

## **SB 714... opportunity for franchise, independent service station dealers in Northern Virginia to keep their businesses**

Virginia's remaining franchise service station dealers are in Northern Virginia. SB 714 is sponsored by Senator Janet Howell along with 20 additional Senators and Delegates from Northern Virginia, from both political parties.

**HISTORY:** Just over 10 years ago, the vast majority of service stations throughout Virginia were owned by major oil companies (refiners) who leased the stations to independent dealers entering into a franchise agreement with the oil company. Since that time, big oil decided to divorce themselves of real estate and sold or assigned the leases of stations operated by franchise, independent dealers. Of nearly 2,500 independent franchise dealers, there are now less than 200... all located in Northern Virginia.

### **OVERVIEW:**

A franchise, independent service station dealer will have a first right of refusal, an opportunity to purchase his station:

- if and only if the refiner/major oil company (franchisor) chooses to sell or assign the lease of the station.
- if a bona fide offer has been received by the refiner for the station

If the oil company leases the land from a third party, the land lease shall be assigned to the dealer purchasing the station.

If a refiner wishes to "bundle" a number of stations for sale, the oil company is to allocate a portion of that price to allow the dealer a first right of refusal on the property.

Supply agreements for motor fuel are separately negotiated.

**WHY NEEDED: OVER 150 COMMUNITY BASED SERVICE STATIONS MAY HAVE THEIR BUSINESSES SOLD OUT FROM UNDER THEM.**

There are approximately 150 franchise dealers in Northern Virginia, "branded" under Shell, Sunoco or Exxon/Mobil. These independent dealers are joined by approximately 2,500 of their employees, all concerned with their economic future.

Motiva (Shell) has started appraising Northern Virginia Shell stations, a first step in their sale. In responding to Shell dealer concerns about the loss of their stations, Motiva's Senior Legal Counsel responded that

- (1) Shell had no plans to offer the dealers an opportunity to purchase their stations
- (2) Shell would not negotiate with a dealer to purchase his station nor afford the retailer a first right of refusal, simply because Shell was not obligated to do so.

After making millions of dollars for the oil companies, franchised dealers deserve the opportunity to continue their business, IF their landlord/refiner opts to sell or assign the service station.

(over please)

**SB 714 Expected Opponents...** Major Oil/Refiners and Some Jobbers/Distributors

*Oil Companies may argue “these are our stores,” suggesting a property rights issue.*

- SB 714 does NOT require them to sell their property unless the oil company wants to

*Oil Companies may suggest this is contrary to their economic interests.*

- SB 714 simply assures the dealer a first right of refusal. Oil companies will NOT be required to sell stations below bona fide offers they may receive. Whether the store is purchased by a long time dealer or a third party, the oil company still profits.

*Oil Companies may suggest SB 714 prevents their “bundling” the sale of stations and is thus contrary to the refiner’s economic interests.*

- SB 714 does NOT prevent an oil company from “bundling” stations for sale. It simply says that if the properties are bundled, the dealer is to be given a first right of refusal to purchase his station at a bona fide price.
- Simple economics... Selling individual stations will produce higher profits for those selling the property.

*Some may suggest SB 714 will “disrupt” supply system.*

- To reduce costs from changing brands, most dealers will prefer to stay the same brand... allowing the oil company to continue to profit from the sale of that brand.
- Giving the dealer, as a new owner, the ability to negotiate supply agreements will increase competition. For the first time, the dealer will be able to compare prices between the oil company and/or the jobber/distributor of the same or different brand.

*Some jobbers/distributors are concerned that SB 714 could be expanded beyond refiners/oil companies.*

- SB 714 has been carefully worded to it only involves service station dealers with a franchise agreement with a refiner/oil company. The law defines “franchisor” as a refiner or major oil company... and clearly does NOT include jobbers or oil distributors.

*A few jobbers/distributors suggest SB 714 may interfere with the jobber/distributor’s expansion.*

- If and when a dealer actually purchases his station from an oil company, most will turn to established jobbers/distributors to negotiate supply agreements. Those new supply agreements will expand the jobber’s business.
- A small number of jobbers may oppose SB 714 in that not providing the dealer with a first right of refusal may make it easier for the jobber to buy the dealer’s station. If so, one may ask that same jobber of their reaction if somebody sold their business out from under them.

**SB 714 gives the few remaining franchise service station dealers an opportunity to survive and continue their main source of income for their families. After years of serving their oil company, it’s an opportunity they deserve.**

(Information distributed by Virginia Gasoline Marketers Council, represented by The Keeney Corp.)