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"Changes in Our Membership"

The petroleum industry plays a crucial role in our economy.

Not only do changes in gasoline/diesel prices affect consumers directly, but the price and availability of these products influence many other economic sectors. No other industry's performance is more deeply felt, and no other industry is so carefully scrutinized by the Federal Trade Commission (FTC). Recent events highlight the importance of the petroleum industry to consumers and the U.S. economy. Despite these fluctuating prices, the demand for gasoline and diesel is very strong. Price can fluctuate greatly depending on the demand and supply. Most of our refineries are running at full capacity. If this capacity is altered in any way, such as a refinery going down for maintenance, fire, or upgrade for new government requirements, the supply can be altered in a specific region - causing spikes in quantity. There have been times when one-fourth of the US refining capacity was not operating. In the periods immediately following Hurricane Katrina and Rita, gasoline prices rose sharply to \$3.00 per gallon or more in many markets.

The retail sale of gasoline and convenience store food and items is intensely competitive and increasingly dominated by large regional and national distributors, including independent dealers and the marketing arms of large national and multinational oil companies such as ExxonMobil, Chevron, Shell and others. Because gasoline and diesel are a commodity item, the fuel is priced with a very thin profit margin, giving large retailers with access to cheaper supplies through volume purchasing a cost advantage and a pricing strategy.

As a result of past economic events, increased governmental regulation, and the changing times, merger mania has not been limited to refiners only. Many of our WPMA members have been merged, purchased or sold. Why all the buyouts and mergers? There are several factors that encourage companies to sell, merge or acquire other companies themselves, including the following:

◆ **ANTICIPATED economies** of scale from the combining or eliminating of operations

◆ **GEOGRAPHICAL expansion**

◆ **BRAND and PRODUCT** line expansion

◆ **PURCHASING market** share and revenues

◆ **COST reduction** by removing owner prerequisites and eliminating duplicate distribution channels and sales forces

◆ **INCREASING profit margins** by using increased volume to squeeze concessions out of suppliers

◆ **BUYING access** to new markets and new products

◆ **BRINGING professional** management skills to the table

These are ever-changing times for you and for WPMA. The association is striving to change and adapt with our membership during these times of increasing mergers and buy-outs. Our membership is always a work in progress, and WPMA is continually working to meet our members' needs through these ever-increasing changes.