82 million, or roughly one out of every eight dollars paid directly by ratepayers, according to Jersey Renews, to "help plug fiscal holes or for other purposes [not its legally dedicated purposes]." This year's budget included new language that specified for "utility costs, bus electrification, and clean energy projects for NJ Transit operations," though it is unlikely the money will be used to purchase either new electric buses or charging infrastructure for NJ Transit garages.

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

UPDATE: ETHANOL/BIOFUELS/BIODIESEL

E15 BAN LIFTED, NEW BACTERIA-BASED BIOFUEL DEVELOPMENT

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

In April, President Biden announced that his administration will lift the summertime ban on E15 gasoline to help combat high gas prices, though realistically it may only save motorists five to ten cents. E15 gas is usually banned in the summer months due to more pollutant fears, however, this move was made as an emergency response to high prices and a supply emergency.

Researchers at Berkeley Lab are working with a bacteria that will help produce a new biofuel with an energy density significantly higher than jet fuel. Scientists conducted computer simulations of the resulting fuels to estimate their properties compared to conventional fuels. This analysis suggested that the new fuels would be safe and stable at room temperature, and would have an energy density of over 50 megajoules per liter (MJ/L). That's a huge increase over existing fuels (gasoline's energy density is around 32 MJ/L, while common jet and rocket fuels top out around 35 MJ/L1). Not only does producing fuel from bacteria cut down on the environmental impacts of typical gasoline production, but the increased energy density could help vehicles go farther on a single tank, or reduce the amount of fuel needed for rocket launches, saving more space and weight for cargo.

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

UPDATE: ELECTRICITY & ELECTRIC POWERED VEHICLES

HIGH GAS PRICES RESULTS IN MORE EV DRIVERS, INCENTIVES, NJ CHARGING INFRASTRUCTURE

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

With the gasoline marketplace yielding historically high prices at the pump, consumer interest in electric vehicles has grown exponentially. Data shows that interest in EVs are correlated with the price of fuel. Despite the fluctuating price in gasoline, EV sticker prices continue to go up rather than level out to allow for more motorists to purchase vehicles. According to research website CarGurus.com, the average listing price for a new electric vehicle at the end of June 2022 stood at just under $60,000, a 13% increase since February. For used EVs the price increase has been much sharper—up 54% since February at just over $62,000. This data leaves out Tesla, Rivian and Lucid which likely means these numbers are much higher. However, because of the production issues for new and used vehicles, the car industry is not able to meet the demand that exists in the marketplace.

Government incentives are also a factor that has seen more motorists looking to make the switch to EVs, though many politicians have shown staunch opposition to such policies. West Virginia Senator Joe Manchin, a Democrat that has received contributions from oil, gas, and coal companies, has already succeeded in shrinking the proposed tax credits by about a third, removing a $4,500 incentive for consumers who purchase union-made American cars. He has also suggested removing the core $7,500 credit for purchase of any kind of electric vehicle, potentially leaving only a $500 tax credit for electric vehicles with a battery made in America as the only monetary incentive for purchasing an EV. Democrats are now considering limiting tax credits to consumers below a certain income level, though the typical buyer of an electric vehicle earns more than $100,000 annually, is college educated and owns at least one other vehicle, according to a 2021 survey commissioned by the Fuels Institute. With the EPA already limited in their authority to regulate greenhouse gas emissions, the option to include tax credits is an essential incentive to moving the needle on EV purchases and ultimately, helping the President meet his goal of 50 percent of new vehicles sold by 2030 to be all-electric.

In New Jersey, as part of President Joe Biden's $1 trillion bipartisan infrastructure law, the state will receive $15.4 million this year to help finance a network of electric car charging stations. New Jersey is expected to build 600 charging stations using a total of $104.4 million through the year 2026. The cost per station is estimated at $173,000 according to Atlas Public Policy. The infrastructure law also budgets $5 billion over five years for a nationwide network of stations to help fund Biden's goal of having 500,000 stations by 2030. Officials have until Aug. 1 to submit a plan for installing the stations, which are expected to be around 50 miles apart to cover range anxiety issues and must also be installed in underserved communities. The Federal Highway Administration will approve plans by Sept. 30.

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

UPDATE: HYBRIDS

HYBRID VEHICLES SEE RECORD HIGH

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

According to Reuters, hybrid vehicles hit record sales numbers in 2021 in the U.S. Hybrid sales rose 76% to 801,550 vehicles last year, accounting for 5% of U.S. light vehicle sales. EV sales jumped 83% to 434,879 but represented only 3% of the market. Toyota was the top-selling automaker in the U.S. last year, and posted record hybrid, plug-in and fuel-cell vehicle sales, which were up 73% to 583,697. Honda was the second hybrid vehicle seller in the U.S., with its hybrid car sales up 67% compared with 2020 to a record 107,060 last year. A Hyundai executive says that hybrids are "enablers" that will help bridge motorists to eventually purchasing battery EVs.

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

UPDATE: NUCLEAR / WIND / SOLAR / GEOTHERMAL

NEW PARTNERSHIP IN NJ FOR WIND POWER; NUCLEAR SUSTAINABLE INVESTMENT

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

Wind:

In June, the White House announced a federal-state partnership with New Jersey and ten other states to further develop the offshore wind industry. Biden has set a goal of deploying 30 gigawatts of offshore wind power by 2030, enough to provide electricity to 10 million homes, support 77,000 jobs and spur $12 billion per year in private investment in offshore wind. In addition to New Jersey, the White House has also partnered with Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, North Carolina, Pennsylvania and Rhode Island. New Jersey is already more than halfway toward meeting its goal of producing 7,500 megawatts from wind through Ocean Wind, a wind farm about 15 miles southeast of Atlantic City, that is scheduled to become operational in 2024. As previously reported, Six companies recently bid $4.4 billion to develop wind farms acres off the coasts of New Jersey and New York in an area called the New York Bight, bringing in more money than any other energy leases ever, including those for oil and gas.

Nuclear:

In February, the European Union decided that nuclear energy and natural gas can classify as a "sustainable investment" if they meet certain targets. Classifying natural gas as "sustainable" has supporters who argue that some countries which still rely on coal for energy would benefit from incentives to move to a relatively cleaner supply. Nuclear energy also involves zero carbon emissions, though safety concerns remain, as well as requiring disposal of dangerous waste.

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

UPDATE: HYDROGEN/HYDROGEN FUEL CELLS

REGIONAL HYDROGEN HUBS COMING; BUSINESSES WANT FEDERAL SUPPORT FOR INFRASTRUCTURE

*** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER *** ENERGY EXAMINER ***

The Biden administration is moving forward on its goal of developing at least four regional hydrogen hubs. They are using an $8 billion investment to encourage development. According to the Infrastructure Investment and Jobs Act, one hub should demonstrate end-use in electricity generation, another would be for industrial activities, one for residential/commercial heating, and one for end-use in transportation. The law also requires that at least one regional hydrogen hub demonstrates production from a fossil fuel, with at least one using renewable energy and at least one using nuclear energy. At least two of the hubs to be in the largest natural gas-producing regions of the Lower 48. New Jersey is part of four Mid-Atlantic and New England states, along with 40 energy companies, that have partnered to propose a regional hydrogen hub development. Together, the governors of Connecticut, New Jersey, New York and Massachusetts said they would pursue $8 billion in federal funding provided through the Department of Energy (DOE).

A hydrogen industry coalition backed by oil companies including Chevron and BP is also pushing for federal support for hydrogen infrastructure. Toyota has also staked its future on the development of hydrogen fuel cell vehicles — a costlier alternative that has fallen behind electric battery-powered cars, though one that many politicians would like explored more thoroughly before throwing all federal stake in electric vehicles.

$ave TODAY with NJGCA Member Benefit Partners!

THE NJGCA MEMBER BENEFIT PARTNER PROGRAM

NJGCA has been working hard to bring you and your business value through our Member Benefit Partners (MBPs). Hopefully, you are already taking advantage of many money-saving plans offered by our Member Benefit Partners. Members should already recieved our 2022 Member Benefit Partner Brochure. If you have not recieved it, please contact Michelle Horowitz Jackson at michelle@njgca.org. New MBPs to our program are listed in blue and marked with asterisks below. We are excited about the great opportunities that you have to save money with these partners!

Here is a list of our current MBPs:

ABLE-TECH - ***Computers, Financial Management, Video Security Systems***
AFFINITY FEDERAL CREDIT UNION - ***Business Banking Services, Financing, Mortgages***
AMATO INSURANCE AGENCY - ***Business, Garage Liability, Home and Auto Insurance***
AMERITRUST - ***Workers Compensation Insurance (formerly Meadowbrook Insurance Group)***
ASSOCIATION MEMBER TRUST (AMT) - ***Health Coverage***
ATS ENVIRONMENTAL SERVICES - ***Tank & Vapor Testing, NJDEP Compliance***
AUTOPART INTERNATIONAL - ***Premium Parts Supplier***
BELLOMO FUELS - ***Gasoline and Diesel Supplier***
BOULDER PETROLEUM - ***Compliance UST, Vapor Recovery Testing, Pump Calibration***
BRENNAN LAW - ***Environmental, Petroleum and Real Estate Law Specialists***
CBIZ INSURANCE - ***Business, Garage Liability, Home and Auto Insurance***
C-3 TECHNOLOGIES - ***Tank and Vapor Testing, NJDEP Compliance***
CHIESA SHAHINIAN & GIANTOMASI PC - ***Legal Services***
COLE, SCHOTZ, MEISEL, FORMAN & LEONARD - ***Legal Services***
CONSUMERS OIL CORP. - ***Gasoline and Diesel Supplier***
CROMPCO - ***Tank & Vapor Testing, NJDEP Compliance***
DANA TANK INSURANCE SPECIALISTS - ***Underground Storage Tank Insurance***
ENERGY MARKETING PARTNERS, INC. - ***Gasoline and Diesel Supplier***
ENVIRONMENTAL ALLIANCE, INC. - ***Environmental Remediation & LSRP Services***
FREEWIRE - ***Electric Vehicle Charging***
GILL ENERGY - ***Gasoline and Diesel Supplier***
GRATUS -** ***Gasoline and Diesel Supplier
HEARTLAND PAYROLL - ***Business Payroll Services***
HOUGH PETROLEUM - ***Gasoline, Diesel, Motor Oil & Lubricants Supplier***
HOROWITZ LAW GROUP - ***Legal Services***
JERSEY WHOLESALE TIRE CORP. -** ***Tire Suppliers and Distributors
LIBERTY / EWING OIL - ***Gasoline and Diesel Suppliers***
LISKO ENVIRONMENTAL - ***Environmental Remediation & LSRP Services***
DUANE MORRIS - ***Legal Services***
MERCHANT PRO EXPRESS - ***Credit Card Processing & Consulting***
NATIONAL CONVENIENCE DISTRIBUTORS - ***Convenience Store Distributor***
OIL DRI - ***Spill Containment and Shop Supplies***
P.F.I. INC. / NORTHWEST PETROLEUM - ***Gasoline and Diesel Supplier***
PRIME LUBE, INC. - ***Motor Oil and Lubricant Suppliers***
PROIMAGE - ***Apparel & Promotions***
PHOENIX RUBBER -** ***Waste Tire Removal
QUICK & FRESH - ***Convenience Store Distributor***
SALOMONE BROTHERS, INC - ***Tank and Pump Replacement, Compliance Testing***
SERVICE STATION VENDING EQUIPMENT - ***Service Station Vending, Air & Vacuum Systems***
SPARK CONTRACTORS - ***Tank and Pump Replacement***
T&R OIL CO. - ***Gasoline and Diesel Suppliers***
TMP ENERGY SOLUTIONS - ***Discounted Electricity and Natural Gas***


SINCE
BELLOMO
OVER
100
YEARS
FUEL
1910
Bellomo Fuel
— Specialized in Personal Service to Service Stations —
Valero
CONOCO
Sinclair
We Offer:
✓ Market driven supply and service agreements to maximize volume and margin
✓ Unique, local marketing packages to promote your station and increase visibility
✓ Realty and business brokerage specializing in service stations
✓ Equipment upgrades
908-486-3900
www.bellomofuel.com

New Jersey Gasoline ● C-Store ● Automotive Association
4900 Route 33 West, Suite 100
Wall Township, NJ 07753
www.njgca.org
P: 732-256-9646 F: 732-256-9666

PRESORTED
STANDARD
U.S. POSTAGE
PAID
TOMS RIVER, NJ
PERMIT NO. 53

Serving the Small Businesses That Serve The Motorist