

Hawaii State Report

State Legislature

At this writing the Hawaii state legislature is still in session. Our legislators initially proposed a bill to eliminate fossil fuel for transportation in Hawaii by 2045. Eventually they decided that was not reasonable and that there should instead be a study of it; fortunately, that proposed study has also been killed.

A bill to eliminate USTs within 100 yards of the shoreline due to the impending (!) rising sea level is still around but Hawaii marketers are working hard to grandfather in existing tanks or, with any luck, the bill will die before the session ends in early May.

Federal Issues

Of more concern are developments at a federal level, in particular a couple of draft regulations that, if enacted, will have a significant negative impact on our convenience store businesses. First, the minimum wage for exemption from overtime. The Department of Labor proposal to increase the exemption level from \$23,660 to \$50,440 will affect many convenience store managers. Store managers will either have to be given raises to \$50,440 or they will have to be made hourly employees and will earn overtime. The cost to our industry will be significant, but the negative perception of employees being “demoted” to hourly is also a concern.

The second item of concern are the proposed changes to the SNAP (Supplemental Nutrition Assistance Program) or food stamps program. The Food & Nutrition Service has proposed new rules for the program that make major changes to retailer eligibility requirements. In particular, the changes require retailers to carry significantly more eligible food items (while reducing the items that are eligible) and block retailers from participation if more than 15% of the store’s sales are items that are “cooked or heated on-site before or after purchase.” The impact of the proposed changes would be that the vast majority of convenience stores would be ineligible to accept SNAP. This would be major blow to store owners and to the customers who need the service.

Chevron Hawaii Sale

Chevron recently announced that its Hawaii assets will be sold to private equity company One Rock Capital Partners. Chevron’s Hawaii assets comprise a 58,000 barrels per day refinery, 4 fuel terminals, and interests in 58 retail stations. The retail will be rebranded to the Texaco brand. The assets have been on the market for over 18 months and the deal is expected to close later in 2016. The Hawaii market has undergone major changes in recent years with Tesoro selling its assets to Par Petroleum, Aloha Petroleum being acquired by Sunoco, and now this transaction. It will be interesting to watch developments.