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Vt. fuel dealers join delegation asking for funds

By [Bruce Edwards](#) Herald Staff

A delegation of fuel dealers from the Northeast will meet with U.S. Department of Treasury officials today seeking help as dealers try to cope with a credit crunch that could restrict their ability to purchase home heating oil.

Matt Cota of the Vermont Fuel Dealers Association is a member of the delegation traveling to Washington to make their case for federal intervention that would free up the credit markets.

When the price of crude oil was on its way to \$160 a barrel this summer, fuel oil dealers bought futures contracts for winter delivery at the same time customers were locking into the dealers' pre-buy programs.

But with the foundering economy, oil prices have plummeted to below \$60 a barrel leaving dealers and many customers saddled with higher-priced heating oil.

While there is a plentiful supply of heating oil available this winter, Cota said access to credit could become a serious problem if fuel oil dealers find themselves unable to purchase more fuel from their wholesalers.

He said many dealers used much of their available credit to buy futures contracts for the winter heating season.

Compounding the problem is tighter credit at the wholesale level.

"It used to be back in the day when oil was a lot cheaper and the numbers were smaller, that wholesalers really acted as a bank to the retailers," Cota said.

He said many wholesalers today require fuel dealers to put up personal guarantees as part of any credit arrangement.

Help is available through the U.S. Small Business Administration, up to a \$2 million in a low-interest loan guarantee. But Cota said that requires a bank to

cover 25 percent of the loan with the SBA guaranteeing 75 percent.

However, he said unless banks are willing to take the risk, dealers won't be able to access the SBA loan program.

The fuel dealers asked to meet with U.S. Treasury Secretary Henry Paulson. Instead, they will meet today with lower-level department officials.

The delegation will ask officials to come up with a mechanism where the government guarantees or backs up the 25 percent not guaranteed by the SBA.

Cota said fuel dealers are not asking for a bailout and consider their request as a short-term fix to get through the heating season.

"What we're saying is here is an opportunity for the Treasury to step in within an existing program that helps out small businesses, help those local banks make that 25 percent," he said.

Cota also said dealers could buy their way out of their high-priced futures contracts but again he said for that to happen dealers need access to capital.

The delegation also includes Chris Keyser of Owner Services in Proctor, Shawn Cota of Cota & Cota in Bellows Falls, Shane Sweet of New England Fuel Institute and representatives from New Jersey and Connecticut.

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