10-22-1982

Report on Permits Self-Service Dispensing of Motor Vehicle Fuel at Retail (State Measure 4)

City Club of Portland (Portland, Or.)

Let us know how access to this document benefits you.

Follow this and additional works at: http://pdxscholar.library.pdx.edu/oscdl_cityclub

Part of the Urban Studies Commons, and the Urban Studies and Planning Commons

Recommended Citation
http://pdxscholar.library.pdx.edu/oscdl_cityclub/563

This Report is brought to you for free and open access. It has been accepted for inclusion in City Club of Portland by an authorized administrator of PDXScholar. For more information, please contact pdxscholar@pdx.edu.
REPORT ON
PERMITS SELF-SERVICE DISPENSING OF MOTOR VEHICLE FUEL AT RETAIL
(State Measure No. 4)

Purpose: "Only owners, operators and employees of filling stations, garages and
other places where motor vehicle fuel is sold may now pump
gasoline and other flammable fuels for retail sale. Measure re­
quires State Fire Marshal to adopt safety rules, effective on or
after March 1, 1983, allowing retail customers and others to fill
with gasoline and other motor vehicle fuels (except liquid petro­
leum gas) vehicle fuel tanks and other containers."

I. INTRODUCTION AND BACKGROUND

Self-service dispensing of gasoline has been illegal in Oregon since
1959, when a law was passed which declared self-service dispensing of Class
I flammable liquids (including gasoline) to be "hazardous" and, therefore,
prohibited; diesel fuel (which is not a Class I flammable liquid) was not
included. Only one other state (New Jersey) prohibits self-service gaso­
line dispensing.

Bills have been introduced in the 1975, 1977, 1979, and 1981 sessions
of the state legislature to repeal this law and permit self-service gaso­
line dispensing. None of the bills passed. In all but one case, the bills
were tabled in committee.

This year a coalition made up of consumer groups, independent oil com­
panies, and two major oil companies, gathered sufficient signatures to put
the question before the voters as Measure 4. Oregon sponsors of the initi­
ative include the Oregon Grange, the Agricultural Co-op Council, and the
Oregon/Washington Farmers Union.

The concept of self-service is vigorously opposed by the Oregon Gaso­
ligne Dealers Association,* representing the state’s independent dealers —
those who own their stations or lease from an oil company and purchase
their gas from the oil company or from a wholesaler/jobber.

Self-service gasoline historically has been supported by various con­
sumer groups and by the smaller oil companies, which primarily operate
gasoline-only stations. In Oregon, two major oil companies have added
their support: Atlantic Richfield and Shell Oil.

* Prior to City Club review the Oregon Gasoline Dealers Association filed
suit in Marion County to invalidate the certification of Measure 4 by the
Secretary of State. The lawsuit was based on alleged irregularities in
signature-gathering for the petitions. In a preliminary ruling in early
September, the Circuit Court held that the alleged irregularities, even if
proven, would not affect the validity of the election. Plaintiffs have
requested the Oregon Supreme Court to review that ruling. Because the
lawsuit was based on process and not on the substance of the issue, your
Committee decided that consideration of the lawsuit was outside the scope
of its charge.
The ballot measure has these provisions:

1. repeals the current law;
2. substitutes a statement permitting self-service dispensing at places which comply with safety rules of the State Fire Marshal;
3. directs the Fire Marshal to adopt safety regulations governing self-service dispensing;
4. continues the current prohibition of coin-operated pumps;
5. continues controls on use of automatic nozzles; and
6. continues prohibition of self-service dispensing of liquid petroleum gas (propane).

II. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

1. All states except New Jersey and Oregon allow self-service. Sixty percent of the gas pumped in the nation is self-service.

2. There is no experience in other states to show a fire hazard. Insurance rates are the same for self-service and full service, indicating no additional risk with self-service. Adequate protection against fire hazard exists in Measure 4 because it outlines the Fire Marshal's responsibility in setting standards for self-service pumps.

3. In every state where it is permitted, self-service gas is cheaper than full-service. It is cheaper, in relation to full-service, than Oregon's mini-service.

4. There is no hard evidence from other states to show a significant job loss because of self-service gas. In fact, there is evidence of a shift of jobs from one part of the business to another.

5. Self-service gasoline offers more choices to the consumer. It allows the market to determine how gasoline is sold.

III. ARGUMENTS ADVANCED AGAINST THE MEASURE

1. In Oregon, self-service gas was outlawed because of fire hazard. A serious fire hazard still exists.

2. Self-service has not resulted in cheaper gas in other states, and it will not be cheaper than the current mini-service system in Oregon which already produces a lower-cost choice.

3. As many as 2,000-4,000 jobs in gas stations could be lost because of self-service gasoline. Teenagers would be particularly hard hit.

4. Without the assistance of a service station attendant, motorists will neglect oil, water, and tire pressure checks resulting in car maintenance problems.

5. Major oil companies and distributors will use self-service as a tool to move into retailing on a larger scale. By cutting prices and raising lease fees, the major oil companies and the distributors will be able to squeeze independent dealers out of business.

6. Most, if not all, full-service stations will become self-service, thereby limiting the consumers' range of choice.
7. Self-service gasoline would reduce or eliminate mini-service, thereby limiting handicapped and elderly persons to the more expensive full-service gasoline.

IV. DISCUSSION

Your Committee discussed the pros and cons of Measure 4 in five general areas: safety, cost, jobs, the role of oil companies, and accessibility.

A. Safety

This ballot measure repeals a 1959 Oregon law stating that self-service dispensing of gasoline is hazardous. Although opponents believe that self-service is more hazardous than full-service, there was no evidence presented to the Committee that fire hazard is greater in self-service stations. In fact, insurance rates show no differential between self-service and conventional stations. The Oregon Fire Marshal's Department, which is neutral on the ballot measure, told your Committee that they feel the measure allows them enough control to effect the National Fire Protection Association's Flammable and Combustible Liquids Code, relating to attendant requirements, shut-off switches, dispensing devices, pump operating instructions, and warning signs prohibiting smoking and dispensing gasoline into other than approved containers. In the states that allow self-service, 60 percent of the gasoline pumped is by self-service. Your Committee believes that danger is a "non-issue" - self-service appears to be no more hazardous than full-service.

B. Cost of Gasoline

Proponents told your Committee that self-service will result in a lowering of gasoline prices. Opponents, on the other hand, say that mini-service has already reduced prices and that self-service will not result in a significant price difference.

The Lundberg Report, noted as the most reliable source of data on prices by both proponents and opponents of the measure, gives comparable price data for 38 U.S. cities. Two comparisons are made in the Lundberg Report. The first is "average margin," which is the difference between the wholesale price (to the dealer) and the retail price (to the consumer). The average margin excludes federal, state, and local taxes. In comparing Portland to other U.S. cities (see Table I) it appears that there is a higher markup in price for mini-service than for self-service in other cities. Proponents claim that this would be decreased with self-service which would lower prices.

Table I

<table>
<thead>
<tr>
<th></th>
<th>Regular</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Leaded</td>
<td>Unleaded</td>
</tr>
<tr>
<td>Bakersfield</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA</td>
<td>F 19.90</td>
<td>23.95</td>
</tr>
<tr>
<td></td>
<td>S 4.56</td>
<td>7.76</td>
</tr>
<tr>
<td>Boise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID</td>
<td>F 19.26</td>
<td>19.97</td>
</tr>
<tr>
<td></td>
<td>S 6.65</td>
<td>8.75</td>
</tr>
<tr>
<td>Denver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO</td>
<td>F 19.32</td>
<td>21.19</td>
</tr>
<tr>
<td></td>
<td>S 2.18</td>
<td>6.16</td>
</tr>
</tbody>
</table>

The second comparison in the Lundberg Report is on the "average price differential" which is the price spread between the retail cost of full-service and self-or mini-service gasoline. Table II illustrates that difference in Portland and eight other western cities. Portland has a lower average difference. Proponents argue that this is proof that mini-service prices could go lower if self-service is legalized. Opponents say that this reflects higher full-service prices, not lower self-service prices.

### Table II

**AVERAGE PRICE DIFFERENTIAL (IN CENTS)**

<table>
<thead>
<tr>
<th>City</th>
<th>Regular Ledd Unleaded</th>
<th>Premium Ledd Unleaded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Las Vegas NV</td>
<td>22.75 25.27</td>
<td>23.51 26.04</td>
</tr>
<tr>
<td>Phoenix AZ</td>
<td>22.02 24.10</td>
<td>24.10</td>
</tr>
<tr>
<td>Portland OR</td>
<td>15.55 18.91</td>
<td>21.82 21.84</td>
</tr>
<tr>
<td>San Diego CA</td>
<td>20.38 22.15</td>
<td>19.96 22.47</td>
</tr>
<tr>
<td>San Francisco CA</td>
<td>18.97 21.53</td>
<td>21.25 22.06</td>
</tr>
<tr>
<td>Seattle WA</td>
<td>22.29 24.14</td>
<td>24.33 25.34</td>
</tr>
</tbody>
</table>

F = Full-Service  
S = Self-Service  
*mini-service

Extracted from the Lundberg price/margin report, survey July 9, 1982.

Comparing price differentials or average margins from city to city is extremely difficult. In addition to labor costs, transportation costs, and state and local taxes, factors such as competition, seasonal variation in prices, location of the station, and supplies and blend of the gasoline must be taken into account. It is not as simple as buying a gallon of gas in one location and comparing it to a gallon of gas in a nearby station.
Without an extensive research effort in the pricing practices, transportation and labor costs, and competitive environment of adjacent states, your Committee is unable to state with certainty that there will be a significant price drop with self-service. However, the experience in other states with self-service indicates that self-service can increase competition which could lead to lower prices.

C. Jobs

Opponents of self-service believe the loss of jobs would be detrimental to an already depressed Oregon economy. Considering the type and size of station, and depending on how the stations would be attended, the potential loss of jobs in Oregon, opponents claim, could be between 2,000 and 4,000. Proponents state that lost jobs are usually transferred to other types of related jobs: auto service centers and tune-up shops, accessory stores added to self-service stations, new self-service gas stations, convenience stores, and existing stations with increased hours of operation. Supporters also add that the regulations on self-service would require an attendant to be at each station.

The only hard evidence on employment was received from Oregon Legislative Research, comparing Oregon's annual gasoline station employees with four other states for the years 1972-77 (see Table III). The year in which self-service was legalized is indicated in parentheses.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado (1973)</td>
<td>9,663</td>
<td>9,981</td>
<td>9,845</td>
<td>10,231</td>
<td>9,734</td>
<td>9,686</td>
</tr>
<tr>
<td>Florida (1974)</td>
<td>28,200</td>
<td>27,600</td>
<td>25,000</td>
<td>26,800</td>
<td>26,500</td>
<td>25,600</td>
</tr>
<tr>
<td>Indiana (1973)</td>
<td>19,375</td>
<td>19,296</td>
<td>16,643</td>
<td>17,268</td>
<td>17,909</td>
<td>18,480</td>
</tr>
<tr>
<td>Oregon (illegal)</td>
<td>8,186</td>
<td>7,425</td>
<td>6,715</td>
<td>7,686</td>
<td>7,774</td>
<td>7,876</td>
</tr>
<tr>
<td>Washington</td>
<td>10,872</td>
<td>10,168</td>
<td>8,945</td>
<td>10,031</td>
<td>9,967</td>
<td>10,050</td>
</tr>
</tbody>
</table>

Source: Legislative Research Memo 78:103

Employment in all five states dropped in 1973, following the oil embargo which resulted in wholesale closure of service stations throughout the nation. Employment stabilized thereafter in all states, regardless of self-service.

The question of job losses was an important issue in your Committee's discussion. The evidence suggests that, although there may be shifts in jobs from one segment of the business to another (pumping gas to convenience stores), there appears to have been no large scale loss of jobs in other states directly related to self-service.
D. Oil Companies vs. Independent Business People

Opponents told your Committee that the recent trend of oil companies and gasoline distributors entering the retail market has concerned many independent gasoline dealers. Self-service, they said, would accelerate this move.

Service station owners derive a higher profit from accessory sales (tires, batteries, etc.) than from gasoline sales. Self-service gasoline would, your Committee was told, mean a decline in these types of sales because person-to-person contact between motorist and station attendant would decline. However, in response to a question, ballot measure opponents did say that some of this decline has already occurred in Oregon with mini-service.

Your Committee has sympathy for the fears of the independent business people, but we were unable to conclude that self-service represents a threat. Data was not available on the change in station ownership in other states after self-service was legalized, although your Committee attempted to obtain those figures.

What was presented to your Committee was the statement that, since the oil embargo, many stations have closed as gasoline prices increased and demand decreased. This has been true in Oregon as well as in other states, in many states that time period coincided with the introduction of self-service gas.

Oil company representatives contend that self-service is a marketing technique which the major oil companies want to use because it is popular in other states. Consumers, they say, like self-service because it is cheaper. The oil companies, the representatives said, are looking for ways to meet the demand for cheaper gas.

Your Committee found no hard evidence that self-service gas means the loss of independent business. It would appear that, using pricing mechanisms and lease prices, oil companies so inclined could already acquire all the stations they want to. Self-service will not change the existing opportunities.

E. Accessibility

The issue of accessibility is two-fold: the continuing availability of full-service and accessibility for seniors and handicapped. Both are answered by figures from other states which show that, after self-service was legalized, 60 percent of the stations continued full service either exclusively or as a "split-island" (a station with both full and self-service) (see Table IV). In fact, totally self-service stations were in the minority.

Proponents point out that the United Seniors, an Oregon seniors group, support the measure, implying that accessibility is not an issue for them. None of the witnesses interviewed could recall an example of a state with existing mini-service converting to self-service. It appeared, to your Committee, unlikely that all three options would be maintained. However, the accessibility issue in other states has not been, according to the information presented, a major problem.
Table IV
WHERE GASOLINE WAS SOLD (1981)

<table>
<thead>
<tr>
<th>Type of Outlet</th>
<th>Weighted Number (a)</th>
<th>Weighted Percentage (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Split Islands</td>
<td>59,392</td>
<td>35.3%</td>
</tr>
<tr>
<td>Full Service</td>
<td>44,754</td>
<td>26.6%</td>
</tr>
<tr>
<td>Self Service</td>
<td>29,946</td>
<td>17.8%</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>17,500</td>
<td>13.2%</td>
</tr>
<tr>
<td>Car Care</td>
<td>6,896</td>
<td>4.1%</td>
</tr>
<tr>
<td>Car Washes</td>
<td>3,701</td>
<td>2.2%</td>
</tr>
<tr>
<td>Truck Stops</td>
<td>1,514</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>163,707 (b)</td>
<td>100.1%</td>
</tr>
</tbody>
</table>

(a) Weighted averages were obtained from NPN questionnaires and were extrapolated to reflect the industry as a whole based on 1981 population trends.
(b) This total includes 151,250 service stations, as defined by the U.S. Census Bureau, and an estimated 17,000 convenience stores selling gasoline in 1981.

Source: 1982 National Petroleum News Factbook Issue

Your Committee concluded that Measure 4 would make self-service available without sacrificing access to full-service for those who desire it.

V. CONCLUSION

Balancing the evidence on both sides, your Committee concluded that the factor of cost is the one that tipped the scales. We found no evidence that there was a safety hazard, no evidence that there would be a significant loss of jobs or loss of independent business. In the absence of evidence that self-service gas represents a threat to the safety of the public or the economy of the state, the possibility of lower gasoline prices makes self-service gas an attractive option.

VI. RECOMMENDATION

Your Committee, therefore, recommends that the City Club support a "Yes" vote on State Measure 4 in the November 1982 general election.

Respectfully submitted,

Kristi Halvorson
Ruthann Mogen
James T. McGill
Martha Stuckey
Peggy Bird, Chairman

Approved by the Research Board on September 9, 1982 for transmittal to the Board of Governors. Received by the Board of Governors on September 20, 1982 and ordered published and distributed to the membership for discussion and action on October 22, 1982.
APPENDIX A
Persons Interviewed

Wayne Bowlby, President, Oregon Gasoline Dealers Association
Jane Cease, State Representative
Joe Dixon, Northwest Pump
Pat Franzen, Chief Deputy Fire Marshal, State of Oregon
Bob Knepper, AAA/Automobile Club of Oregon
Mary Merritt, AAA/Automobile Club of Oregon
Janet Rathe, Secretary, Oregon Consumer League
Ed Reilly, Vice President, Marketing, Atlantic Richfield Co.
George Starr, former State Representative, Oregon State Grange Representative
Harian Zeek, Shell Oil dealer

APPENDIX B
Bibliography

Publications
"Now, the No-Service Station," Time, Aug. 22, 1977
"Gas Stations of Future will be scarce and you'll serve yourself," Christian Science Monitor, March 12, 1981

Documents and Correspondence
Legislative Research Report 78:103 "Self-Service Gasoline Station,"
Legislative Research Office, Salem, Oregon
Correspondence between Senator Charles Hanlon and Wayne Bowlby, March 1977