

Approved 2-4-92  
Date

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Representative Herman G. Dillon at  
Chairperson

1:32 ~~a.m.~~/p.m. on January 28, 1992 in room 519-S of the Capitol.

All members were present except:

Representative Vernon Correll - Excused

Committee staff present:

Hank Avila - Legislative Research  
Tom Severn - Legislative Research  
Bruce Kinzie - Revisor of Statutes  
Jo Copeland - Committee Secretary

Conferees appearing before the committee:

Dick Brewster - AMOCO Oil Corporation  
Betty McBride - Director, Division of Vehicles

Chairman Dillon entertained a motion to approve the January 15th, 16th and 21st minutes. Representative Reinhardt made the motion to approve minutes. Representative Gross seconded it. Motion carried.

**Testimony - House Bill 2628 - Kansas Motor Fuel Marketing Act.**

Chairman Dillon called on Dick Brewster who testified in opposition of HB 2628. (Attachment 1)

Questions and discussion followed.

Chairman Dillon appointed a sub-committee on HB 2628. Representative Gross, Representative Webb and Representative Crowell.

Due to lack of time, Hearings on SB 489 will be heard tomorrow - January 29, 1992.

House Bill 2434 - Registration of antique vehicles, exclusions.  
House Bill 2482 - Mailing notice of security interest on motor vehicles.

Chairman Dillon called on Betty McBride, Director of Division of Vehicles to brief the Committee on HB 2434 and HB 2482. (Attachment 2)

Representative Shallenburger made the motion to pass House Substitute Bill for HB 2482 favorable. Representative Reinhardt seconded. Motion carried.

The Committee discussed an amendment that was adopted in 1991 on HB 2434. However, due to many questions which were raised on the measure the Committee decided to postpone action until a later date.

Meeting adjourned at 3:05 P.M.

GUEST LIST

COMMITTEE: HOUSE TRANSPORTATION COMMITTEE

DATE: 1-28-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Ken Clark	Topeka	Division of Vehicles
Rick Scherbe	Topeka	: K DOR Vehicles
Betty McBride	Topeka	KDOR Vehicles
Donald Feltner	Deer KS	H B Amoco
Ken M. Babin	Wichita	Rock Road Amoco
Earl Rout	Wichita KS	Earl Rout Amoco
Scott McLernon	Wichita	Sweetwater Amoco
John Reents	Wichita KS	John's Amoco
Harold Clarke	Wichita KS	Clarke oil co in
Rebecca Rein	Topeka	Amoco
Gary Triplett	Salina	Triplett Inc
Earl Mueller	Marion	Parde oil Inc
Elaine Mueller	"	" "
P MADILL	TOPEKA	KCC
John Lewis	TOPEKA	SUPER STOP INC
Wack J. Ginder	Topeka	Quality Petro Co Inc.
Craig Hoffman	Topeka	Quality Gas + Shop, Inc
Glenn D Cogswell	Topeka	R L Peck & Co.
Ken Bahr	Topeka	Ks. Petroleum Council
Tom Whitaker	Topeka	Ks Motor Carriers Assn
Brown Potter	Topeka	Potter Mat. Inc
Charles Hickey	Topeka	KOMA
Wm. McKigan	Olathe	Carter Petroleum
Brad Nelson	Topeka	GAS + STOP C-Store
Ed Haselwood	Berryton	Haselwood Oil



REMARKS TO:

KANSAS HOUSE COMMITTEE ON TRANSPORTATION

On:

MOTOR FUEL MARKETING

House Bill No. 2628

January 28, 1992

By:

E. R. Brewster, Director:  
Public and Government Affairs

AMOCO CORPORATION

*House Transportation  
1-28-92  
ATTACHMENT 1*

*1-1*

Mr. Chairman, Members of the Committee, my name is Dick Brewster. I am Director of Public and Government Affairs for Amoco Corporation, and appear today in opposition to House Bill 2628.

I do want to make some comments about the bill itself, but first the Chairman has asked that I discuss gasoline marketing with you in more general terms. Please understand at the outset that I can speak for marketing by Amoco Oil Company only. In addition, please understand that when I discuss pricing scenarios with you, I am being hypothetical. The numbers I use are intended to reflect general practices, not specific prices or policies on any given day.

Amoco Oil Company gets its motor fuel to the Kansas motoring public in three ways:

Type of Outlet	Number	Mkt-Share
Company Owned and Operated Stations	8	10%
Independent Dealers	66	60%
Independent Jobbers	53*	30%

\* These 53 Amoco-branded jobbers have about 90 retail Amoco stations.

Each of these outlet types is supplied in a slightly different manner. The price to dealers and jobbers, typically, differs, with the jobber receiving what we refer to as a "functional discount."

The jobber performs certain function in the distribution process, and of course, needs to be able to make a profit. Surveys indicate that before the price disruptions caused by the Middle-East conflict, the average difference between the "rack" price (jobber buying price) and the "street" price (average retail) was around 14 cents per gallon. Since the onset of that conflict, and even today, the gasoline marketplace has been extremely competitive and volatile. We all hope it will settle down soon.

Let me address our concerns about House Bill 2628. It is not clear as to just how "cost of doing business" is to be determined. And, it seems to me, it really creates an uneven playing field. Each business man or woman operates a business in a slightly different manner. Even if each person along the distribution chain purchased the gasoline for the same price (and of course they do not), their differing "cost of doing business" would result in a different "floor" price for their operation.

This observation leads to my second concern: one shared by the courts in Alabama, where an almost identical bill was passed. The subjectivity of this standard led the court there to strike as unconstitutional the section shifting the burden of proof and the creation of a prima facie case. (The section was found to violate the state constitution's chapter on civil rights.)

The Alabama Court also noted that even though the statute provided that it was a violation of the law to sell below cost if the effect were to injure competition, as does H. B. 2628, a defense of lack of intent to injure competition was permitted.

I am very concerned about the charge that we are trying to run the independent jobbers out of business. As I said earlier, they handle 30 percent of our product volume in Kansas, and it would be silly of us to try to destroy them. Understand that we are very concerned about their future. We need them. We want them to be able to stay in business.

I am also concerned about the charge that we are going to drive the price up once they are gone. You have heard that there are areas in Kansas which are not supplied by jobbers, and these areas are where prices are lowest. Thus, even where jobbers are not a factor in the market place, competition between and among the other marketers keeps the price down. The gasoline market is diminishing each year. We are all driving more efficient vehicles. The only way for us to maintain and increase our market share is to compete. I have no knowledge of what is alleged to have happened in Europe. But in the United States, such a conspiracy as you heard alleged last week would be a flagrant violation of the federal anti-trust laws.

This bill, or any proposal that attempts to guarantee survival for any segment of this or any other business, can only drive the price up. It will have a chilling effect on competition, and the consumers will pay more as the result. Today, Americans, and certainly Topekans, are paying less for motor fuel than they did 50 years ago. The free market is working to the benefit of the consumer. Let's keep it that way.

We hear very little about the consumer when we discuss this bill. We do hear that the consumer will ultimately suffer, once the jobbers are out of business, and the majors have captured the market. I hope I have spoken to that question. It just will not happen. The majors are not the force driving down the price of the gasoline in Kansas.

Mr. Chairman, Members of the Committee, I will be glad to answer any questions you might have. I appreciate your time and attention. Once again, it is my pleasure to appear before a committee of the Kansas House, a body in which my service remains one of my most treasured memories.

STATE OF KANSAS

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Department of Revenue  
*Division of Vehicles*

To: The Honorable Herman Dillon, Chairman  
House Committee on Transportation

From: Betty McBride, Director, Division of Vehicles  
Department of Revenue

Date: January 28, 1992

Subject: Proposed legislation

The Department of Revenue's proposed legislative package includes two bills which are carry over bills from last year. We respectfully request that the bills be introduced and given favorable consideration by your committee. A brief synopsis of each of the proposed bills is given below.

HB 2434 Amends K.S.A 8-166 and 8-167 to clarify the definition of antique vehicle, and limit the use of such vehicle if the vehicle is registered as an antique and displays an antique license plate. In the last year the Division registered approximately 1,400 passenger vehicles and 2,300 trucks as antique. This bill would require antique vehicles to have essentially the same equipment as the original equipment for that year, make and model of vehicle, and limit the use of the vehicle to non-commercial uses.

HB 2482 Amends K.S.A 8-135 to limit the mailing of the lienholder copy of the title to Kansas financial institutions only. This bill will end the current practice of sending copies of the title application to out-of-state lienholders, at a cost of \$1.50 per copy. Although treasurers bill the lienholder for the \$1.50, out-of-state lienholders seldom pay it, and the county must absorb the cost.

House Transportation  
1-28-92  
ATTACHMENT 2

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