SB 354

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 354 (Senator Ruben, *et al.*)
Finance

Business Regulation - Registration of Service Station Dealers and Sale of Gasoline Products

This bill extends to October 1, 2004, the conditional prohibition on the State Comptroller from issuing a certificate of registration to any service station dealer who markets motor fuels through retail service stations that have been structurally modified between July 1, 1977, and October 1, 2000. The bill also changes the date after which any motor fuel producer, refiner, or wholesaler who supplies retail station dealers must extend voluntary allowances uniformly to all dealers to September 30, 2004.

Fiscal Summary

State Effect: None. The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The prohibition on the issuance of the aforementioned certificates of registration expires October 1, 2000. There are two exceptions to the prohibition:

- if the station contains an enclosed area to work on automobiles; and
- the station offers basic auto services such as battery charging, oil changes, tire repair, etc.

The date the voluntary allowances are to begin is September 30, 2000.

Background: The certificate of registration prohibition and the voluntary allowance law have always been introduced and passed separately until this bill, which merges the two. *Certificate of Registration Prohibition:* When this law was first passed, in 1977, there was concern over the petroleum industry's trend away from local full-service gas stations and towards the "quick-stop" or "gas-n-go" type facilities, often run by large corporations. It was believed that such a trend would be bad for communities since it is assumed that the corporations would be far less community oriented and responsive than locally owned full-service stations. This law was originally passed to try to slow down this trend, which continues today in a slightly different form. The emerging trend is for a multi-corporate facility, combining a national fast-food eating facility with a national fuel facility.

Voluntary Allowances: Voluntary allowances are discounts suppliers offer retailers. It is often the case that company owned retailers get more and better discounts than independent service stations.

Small Business Effect:

Certificate of Registration Prohibition: The bill extends the protection smaller service stations have been receiving from the law. Since 1977, smaller retailers have been the main beneficiary of legal protection from corporate competition. The main cost of this protection has been and will continue to be for the consumer in the form of reduced choice and higher prices.

A second cost will be carried by some firms who had made plans based on current law. Since the law could be changed very near the current law expiration date, it is reasonable to assume that some businesses may have made plans and incurred costs related to those plans based on the current law dates. For those businesses that may have done this, their plans are no longer valid and the costs incurred are unrecoverable.

Voluntary Allowances: Any service station that is not affiliated with a major supplier may pay a higher price for its fuel. This will vary for each station as discount allowances are also based on the quality of customer and other factors independent of station ownership.

Additional Information

Prior Introductions: None in this form, although Chapter 772 of 1998 contained the voluntary allowance provision extended in the bill.

Cross File: HB 998 (Delegate Harrison, *et al.*) - Economic Matters.

Information Source(s): Comptroller's Office (Motor Fuel Tax Division), Department of

Legislative Services

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Analysis by: Brian D. Baugus

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510