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Fuel prices hurt station owners

*By Matt Sutkoski
Free Press Staff Writer*

Vermont gas station and convenience store owners say they are being squeezed by the spiraling cost of gasoline at least as much as the customers who are grumbling over pricey fill-ups.

Thursday, the average price for a gallon of gas in Vermont was \$3.50, up from \$2.83 a year ago, according to AAA. The rising prices do not translate into higher profits for gas station owners.

Service-station gasoline revenue is based on the number of gallons sold, not the price of the fuel. No matter how high gasoline prices go, the convenience store's take remains the same.

Factor in credit-card transaction fees, employee costs and drive-offs, and some stations might not be making any money at all on gasoline.

Tim Troville, owner of Tim's Ethan Allen Mobil in Burlington's New North End, said he makes about 4 cents a gallon from gasoline sales. In a week's time recently, that amounted to \$156, he said. At midweek, he was selling regular gas for \$3.54 a gallon, the same as other stations in the area.

Unlike most gas stations, Troville's station is full-service, meaning he must pay one of his mechanics to pump gas every time somebody rolls up to the pumps. "I don't make money on gas. I probably lose money," Troville said.

Troville said some of his customers are elderly and prefer full-service stations, which have become rare. The main source of his income is the repair shop. The full-service gas pumps help build customer loyalty, which could translate into more business, he said.

Troville said he doubts the state of affairs with pricing will change soon, so he'll have to swallow any losses he incurs from gasoline sales.

At The Bay Store in St. Albans, co-owner Kyle Fersing said he thinks he makes about 3 cents a gallon on gasoline. That's in a good week, when nobody pumps gas into their car, then roars off without paying.

Things aren't much better inside The Bay Store. Fersing said prices on staples like bread, milk and beer also are rising sharply. A loaf of bread that sold for 99 cents a year ago is now closer to \$3, he said. "Everybody's crying all the time, including me, and there's nothing we can do about the prices," Fersing said.

People keep buying food, and that's what is keeping him afloat; and since the store is next to St. Albans Bay, he's bolstered his line of fishing equipment. Despite the challenges with gas prices and inflation, he said The Bay Store revenues are holding steady.
National trend

Diversification is the way most convenience store owners nationwide are coping with the gas price squeeze, said Jeff Lenard, spokesman for the Alexandria, Va.-based National Association of Convenience Stores.

"Stations either need to evolve or get out. The status quo is really not an option," Lenard said. Stores are putting more effort into selling deli sandwiches, coffee and other items with relatively high profit margins. The stores are also making the buildings more appealing to consumers. "It's not the old mini-mart that looks like a gas station. It's really stores that don't have any right angles in them."

Convenience stores must ensure they offer high-quality food and other items, otherwise the effort won't work, Lenard said. "The downside is if you do it badly, you're just going to go out of business faster," he said.

On the Run, a large convenience store and gas station in St. Albans, seems to be an example of the adjustments Lenard describes. The store opened in August 2006 just off Interstate 89 Exit 19. The store has a large coffee bar, wide aisles, seating and a deli, and it offers Wi-Fi computer access.

The store's design and services are meant to draw more people in and make the store a more welcoming place to buy gas, said Joe Sibley, the store manager. "We keep it very clean and we offer a lot of services," he said.

On the Run is owned by R.L. Vallee, which is both a distributor of gasoline and the operator of a chain of convenience stores in Vermont. Sibley said everyone is feeling the pain of high gas prices, including the store owner.

On the Run makes a profit of about 3 cents per gallon of gas. The store also is enduring an increasing problem with drive-offs, despite the security cameras trained on cars next to the gas pumps. Sibley said authorities rarely apprehend the gas thieves.

Customers at On the Run regularly complain about soaring prices at the pumps, and all clerks can do is sympathize. "We're kind of feeling the same way. We all have to buy gas ourselves," he said.

Regional, worldwide

Local distributors, known as jobbers, like R.L. Vallee and S.B. Collins aren't raking in huge profits, either, said Mark Cota, executive director of the Vermont Fuel Dealers Association. The distributors must buy gasoline from wholesalers, and often try to find the best deals, much like a homeowner would look for the best prices on home heating oil.

Some contracts have prices locked in for a time, and jobbers must gamble that such deals will still allow them to make a profit amid rapidly shifting oil and gas prices.

Distributors often hire contract analysts to gain expertise on obtaining the best prices for supplies and to help them set prices they charge to gas stations, Cota said.

Also, high diesel prices are affecting distributors as they bring gasoline to service stations, Cota noted. Average diesel fuel prices in Vermont were \$4.42 a gallon Thursday, up from \$2.93 a year ago.

Cota places the blame for high gasoline prices on forces outside of Vermont. He said he thinks global oil trading by speculators could be responsible for as much as \$1 of the price of gasoline at the pump. Investors are buying oil and other commodities as a refuge from a weak American dollar, he noted.

And he wonders if there is a dark side to all that global trading.

"Can we prove there's manipulation and shenanigans going on? No," Cota said. "But speculation and possible manipulation has got to be stopped."
Contact Matt Sutkoski at 660-1846 or msutkosk@bfp.burlingtonfreepress.com
