

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 392

(Senator Exum)

Finance

Economic Matters

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

This bill repeals the expiration date of the conditional prohibition on the Comptroller issuing a certificate of registration to a retail service station dealer who markets motor fuel through a retail service station that has been altered, enlarged, or structurally modified after July 1, 1977. The bill also repeals the requirement that, after September 30, 2009, each producer, refiner, or wholesaler of motor fuel who supplies motor fuel to retail service station dealers extend all voluntary allowances uniformly to all retail service station dealers supplied.

Fiscal Summary

State Effect: None. The bill does 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, 2009. Stations that contain an enclosed automobile service area and offer basic services such as battery charging, oil changes, tire repair, and specified other services are exempted from the law. Stations that lacked enclosed work areas before being altered are also exempt.

Mandatory uniform “voluntary allowances” begin September 30, 2009.

Background: When this law was passed in 1977, there was concern about the petroleum industry's trend away from local full-service gas stations and toward the "quick-stop" or "gas-n-go" type facilities, often run by large corporations. The belief was that the trend was bad for communities and locally owned full-service stations. The law was passed to slow this trend, which continues today in a slightly different form. The current trend is for a multi-corporate facility, which combines a nationally recognized fast-food restaurant with a branded gas station.

Voluntary allowances are discounts that suppliers offer retailers. Company-owned retailers are more likely to receive discounts than independent service stations.

Chapter 380 of 2004 extended the provisions addressed by this bill from October 1, 2004 and September 30, 2004 to October 1, 2009 and September 30, 2009, respectively. Chapter 521 of 2000 extended the provisions from 2000 to 2004.

Small Business Effect: The bill makes permanent certain protections against corporate competition that smaller service stations have been receiving under the law. The main cost of this protection will continue to be for the consumer in the form of reduced choice and higher prices.

Another cost may be carried by some firms who had made plans to alter or expand their stations based on the current prohibition terminating October 1, 2009. It is reasonable to assume that some businesses may have made plans and incurred costs related to those plans.

However, any service station that is not affiliated with a major supplier may continue to pay a higher price indefinitely for its fuel. This varies by station as discount allowances are also based on customer quality and other factors independent of station ownership.

Additional Information

Prior Introductions: None.

Cross File: HB 377 (Delegate Feldman) - Economic Matters.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2009
mcp/mcr Revised - Senate Third Reader - March 25, 2009
Revised - Enrolled Bill - May 7, 2009

Analysis by: Michael T. Vorgetts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510