

Senate Democratic Policy Committee Hearing
**“An Oversight Hearing on Record High Gasoline Prices
and Windfall Oil Company Profits”**

Patrick D. Meadowcroft
Parkton, MD

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My name is Patrick Meadowcroft. I have been in the gas station business since 1964. Over the years I have owned both independent and branded gas stations, including Gulf, Chevron, and Exxon stations. My current business, Maryland Line Service Center, located on York Road in Parkton, Maryland, has remained independent for more than 24 years. The rising price of the fuel we purchase, however, makes me fear that I may not have a business to pass on to my daughter and my grandchildren.

My station's location, a half-mile from Maryland's border with Pennsylvania, has always kept us on our toes. Compared to Baltimore County, where my station is located, Pennsylvania has lower taxes on gasoline and fewer environmental regulations. Although I support our environmental regulations, and want clean air for my grandchildren, they do make it harder to compete with stations just across the state line; I invest more in my facilities, and the cleaner gas I sell costs me more to buy. Until recently, however, we were able to meet those obligations and compete as a successful, independent, family-owned business. With the rising price of gasoline, I don't know how long that will continue.

Before I go further, let me clarify a common misunderstanding about how gas stations work. Everyone knows that prices at the pump have been going up, but not everyone understands that gas station owners don't set prices independently. We set our prices based on what we pay for the gas we sell. We make very small margins on gas, and rely largely on other products that you buy at the gas station — everything from a can of oil to a cup of coffee. When you pay more to fill up your tank, it's because the station owner paid more to fill up his station's tank.

Most recently, the effects of Katrina have been felt very deeply by all business owners. The effect on the fuel and transportation industry is worse than anything I can remember since the gas crisis in the 1970s. In the 1970s, the retailers were all given fuel allotments at the same price. In 2005, as an independent station, our cost to *purchase* fuel is 20 to 40 cents more than the cost at which our branded competitors are *selling* their fuel. This puts us out of business. I recently purchased regular gas at \$3.49 per gallon, which was the best price I could get, but had to sell it at \$3.19 per gallon simply to move my inventory. That means I lost 30 cents for every gallon I sold, even as

customers rightly complained to me about the high prices. Our distributors literally suggested that we temporarily go out of the gas business. We have managed to keep it going, but our sales dropped from 2,500-3,000 gallons per day to as low as 550 gallons per day. You can imagine what an 80% decline in sales does to a business.

We're struggling to keep our family business alive and lucrative for generations to come. At this rate, that's impossible. My daughter, Ayda, has managed the business for the last 13-plus years, and several years ago she had to start a second career because of the uncertainty in the gas industry. I hope that, by being here today, I can help explain the difficulties that gas station owners face, and that you can make America work better for small business owners like us. Thank you for your time. I appreciate the opportunity to summarize my feelings on this issue.