



California Service Station and Automotive Repair Association

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April 5, 2007

The Honorable Mark Desaulnier
California State Assembly
State Capitol
Sacramento, CA 95814

Dear Assembly Member Desaulnier:

As you may know, the California Service Station and Automotive Repair Association (CSSARA) is made up of both branded and unbranded independent service station retailers. In the last several years there has been a move to consolidate the industry.

The control that major oil has had over the wholesale price of product has created what we in the industry know as "inverted rack." This inversion occurs when unbranded gasoline made by the major oil companies, which traditionally sells for approximately 20 cents per gallon cheaper than a branded product, actually becomes more expensive. As a result many privately owned unbranded stations have branded up with a major oil company in order to secure supply and also because there is no advantage to their being unbranded.

The many stations that are now independently owned, and those that are independently operated by franchise agreements, should be able to sell state approved alternative fuels such as E85 and biodiesel. However many of the oil companies' supply contracts and franchise agreements prohibit the retailer from marketing anyone else's fuel. This has become of paramount concern in our state where we now have over 300,000 flexi-fuel vehicles registered.

In order for small business to move into the next century and market alternative fuels, we need legislation that would help us to offer such alternative fuels to the public. I am asking if you have an interest in helping with an endeavor to introduce legislation that would mandate that both branded and unbranded, franchised and privately owned, petroleum retailers be allowed to market state approved alternative fuels. I know that you have a keen interest in cleaning our air. Such legislation would not only allow small business to move into the future of fuel retailing but would also be desirable and convenient for consumers who also wish to improve air quality.

Thank you for considering this matter.

Sincerely,

Dennis DeCota
Executive Director