

February 2011

MICHIGAN PETROLEUM ASSOCIATION
MPAMACS
MICHIGAN ASSOCIATION of CONVENIENCE STORES



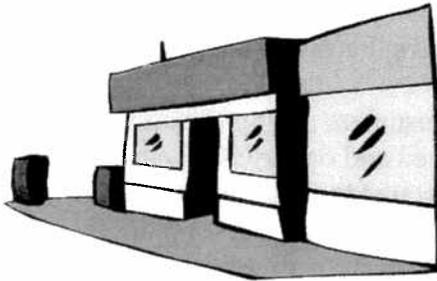
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The Michigan Petroleum Association (MPA) has been serving the state's independent petroleum marketers since 1934. MPA was incorporated by a group of petroleum distributors who believed that by promoting a cooperative spirit and encouraging group effort, marketers across the state could best achieve their common goals.

The Michigan Association of Convenience Stores (MACS) was established by MPA in 1986 to serve the interests of the state's c-store industry on the legislative front and in other matters of concern to c-store operators. In 1996,



truckstop operators, service station operators, and retail/wholesale providers of propane were invited to join MPA/MACS and benefit from the Association's services and expertise.



MPA/MACS counts 500 companies as members, with over 1,500 retail locations. Our members employ over 15,000 people statewide in all of Michigan's 83 Counties.

The "average" gas station/convenience store is a major partner for the State of Michigan when it comes to the collection and payment of State Taxes. Please keep in mind that **most of these taxes are prepaid to the State, not just passed along** and collected from the customer.

The average gas station/convenience store pays about \$140,500 per year in cigarette taxes. They pay \$25,500 per year in sales tax on those cigarettes. The average gas station/convenience store pays to the State about \$170,360 per year in gasoline motor fuel taxes and about \$31,930 per year in diesel motor fuel taxes. They also pay about \$141,670 and \$35,970 per year in sales tax on gasoline and diesel fuel respectively.



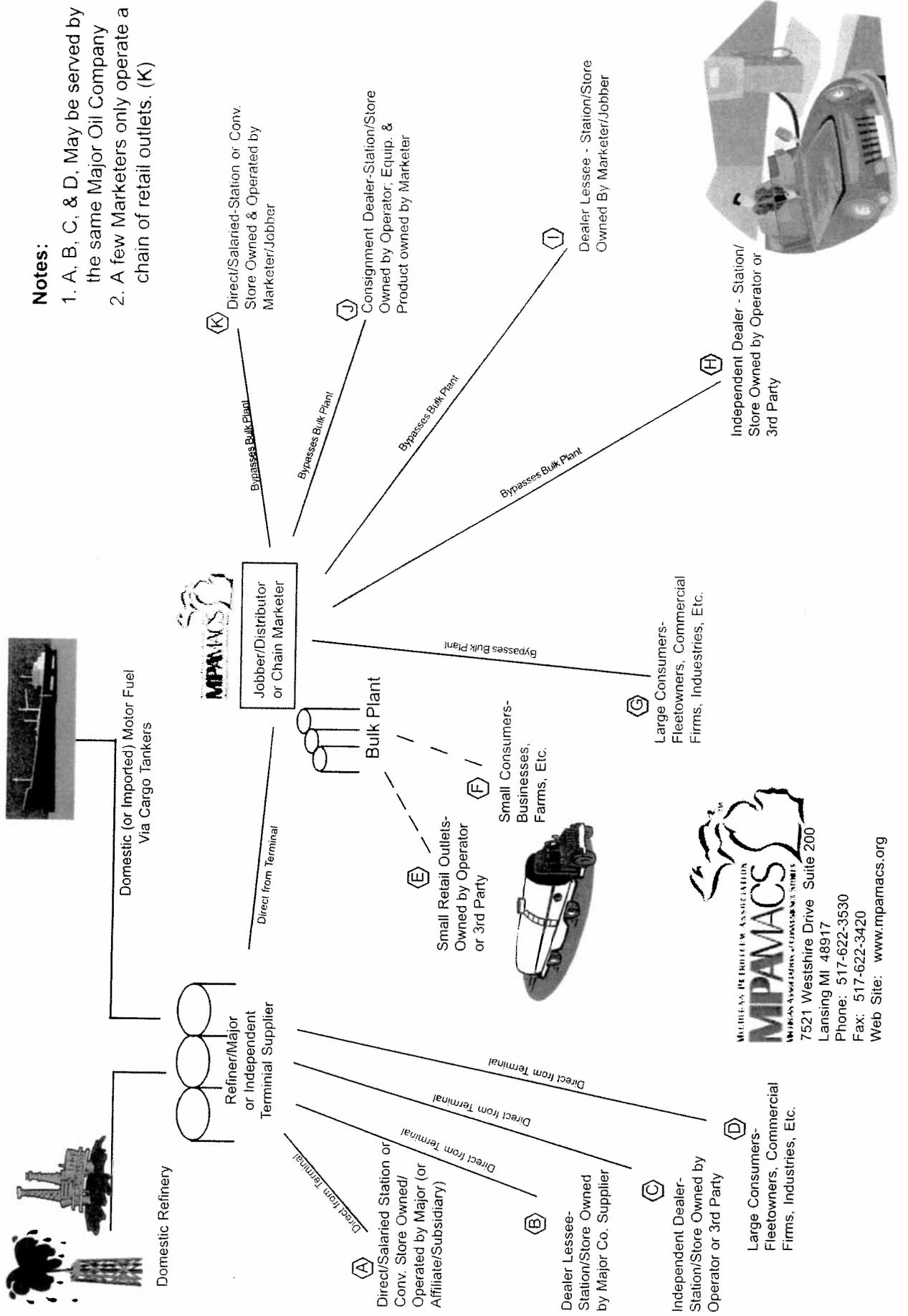
All told, the average gas station/convenience store pre-pays about **\$545,930 per year** and **as an industry we pay over \$2,675,057,000** to the State just on cigarette and motor fuel sales. Obviously this does not include sales or use taxes on other items sold in the store, income taxes, etc. We pre-pay an **additional \$1,062,896,000 to the Federal Government in gasoline and diesel motor fuel taxes.** **Total taxes on motor fuel exceed \$2,924,456,000 per year. 53.2 cents per gallon for gas/56.3 cents for diesel.**

PETROLEUM TERMS, VOLCABULARY AND OTHER BORING FACTS!

1. **Transport** – A large “18 wheeler” type of truck, consisting of a tractor and a tanker trailer. Usually has more than 18 wheels and in Michigan can carry 13,800 gallons of fuel. Most states allow only about 8,000 gallons of fuel.
2. **Tank wagon** – Sometimes called a pedal truck, it is a smaller straight truck with a tank attached. Usually about 4,000 gallons. Primarily used for fuel oil, farm and commercial account deliveries.
3. **The Rack/Point of Collection** – This is a mechanical piping system where transport or tank wagon trucks are loaded with fuel. It is the point in the fuel distribution system that all taxes are collected. Wholesalers and retailers prepay the Federal motor fuel, State motor fuel and State sales taxes on the motor fuel in advance at the time of purchase from Major Oil. In essence they are the first taxpayer.
4. **Producer** – Companies that drill and extract crude oil from the ground.
5. **Refiner** – Companies that refine crude oil into products like gasoline and distillates (diesel, kerosene, mineral spirits). This is the domain of “Major Oil.” Major oil can be a producer, refiner, distributor, and a retailer in the same market. However in Michigan refiners have fled retail, except for Marathon which owns Speedway. Flying J and Murphy Oil are also examples of refiner retailers here.
6. **Wholesaler** – Sometimes called jobbers or marketers. They traditionally purchase fuel from the refiner and deliver it to a variety of end users. I.e. Dealers, Farmers, Factories, etc. Often times Wholesalers are also Dealers.
7. **Dealers** – Companies that sell motor fuel directly to consumers at a “gas station.” It is important to note that over 92% of all gas stations are locally owned and operated. Even though they may be branded as a major oil brand, they are just typically franchisees. They are no more a major oil company than they are big pop, big candy, big food...other products and brands they sell.
8. **Taxes on Fuel** - Federal Motor Fuel Taxes are 18.4 cents for gasoline and 24.4 cents for diesel. State Motor Fuel Taxes are 19.0 cents for gasoline and 15.0 cents at the pump for diesel. Michigan also has a 6% sales tax (One of only 7 or so States).
9. **Diesel** - Commercial diesel users that purchase it elsewhere are also required to submit 6 cents per gallon to Michigan through IFTA. Total taxes on diesel fuel usually exceed total gasoline taxes per gallon, due to sales tax and the higher retail price of diesel fuel.
10. **Border Competition** – Because we charge sales tax on diesel at the pump, over 100 million gallons of diesel are bought outside Michigan, but consumed here. We send truckers to Indiana about 1 million times per year due to our tax policy.
11. **Taxing Taxes** - Michigan applies sales tax to the Federal tax but not State taxes on fuel.
12. **Typical Dealer Gross Sales** - Gasoline accounts for approximately 70% of gross sales in the typical gas station/convenience store. Of the remaining 30% of gross sales, cigarettes accounts for approximately 35% of that, the rest is pop, candy, food, etc.
13. **Cost of Business** - The cost of business in a typical gas station/convenience is about 8.7% nationally, in Michigan it is about 9.1% of the retail price.
14. **Refined Petroleum Fund** - Michigan also charges petroleum wholesalers and retailers .00875 cents per gallon as a regulatory fee for an environmental program shut down in 1995. Even though the bonds for this program have long been paid off, the State has siphoned off these funds for other purposes. Approximately \$50 million per year is used for other purposes than helping those who pay the fee cleanup underground storage tanks as originally intended.

MOTOR FUEL DISTRIBUTION

(Simplified Flow Chart)



FUELING MICHIGAN: KEY FACTS AND FIGURES – March 11, 2011

- Michigan has approximately 4,800 licensed gas stations, about 175 wholesalers, and 1 refinery.
- We sold about 4.4 billion gallons of gasoline and 1.0 billion gallons of distillates (diesel) in 2010.
- We pre-paid about \$2.9 billion dollars in motor fuel taxes in 2010.
- The typical gas station sells about 915,000 gallons per year; 76,000 per month; 2,500 per day.
- Stations routinely buy fuel more frequently than in the past to hedge against the extreme volatility we see today. It is not unusual for fuel to be delivered C.O.D..
- It is not unusual for a station to sell gasoline below its net cost to attract customers in a hypercompetitive market.
- In 2009 typical gross margins for Michigan stations were 9 cents per gallon, while net margins were -6.5 cents per gallon.
- In 2010 typical gross margins for Michigan stations were 11.1 cents per gallon, while net margins were -5.4 cents per gallon.
- From 2009 to 2010, the average rack price increased 22.27%. So far in 2011, it has gone up an additional 19.5%
- From 2009 to 2010, the average retail price increased 18.32%. So far in 2011, it has gone up an additional 16.02%.
- Crude oil prices increased 29.99% on average from 2009 to 2010. In 2011, they have gone up on average an additional 15.78%.
- Nationally, crude oil accounts for about 68% of the cost of a gallon of gasoline. Taxes are 14%, refining 7% and post refinery about 10%.
- In Michigan as of March 11, 2011 taxes were averaging 16.6% of the cost of a gallon.
- The total tax on motor fuel in Michigan has risen on average from 49.6 cents per gallon to over 56.9 cents per gallon on March 11, 2011. This increase annualizes out to about \$365 million dollars more for the State of Michigan.
- Motor fuel tax collection for Michigan rose 1.49% for the fiscal year ending September 2010.
- Average sales tax per gallon rose an additional 19.93%.
- Michigan ranks in the top six states for total taxes per gallon on gasoline and in the top 9 on diesel fuel.
- Credit card fees on a gallon of gasoline averaged 5 cents per gallon in 2010. This fee is paid by the station to its credit card transaction processor.
- Stations often follow competitors by literally looking out their window and following their price up or down. If you are off your competitor's price by more than 2 cents per gallon it is not unusual to lose sales volume by 20% per hour.
- Sometimes a market will restore to a point of breakeven or profitability. Usually this is in conjunction with a rack increase and a market that has severe negative net margins.
- Gas price and petroleum resources on line:
<http://www.nacsonline.com/gasprices>
<http://www.api.org/statistics>
<http://www.eia.gov>

2011 Cost Price Analysis

		Gasoline Component Summary	
3/8/2011	3/11/2011		
		Summary (Average Cost)	
2.839	2.855	Product	
0.561	0.569	Taxes	
0.199	0.202	Shipping & Handling	
3.599	3.625	Total Cost	
3.489	3.639	Retail	
(0.110)	0.014	Margin (+/-)	

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2011 Cost Price Analysis

			Gasoline Component Totals Comparison	
3/8/2011	3/11/2011			
\$2.83900	\$2.85450	Product Only		
0.02	0.02	Freight		
0.184	0.184	Fed Motor Fuel Tax		
0.19	0.19	State Motor Fuel Tax		
0.00875	0.00875	Michigan UST Fee		
3.24175	3.25725	Subtotal		
\$0.18674	\$0.19523	Michigan Sales Tax		
\$3.428	\$3.452	Subtotal		
0.1074	0.1074	Cost of Business		
0.063	0.066	Credit Card Fee		
\$3.599	\$3.625	Total Cost of Product		
\$3.489	\$3.639	Retail		
-\$0.110	\$0.014	Margin (+/-)		

Cost Price Chart

		2010		2011	
		2009	2010	Current	% Change
Lansing Area Averages Comparison				Avg	From 2010 Avg
Average Rack		\$ 1.7450	\$ 2.1336	\$ 2.5501	19.52%
Average Retail		\$ 2.3549	\$ 2.7864	\$ 3.2327	16.02%
Average Crude		\$61.1475	\$79.4874	\$92.0304	15.78%
Average Tax		\$ 0.4965	\$ 0.5210	\$ 0.5462	4.85%
Average Sales Tax		\$ 0.1225	\$ 0.1470	\$ 0.1722	17.19%
Average CC Fee		\$ 0.0424	\$ 0.0502	\$ 0.0582	16.02%
Average Total Cost		\$ 2.4201	\$ 2.8408	\$ 3.2906	15.83%
Average Margin		\$ (0.0652)	\$ (0.0545)	\$ (0.0579)	6.36%
Retail vs RTXF		\$ 0.0933	\$ 0.1118	\$ 0.1164	4.09%
Rack Tax Freight		\$ 2.2616	\$ 2.6745	\$ 3.1163	16.52%
			\$ 0.4130		18.26%
			\$ 0.0244		4.92%
			\$ 0.0244		19.93%
			\$ 0.0078		18.32%
			\$ 0.4207		17.39%
			\$ 0.0108		-16.51%
			\$ 0.0185		19.87%
			\$ 0.4130		18.26%

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Cost Price Chart

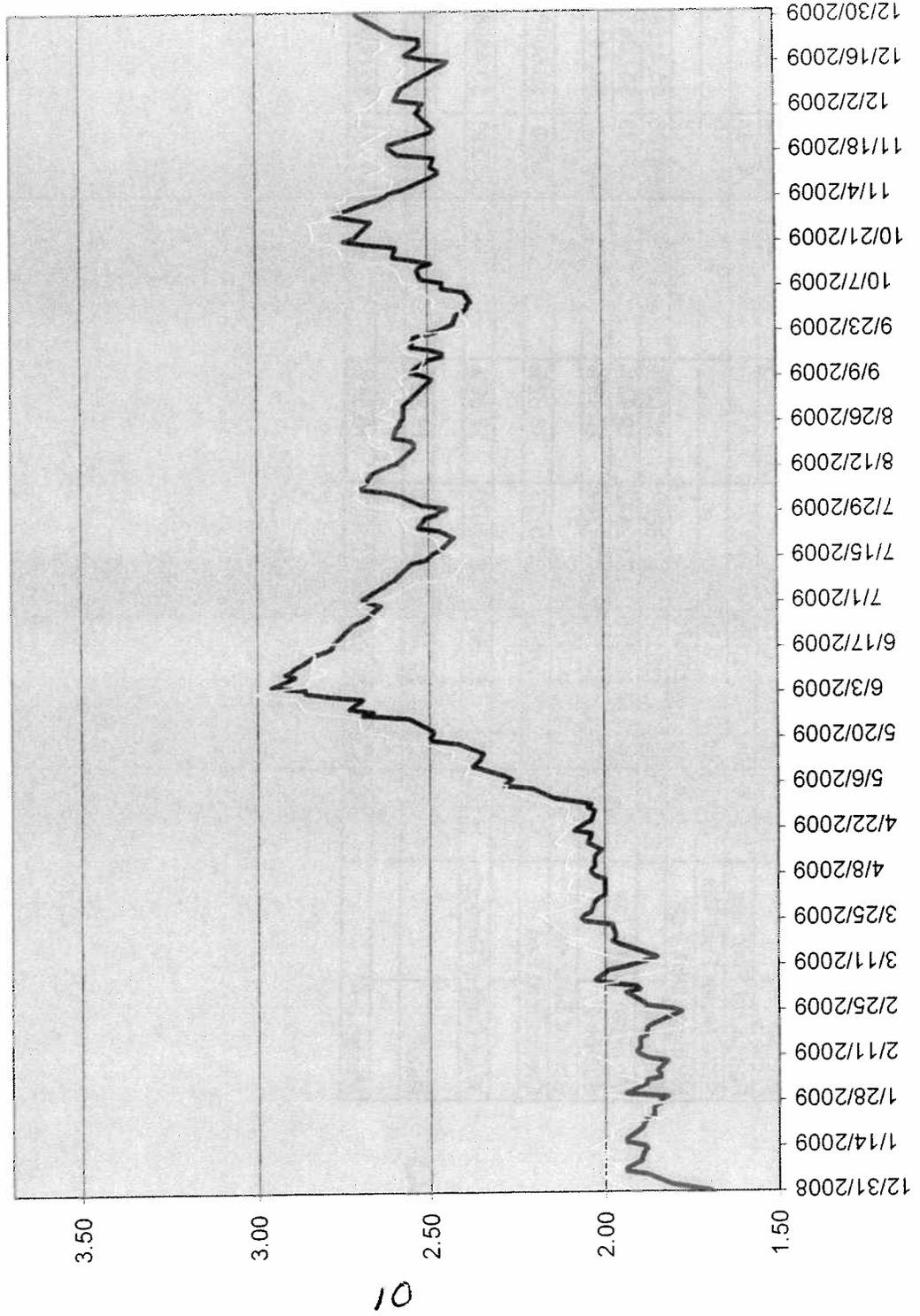
Gasoline Component Summary		2009	2010			2011		
Summary (Average Cost)								
Product		1.745	2.134	\$0.38854	22.27%	2.550	\$0.41651	19.52%
Taxes		0.497	0.521	\$0.02442	4.92%	0.546	\$0.02527	4.85%
Shipping & Handling		0.179	0.186	\$0.00777	4.35%	0.194	\$0.00803	4.31%
Total Cost		2.420	2.841	\$0.42073	17.39%	3.291	\$0.44981	15.83%
Retail		2.355	2.786	\$0.43150	18.32%	3.233	\$0.44635	16.02%
Margin (+/-)		(0.065)	(0.054)	\$0.01077	-16.51%	(0.058)	-\$0.00346	6.36%

Cost Price Chart

Gasoline Component	Totals Comparison			Difference	% Change	2011	Difference	% Change
	2009	2010	2011					
Product Only	\$1.74501	\$2.13355	\$2.55006	\$0.38854	22.27%	\$2.55006	\$0.41651	19.52%
Freight	0.02	0.02	0.02			0.02		
Fed Motor Fuel Tax	0.184	0.184	0.184			0.184		
State Motor Fuel Tax	0.19	0.19	0.19			0.19		
Michigan UST Fee	0.00875	0.00875	0.00875			0.00875		
Subtotal	2.1477614	2.536303	2.9528125	\$0.38854	18.09%	2.9528125	\$0.41651	16.42%
Michigan Sales Tax	\$0.12254	\$0.14696	\$0.17223	\$0.02442	19.93%	\$0.17223	\$0.02527	17.19%
Subtotal	\$2.270	\$2.683	\$3.125	\$0.41297	18.19%	\$3.125	\$0.44177	16.46%
Cost of Business	0.1074	0.1074	0.1074			0.1074		
Credit Card Fee	0.042	0.050	0.058	\$0.00777	18.32%	0.058	\$0.00803	16.02%
Total Cost of Product	\$2.420	\$2.841	\$3.291	\$0.42073	17.39%	\$3.291	\$0.44981	15.83%
Retail	\$2.355	\$2.786	\$3.233	\$0.43150	18.32%	\$3.233	\$0.44635	16.02%
Margin (+/-)	-\$0.065	-\$0.054	-\$0.058	\$0.01077	-16.51%	-\$0.058	-\$0.00346	6.36%

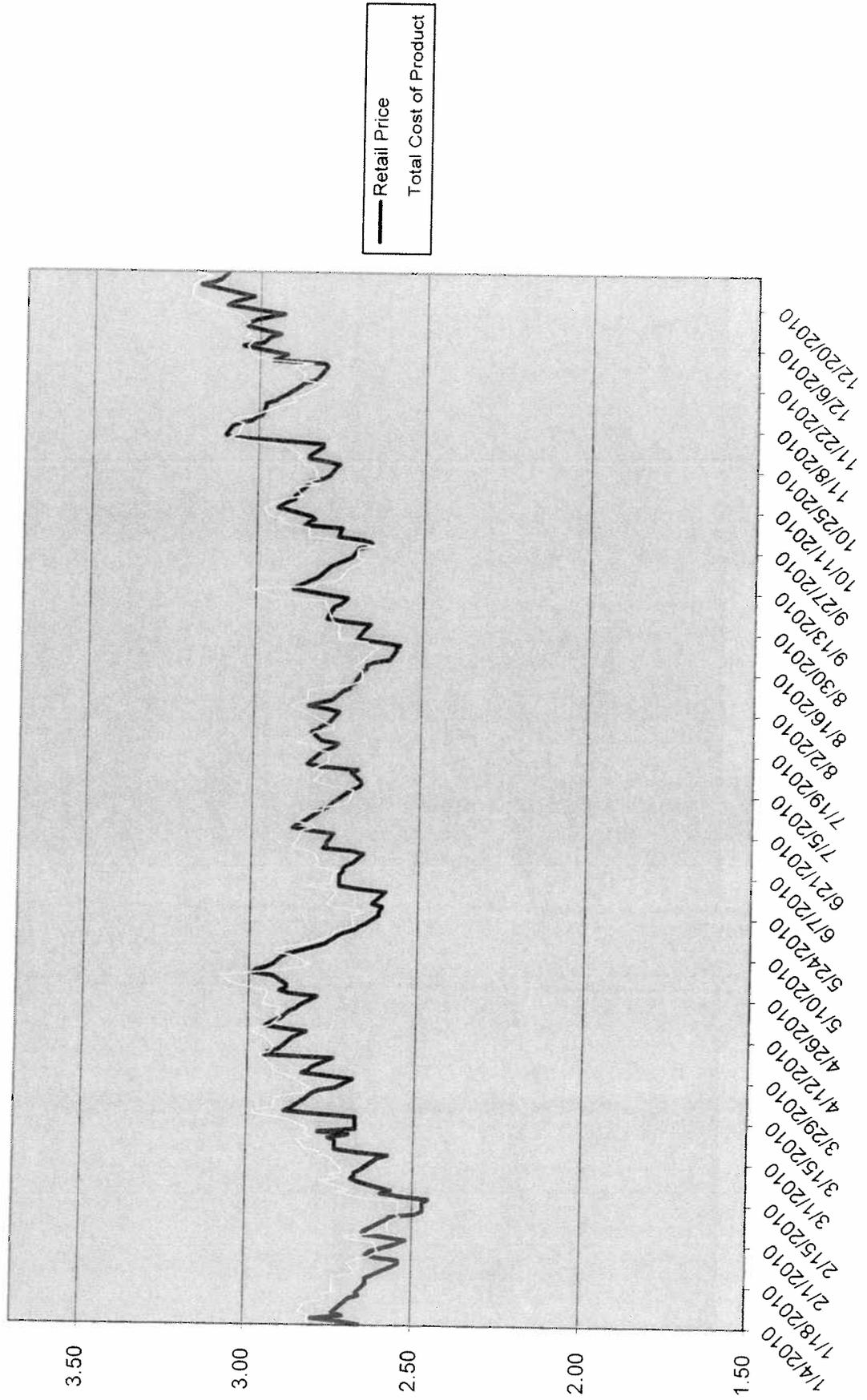
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2009
Retail - Total Cost

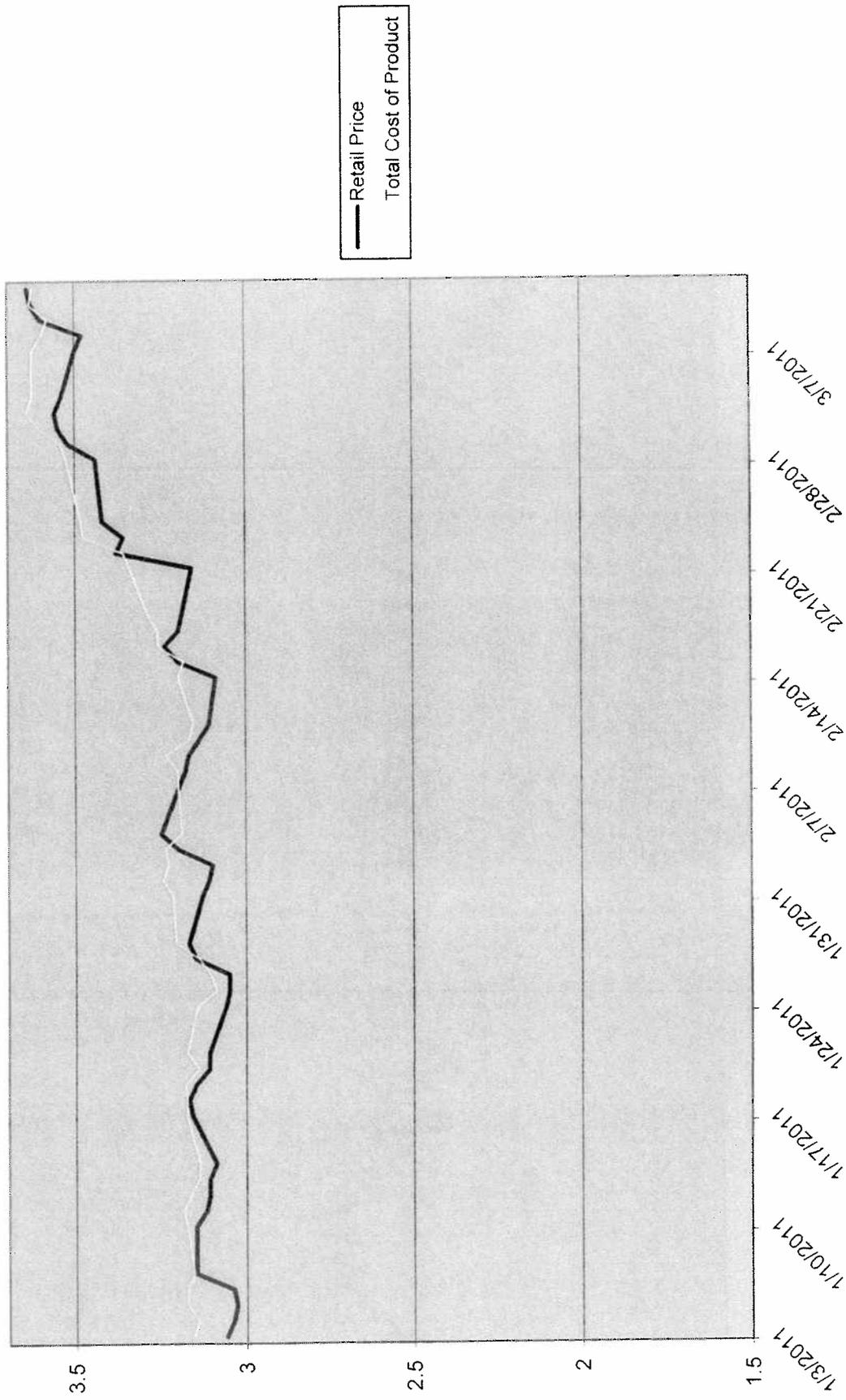


— Retail Price
- - Total Cost of Product

2010 Retail - Total Cost

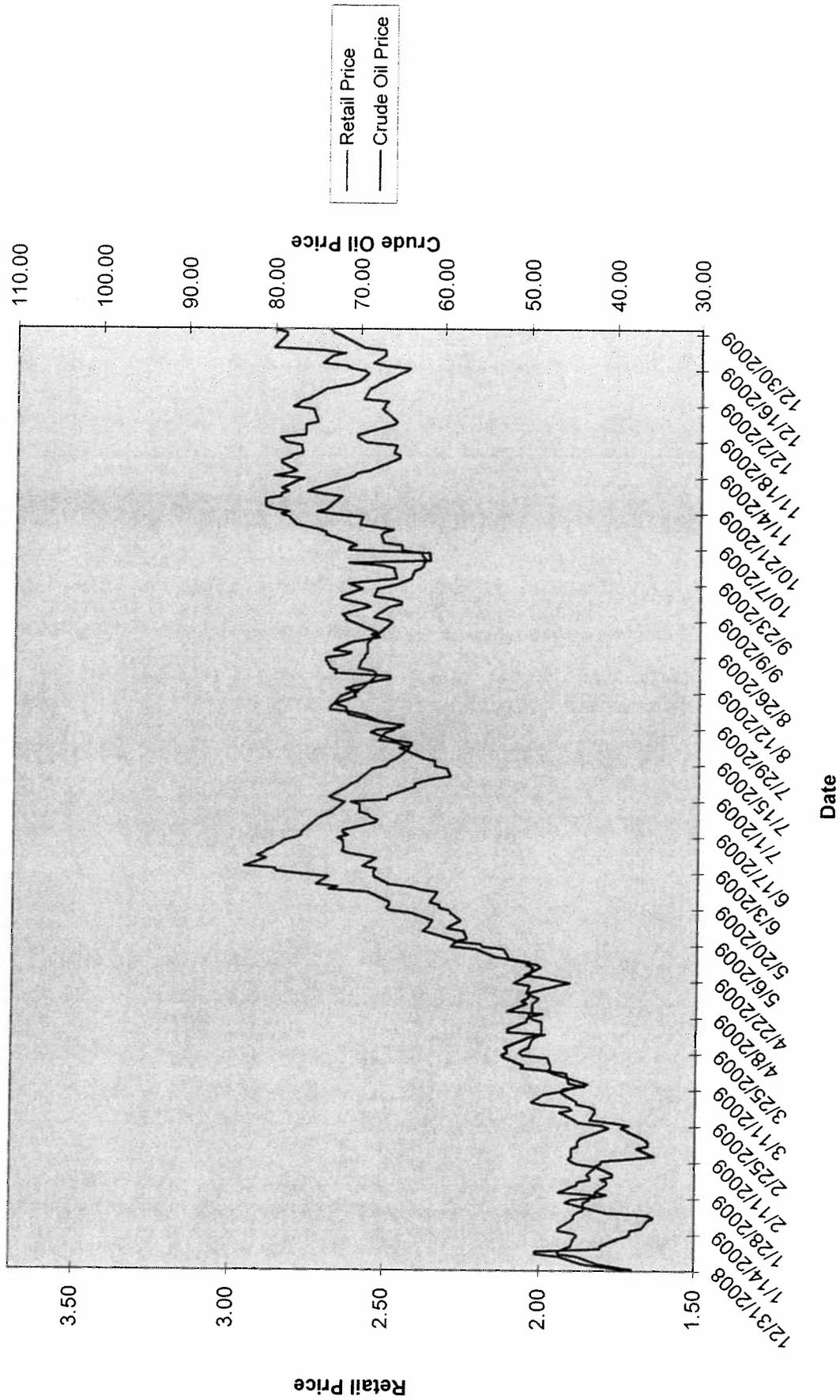


2011 Retail - Total Cost



2009 Crude-Retail

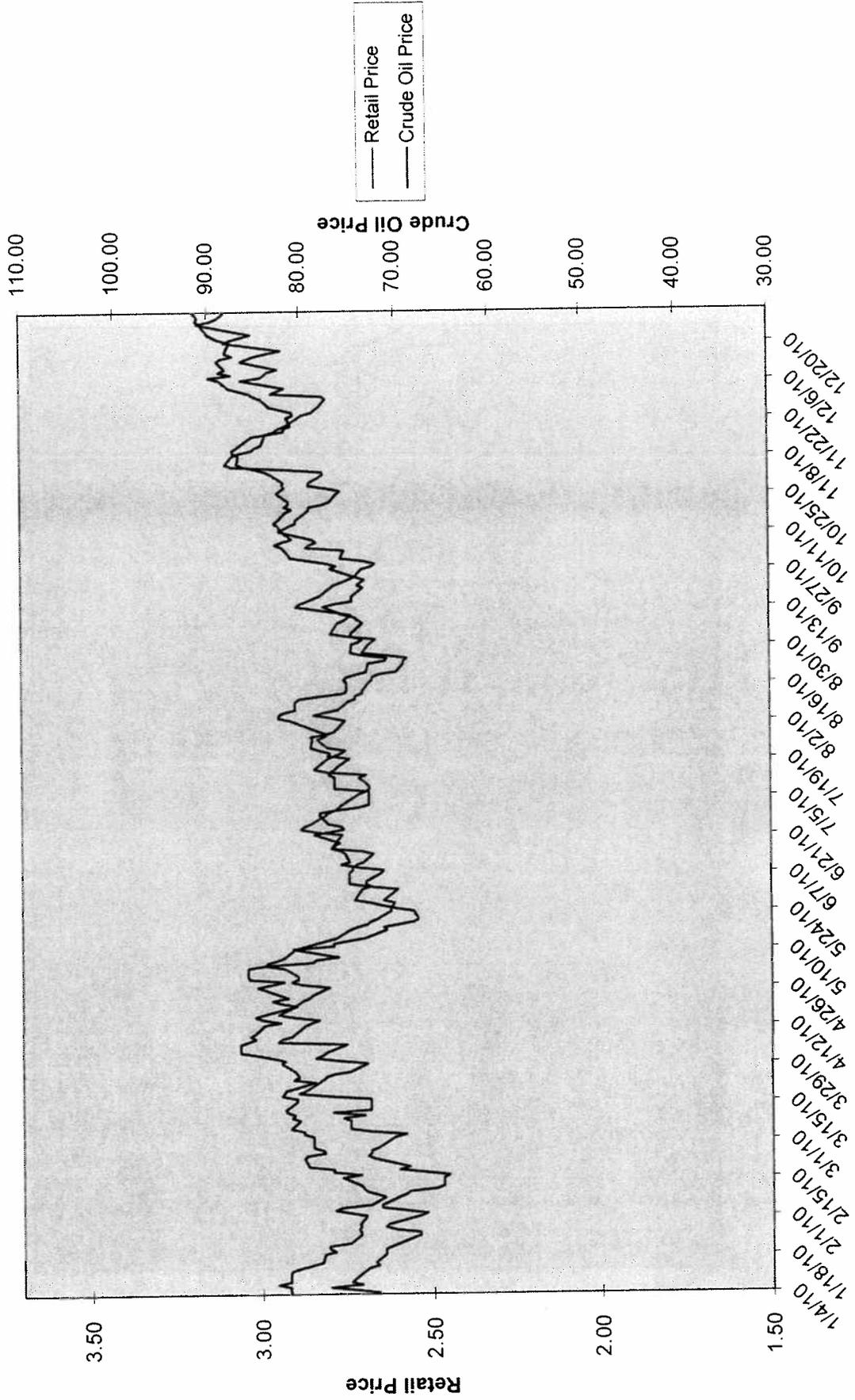
Crude-Retail



Retail Price

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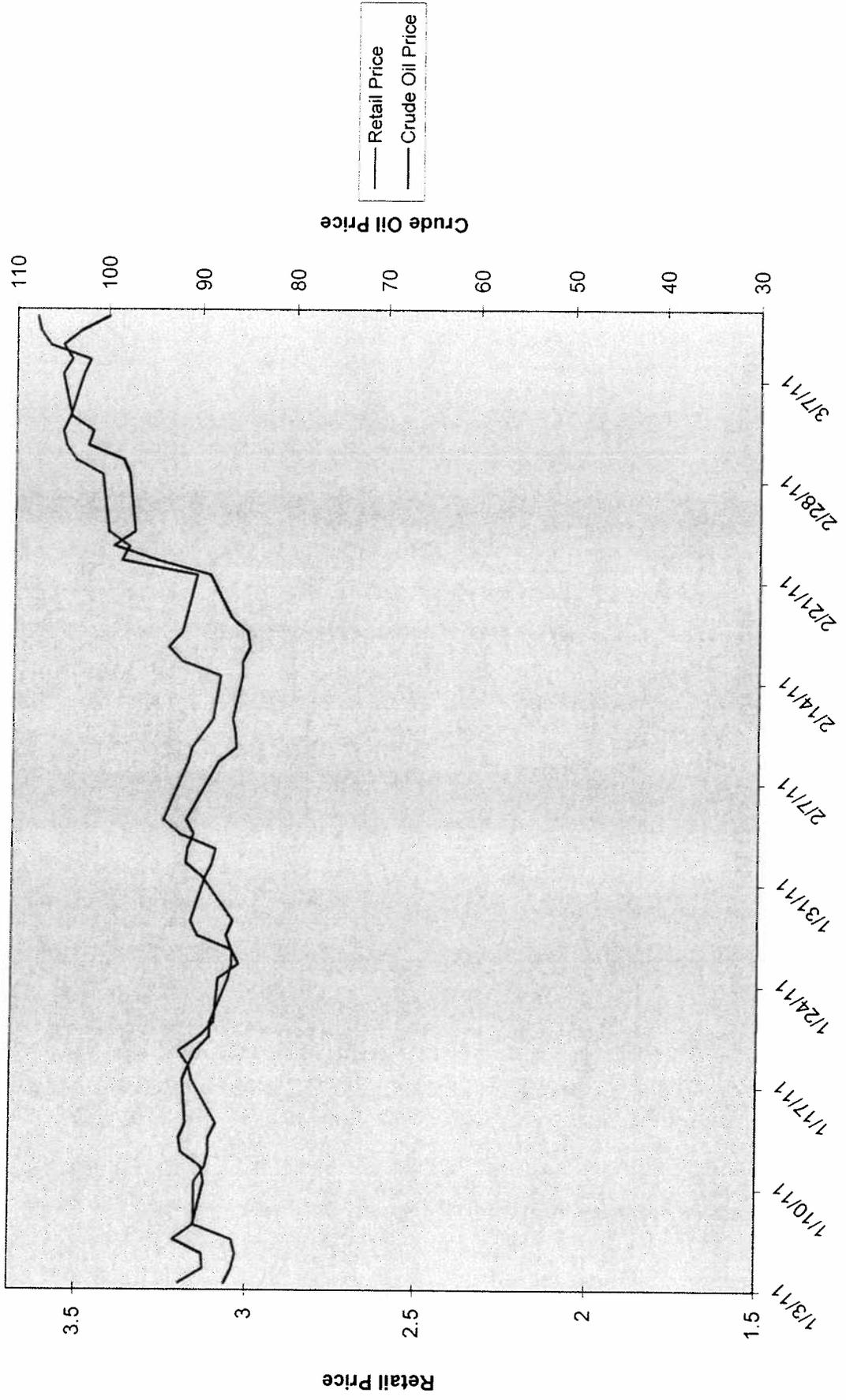
2010 Crude-Retail



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2011 Crude-Retail

2011 Crude-Retail



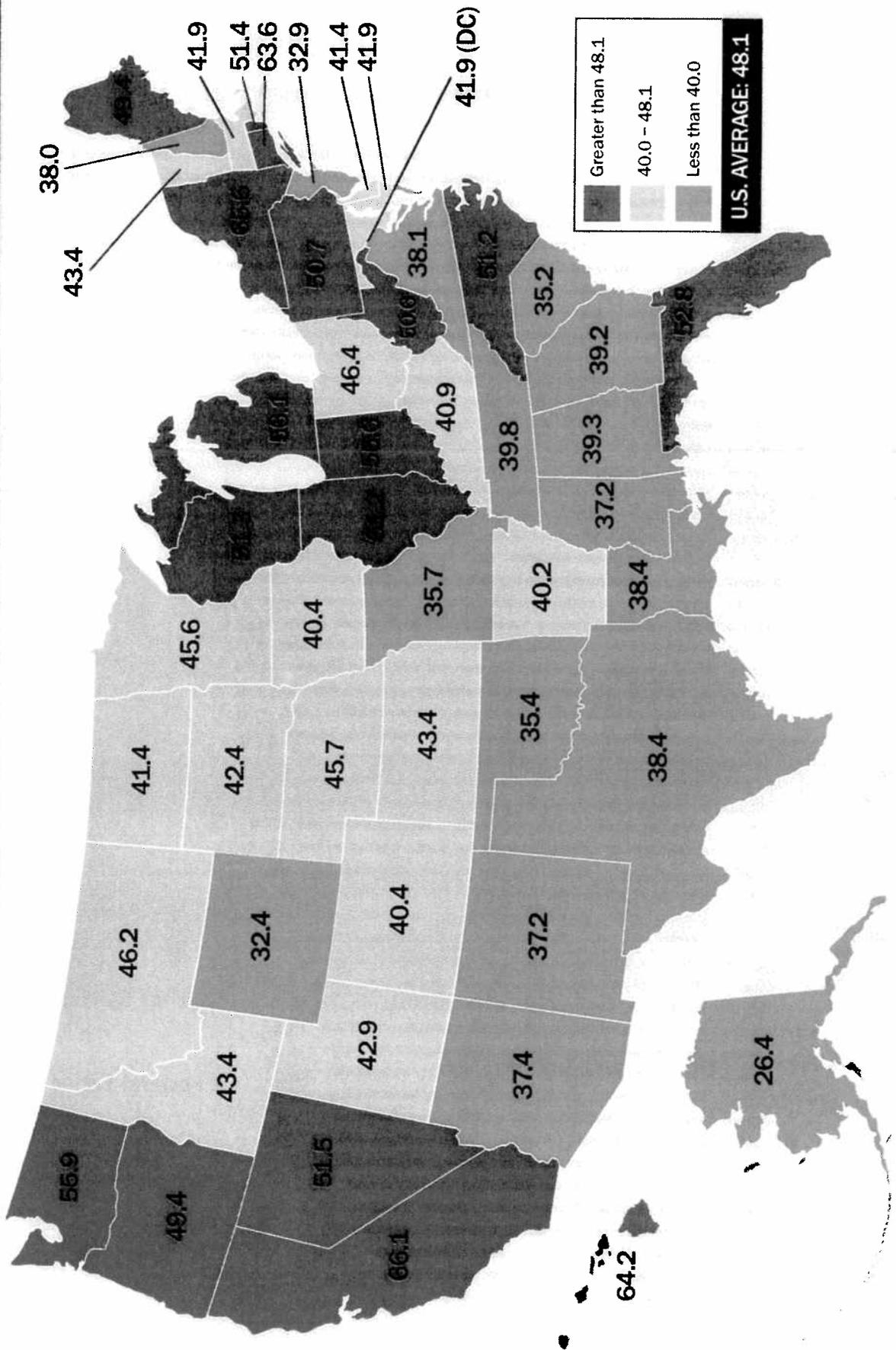
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MICHIGAN MOTOR FUEL TAXES
COLLECTED 2008 - 2010 FISCAL/CALENDAR

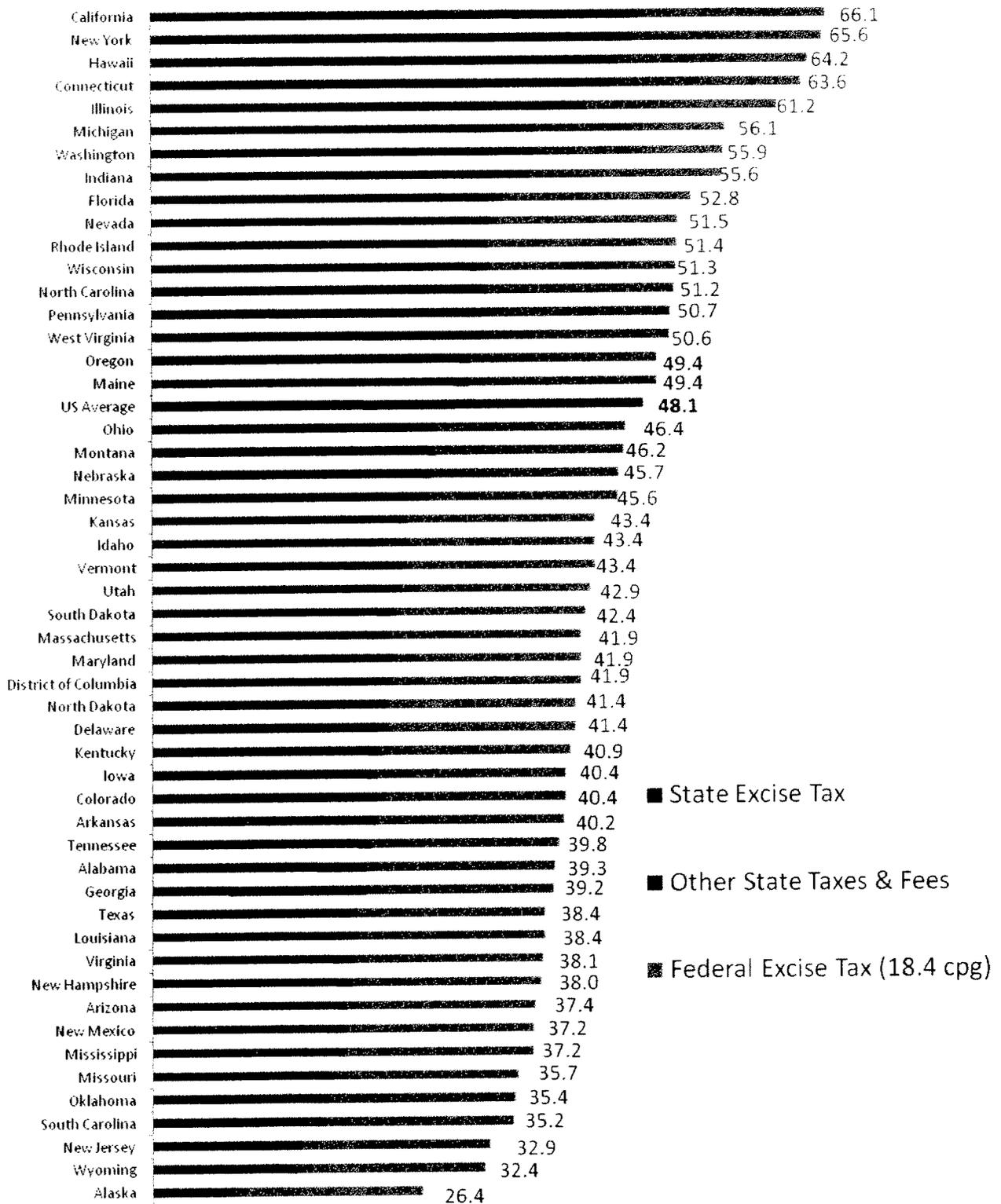
Fiscal Year	2009	2010	2009 - 2010 Difference	2009 - 2010 % Increase
	\$ 956,907,628	\$ 971,198,501	\$ 14,290,873	1.49%
Calendar Year	\$ 963,750,474	\$ 971,296,281	\$ 7,545,807	0.78%

GASOLINE TAXES

COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)
JANUARY 2011

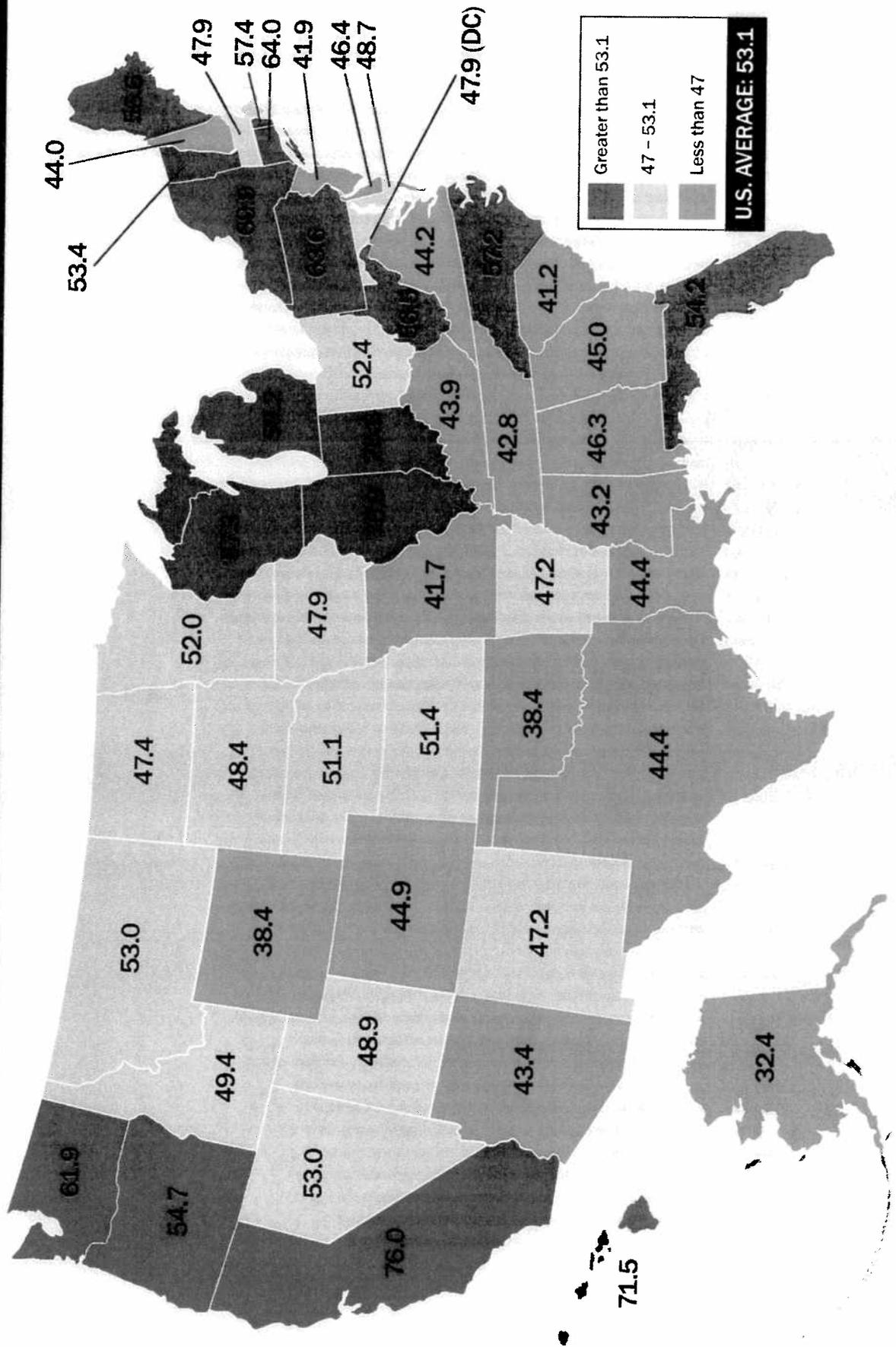


Gasoline Taxes as of January 2011

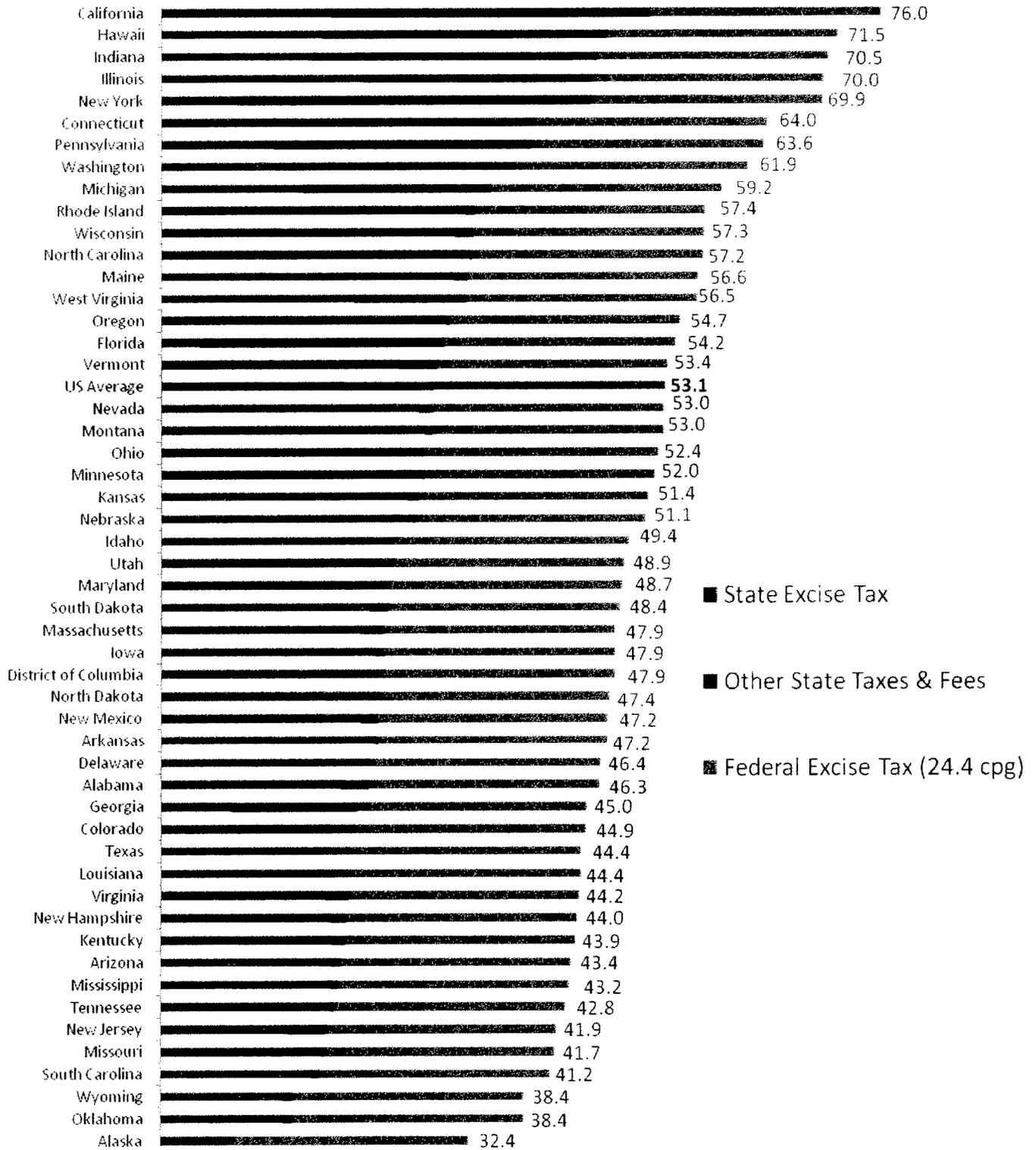


DIESEL TAXES

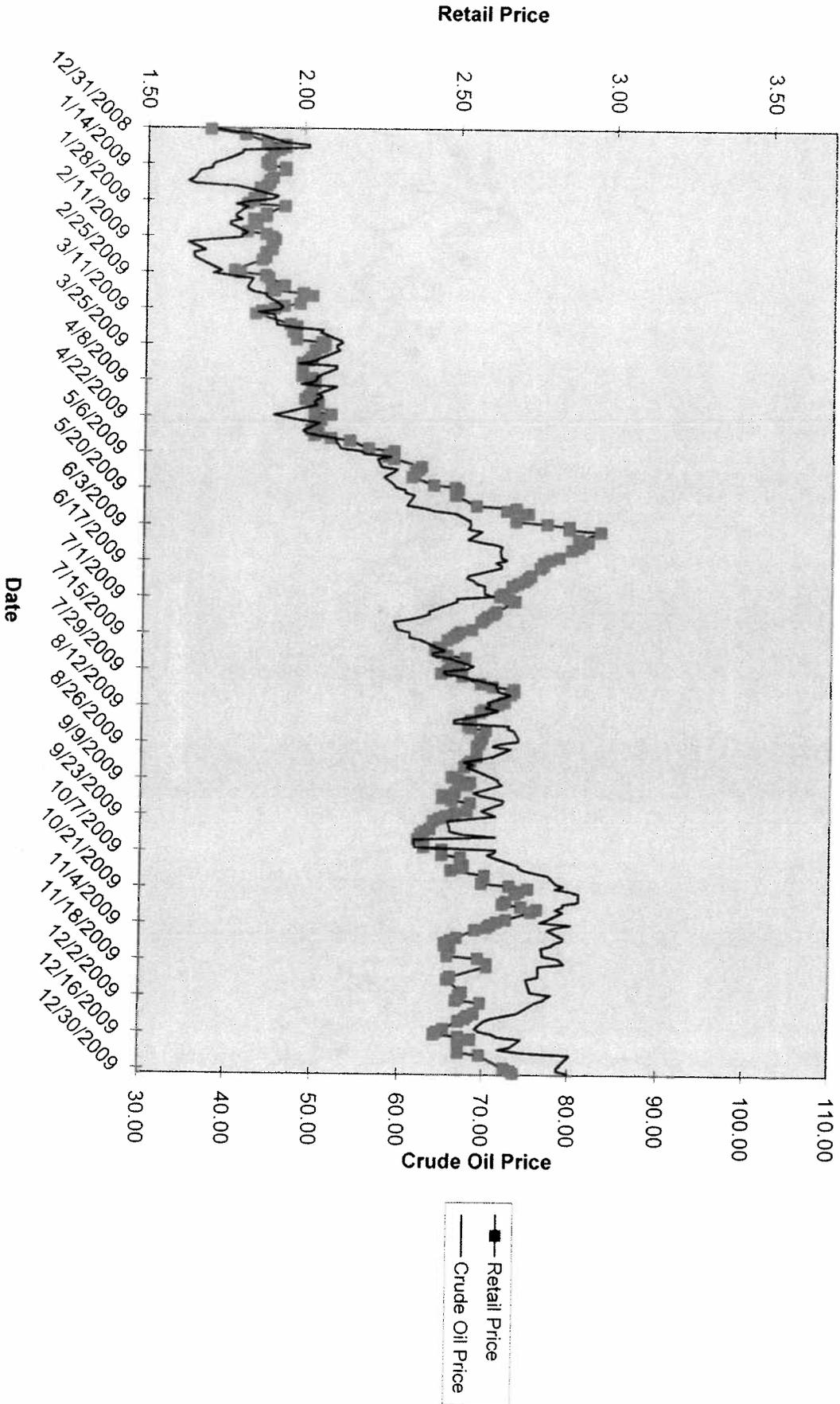
COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)
JANUARY 2011

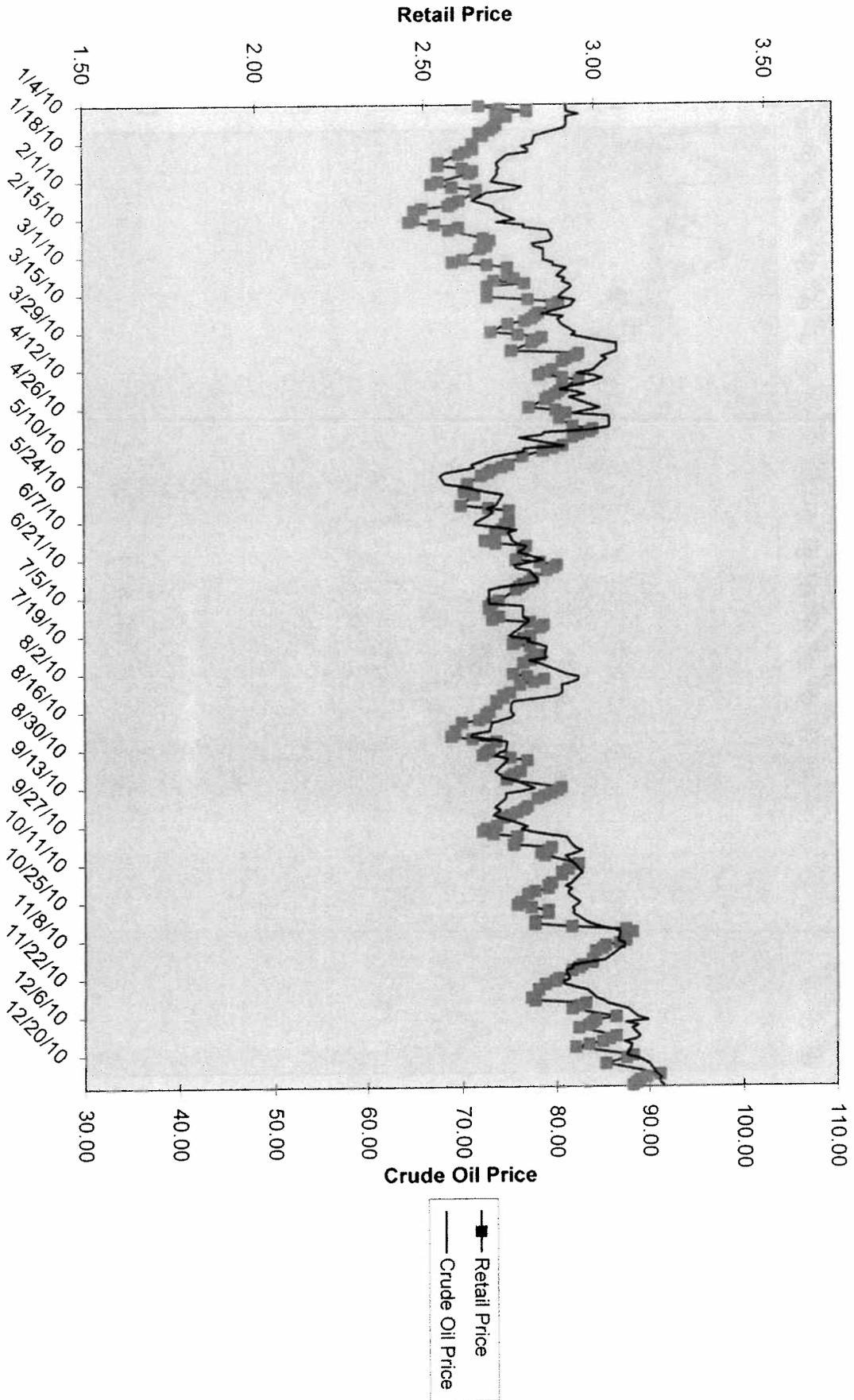


Diesel Taxes as of January 2011



Crude-Retail





2011 Crude-Retail

