



## AAA Mid-Atlantic's Testimony in SUPPORT of SB 220 Gas Price Gouging Act

*Sponsor: Senator Kagan*

- AAA Mid-Atlantic **supports** [SB 220](#), which, as drafted, would require all retail service stations in Maryland to post a specified sign stating the highest price or both the cash price and the credit price for a whole measurement unit of regular gasoline sold on the premises.
- After the gas light on the dashboard turns on or whenever gas prices rise, many motorists “shop with their steering wheel” to avoid running out of gas or to find the cheapest pump prices around. Consumers and motorists alike have long complained about filling stations, fuel retailers, and convenience stores along the interstate, at the intersection, or on the corner that attempt to lure customers into their self-serve gas kiosks by posting misleading signs about gas prices for different grades of fuel.
- Yet the signs posting the credit or debit card prices, which are generally higher, are often substantially smaller. Even worse, according to published news reports, these signs are “difficult to read and visible only once the motorist has pulled into the gas station.”
- This is tantamount to a baiting technique. Many consumers view this as “deceptive advertising at the fuel price signs.” It is dual pricing, to say the least.
- The truth is, such price signage is misleading. These signs misrepresent the cost of gasoline at the self-serve kiosks.
- SB 220 seeks to remedy this in the State of Maryland by requiring sign uniformity at gasoline stations. It would require the highest price or the credit price and debit card price, to be prominently displayed at retail sites selling motor fuels.
- Consumers loathe advertising gasoline prices in an unclear manner. It is a form of “dual pricing.” Is it any wonder that many consumers find the practice deceptive? Some call it “false advertising.” That is because, as one journalist observes, “the small lettering that says ‘cash price’ isn’t particularly visible to passing motorists.” That is the rub.
- After fueling up at more than 150,000 retail sites selling motor fuel across the country, Americans consumed an average of about 391.40 million gallons of gasoline per day in 2018 alone. Convenience stores sell about 80% of all fuel sold in the United States, according to the National Association of Convenience Stores (NACS).
- Gas pumps are ubiquitous across the landscape. This explains, in part, why Americans are so conscious of the cost of gasoline above all other consumer prices. Stated differently, says NACS, “Gasoline prices are among the most recognizable price points in American commerce.”
- During 2019, the annual average pump price for a gallon of self-serve unleaded regular gasoline was \$2.61. The average annual price point in the decade of 2010-2019 was \$2.897 per gallon.
- Research reveals, “drivers fill up an average of 4.5 times per month, with the average fuel purchase amounting to more than \$30 per transaction.” On average, Maryland residents rack up 13,866 miles on their odometers each year. That’s the average miles traveled per driver in Maryland.
- Depending upon the annual average price of a fill-up of regular unleaded gasoline, Americans spend five to seven percent of their income on gasoline purchases.

- Across the state of Maryland, spending on gas represented a larger share of low-income earners than high-income earners in the state.
- Most major gas stations, filling stations, convenience stores, and big box stores in the state of Maryland, where the state gas tax is 35.3 cents per gallon, accept credit cards or debit cards, as is the case across the United States.
- Nearly nine out of ten Americans, and nearly 90% of Marylanders, use a credit card or a debit card to purchase gas or diesel fuel at self-serve kiosk, according to an August 2019 study.
- In fact, research shows “more than half, or [51 percent](#), of Americans use debit cards, rather than credit cards, as their primary payment method at the pumps.”
- In contrast, 37% of consumers in the United States use credit cards to make their fuel purchases.
- Yet in terms of the form of payment for fuel, only 4% of the gasoline purchased at filling stations across the country is paid for with cash. The vast majority of consumers prefer pay-at-the-pump service. Up next: voice-enabled gas pumps, which will empower consumers to pay for gasoline without pulling out a credit card or a debit card.
- However, consumers are confused when they pull into a service station with prominent price indicator display signs indicating a cheaper price point than competing gas stations in the area, only to see another much smaller sign advertising the more expensive credit card price or debit card price.
- These filling stations actually have two price points for a gallon of fuel. A higher credit price and a lower cash price. However, the price advertised on the larger and often more prominent overhead gas station price signage reflects the cash price, while the lower sign advertises the credit card price.
- Consumers are confused, and often, fooled by the price on the big sign. At many service stations, especially at so-called “low-cost gas stations,” the price point differential between the cash price and the credit card price can vary as much as five to ten cents a gallon.
- Some gas stations offer discounts for customers who use cash instead of credit. Their rationale for doing this is “offsetting the processing fees they are being charged by charged by credit card companies every time their customers swipe a card.”
- Although such signs are currently legal in Maryland, they are also deceptive and misleading. Many consumers view this technique as “false advertising.”
- It is one of the most irritating things to motorists. Gas stations on different corners of an intersection often sell gasoline at competing price points. Consumers continue to voice concerns about gas stations that use deceptive road signs to lure customers.
- Under current law in Maryland, only the lowest price must be stated. An exemption from the existing signage requirement for retail service station dealers who operate with up to three dispensing units and six combined nozzles is also repealed in SB 220.
- Nearly 40 million Americans fill up their vehicles every day. Gasoline purchases account for approximately 5% to 6% of consumer household spending per year. Consumers shouldn't be deceived about the price they will pay until they spot the credit card price on smaller signs. The new requirement mandated by SB 220 would apply to all retail service station dealers in Maryland.
- If enacted and signed into law, SB 220 would take effect on October 1, 2020. **AAA supports SB 220**, and we respectfully urge the Committee to render a favorable report.

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