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# NYS ASSOCIATION OF SERVICE STATIONS & REPAIR SHOPS, INC.

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### **Inflation Rose Even Higher Last Month**

Inflation hit a new 40-year high in February, reports the Wall Street Journal. The U.S. Commerce Department's personal-consumption-expenditures price index was up 6.4% in February compared with February 2021, a faster gain than the 6% increase for the year that ended in January. The February rise was the fastest since 1982. Annual core PCE inflation, which does not include volatile food and energy prices, rose to 5.4% in February.

Separately, the U.S. Bureau of Labor Statistics reported this morning that total nonfarm payroll jobs rose by 431,000 in March, and the unemployment rate fell to 3.6%. Job growth occurred in food services and drinking places (+61,000), accommodation (+25,000) and retail trade (+49,000), including general merchandise stores (+20,000) and food and beverage stores (+18,000). In March, 10% of Americans with jobs teleworked specifically because of the coronavirus pandemic, down from 13% in February, the bureau reported.

The Federal Reserve, under pressure to continue to lift interest rates, raised its benchmark rate last month for the first time since 2018 and has plans for six more increases, which is its most aggressive pace in more than 15 years. Mortgage rates are the highest they've been since 2018, with the average rate for a 30-year fixed-rate home loan at 4.67%.

Inflation has begun to weigh on consumer spending growth, which is a major economic fuel. Consumer spending came to a near halt, with U.S. households increasing their spending at a seasonally adjusted 0.2% pace in February compared to January. Last month, consumer spending was at a revised 2.7% rate.

Personal income was up 0.5% in February over January, but because inflation rose, income after taxes, adjusted for inflation, fell for the seventh straight month in February to the lowest level since March 2020.

Inflation "will be an even bigger drag in March with surging energy prices in the wake of the Russian invasion of Ukraine," Gus Faucher, chief economist at the PNC Financial Services Group, told the Journal.

With the Omicron variant in the rear-view mirror, consumers spent more on restaurants and traveling, with services spending up 0.9% in February, which was the highest services spending rate since July 2021. Airline executives say that air travel has returned faster than anticipated, with major airlines expecting first-quarter revenues to be at the high end of what was planned or better.

Global supply chain issues are not improving like expected by this point, and experts say they are getting worse, reports CNN. One segment of the economy hit hard

is vehicle production, with pandemic supply issues making it difficult for auto makers to get their hands on manufacturing components like semiconductors.

But now, due to Russia's invasion of Ukraine, there is another impact on car manufacturing. Although neither country make computer chips, Ukraine is the world's leading source of neon, which is needed for the lasers used in the chip-making process.

"People expected the semiconductor shortage to continue. But nobody predicted Ukraine," Bernard Swiecki, director of research at the Center for Automotive Research, told CNN.

Three weeks before Russia's attack on Ukraine, GM said it would be able to build 25% to 30% more cars this year than last year, but the company just announced a two-week shutdown at its Fort Wayne, Indiana, plant because of a lack of computer chips.

According to experts, the supply chain disruptions aren't going to resolve any time soon.

"We were looking at 2023 for things to get back to normal before the [Ukraine] crisis," Joe Terino, who leads management consultant Bain & Co.'s global supply chain practice, told CNN. "Now it's hard to say when it might end, because we don't know how long it will go, how far reaching it could become."

"We lived under the assumption that products, resources can move freely across geography," Hernan Saenz, who leads the global performance Improvement practice at Bain, told CNN. "When that's no longer true, it has massive implications. You can adapt in the long term but short-term, recovery is very painful."

### **Congress Tries to Get to the Bottom of Record-High Gas Prices**

Multiple congressional committees met this week to see what can be done about skyrocketing gasoline prices.

On Tuesday, the Senate Commerce Committee's hearing, "Ensuring Transparency in Petroleum Markets," focused on what factors determine the price of gasoline and if more oversight and regulatory authority over oil and gas markets is needed.

In advance of the hearing, NACS, along with NATSO and SIGMA, sent a joint industry letter, explaining how fuel retail markets work and the four main components of gasoline prices, which are the price of crude, refining costs, taxes, and transportation and marketing costs.

"The industry, however, is truly an industry of small business. More than 60% of convenience stores are single-store operators," the letter states. "Although some might bear the name of a large oil company, this is not indicative of any ownership stake in the business or the real estate, but simply of a marketing relationship or announcement to passing motorists that a certain company's product is available for purchase at that location (comparable to a soft drink advertisement in a grocery store window)."

In her opening statement, Senator Maria Cantwell, who chairs the Senate Commerce Committee, made it clear that

local gas stations do not drive gas prices higher, noting that "many of them are small businesses who are owners who take a lot of heat from the angry drivers. Because the reality is the gas stations are price takers and operate on thin margins, no matter what the retail price of petroleum is," Sen. Cantwell said.

Key topics of discussion during the hearing included the need for more oversight and regulatory authority over the oil and gas markets, more transparency on the costs and inputs in the market, the need for more domestic energy production, the need for more biofuels and pushes for a windfall profits tax, price gouging legislation and a temporary suspension of the federal gasoline tax.

Additionally, the House Energy and Commerce Subcommittee on Oversight and Investigations hosted CEOs from key oil companies (BP America, Chevron, Devon Energy, ExxonMobil, Pioneer Natural Resources and Shell USA) yesterday at its hearing.

The hearing "Gouged at the Gas Station: Big Oil and America's Pain at the Pump" devolved into a partisan, finger-pointing, political show of who should be blamed for the surge in prices at the pump. Democrats said that oil companies are manipulating the market with artificial supply scarcity, which is driving up prices, and Democrats on the committee criticized oil company's profits and acceptance of federal subsidies and tax credits. Republicans focused on Biden Administration policies that limited domestic oil production, refining and pipeline capacity.

Meanwhile, Environmental Protection Agency (EPA) Administrator Michael Regan said that the EPA is looking at biofuel options to help consumers with high gas prices and is considering allowing E15 to be sold this summer.

### **Credit-Card Companies to Change Rules for Gas Stations to Address Pump Limits**

Visa Inc. and Mastercard Inc. are making changes that should benefit gas station operators and drivers who are paying significantly higher prices at the pump. Starting this month, consumers should face fewer difficulties paying for high-priced fill-ups that may surpass limits set by the credit card operators.

Purchases made using Visa cards are limited to \$125 at many gas stations due to the higher credit card fees triggered by larger transactions, according to a Bloomberg report. Added liability in the event of fraud is also a factor. As a result, some drivers who fill up vehicles with large gas tanks in states with the highest fuel prices have had to make two transactions at a time.

As of this month, Visa will quadruple the maximum transaction amount associated with better interchange rates for purchases made with small business and commercial cards. It will also raise the fraud-liability threshold to \$175, resulting in fewer transaction limits and fewer shutoffs at the pump.

"In response to increased fuel prices, Visa is making an adjustment," Visa stated in a document obtained by the news outlet. "This change will ensure the best-available

interchange rates are received for larger fuel transactions, which should lead to fewer pumps shutting off while cardholders are refueling."

Meanwhile, Mastercard is increasing its allowable preauthorization amounts at gas stations from \$125 to \$175 for consumer cards and from \$350 to \$500 for commercial cards.

"In light of current fuel prices and in an effort to support fuel merchants, Mastercard is planning to increase pre-authorization levels," the company stated. "This will be complemented by additional fraud-monitoring efforts to support fuel merchants during this time."

These changes come as drivers across the United States continue to feel pain at the pump due to Russia's invasion of Ukraine sending prices up throughout the world. While high global crude oil prices offset a decline in demand over recent weeks, keeping consumer prices steady, U.S. drivers may see some relief in the wake of President Joe Biden's tapping of the Strategic Petroleum Reserve.

Even as Visa and MasterCard makes these changes to smooth out the payment process at the pump, the companies face criticism from retailers and various trade groups for their plans to increase swipe fees after a two-year, COVID-19 pandemic-related pause. Most of a \$1.2 billion in fee increases will come from higher interchange fees, which are paid by merchants to the card-issuing banks when shoppers use credit cards, as Convenience Store News reported.

The Retail Industry Leaders Association, whose members include more than 200 retailers, product manufacturers and service suppliers, issued a statement condemning the planned increase in swipe fees, while the Merchants Payments Coalition (MPC) has requested that the U.S. House Committee on Financial Services examine the fees.

It's just especially troubling given the level of inflation right now," Stephanie Martz, general counsel of the National Retail Federation and an MPC executive committee member, told Bloomberg. "We're clawing our way to hang onto our slim margins as is. Given that these fees sometimes exceed what our margins are, we have to pass some of those rate raises onto consumers."

### **US Governors Call for Suspending Federal Gas Tax**

A group of six Democratic governors are calling for a suspension of the federal gas tax to provide relief to motorists amid surging fuel prices following Russia's invasion of Ukraine.

In the letter to congressional leadership, Michigan Gov. Gretchen Whitmer, Wisconsin Gov. Tony Evers, Minnesota Gov. Tim Walz, Colorado Gov. Jared Polis, New Mexico Gov. Michelle Lujan Grisham and Pennsylvania Gov. Tom Wolf urged adoption of the Gas Prices Relief Act, which would suspend the 18.3cts/gal federal gas tax through the end of the year.

The tax is used to fund the federal Highway Trust Fund, but the governors argue that any loss of revenue should be made up using cash from the general fund. The governors

argue that the recently adopted federal infrastructure bill includes \$118 billion for the Highway Trust Fund "and the Trust Fund's capacity to finance the construction and maintenance of roads, bridges, and highways across the country would not be diminished by the legislation."

"At a time when people are directly impacted by rising prices on everyday goods, a federal gas tax holiday is a tool in the toolbox to reduce costs for Americans, and we urge you to give every consideration to this proposed legislation," said the letter, which was sent to Democratic and Republican leaders in the House of Representatives and Senate.

None of the governors who signed the letter have suspended state gas taxes.

The proposal to suspend the gas tax has been panned by some taxpayer advocacy groups, with the Committee for a Responsible Federal Budget estimating a March through December pause would cost the federal government \$20 billion, or about half the annual revenue estimated for the Highway Trust Fund.

"With the Highway Trust fund currently just five years from insolvency, lawmakers should not pursue policies that would widen the gap between dedicated revenue coming into the trust fund and spending coming out of it," the group argued.

The Tax Foundation said suspending the tax would be a mistake that, while providing little relief to motorists, "is a uniquely ill-suited policy for addressing rising prices."

The group said suspending the tax wouldn't address the root causes of rising gas prices and would actually work to increase inflation, since it would support demand amid tight supply. There is no clear way to ensure a cut in gasoline prices would be passed on to consumers, the group said.

The national average gasoline price Wednesday was \$4.2516/gal, or more than \$1.45/gal higher than a year earlier.

--Reporting by Steve Cronin

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### **New York State Budget Includes Seven-Month Pause in Some Gas Taxes**

New York State motorists are the latest to get a break on state gas tax payments, as Gov. Kathy Hochul over the weekend signed a state budget that pauses about 16cts/gal in motor fuel taxes from June through the end of the year.

The state follows Georgia, Maryland and Connecticut, which paused their state taxes last month as retail gas prices surged following Russia's invasion of Ukraine. Florida is waving its gas tax in October.

The budget signed by Hochul will suspend the state sales tax on motor fuels, the separate motor fuel tax, and the metropolitan commuter transportation district sales tax imposed on motor fuels for the last seven months of 2022, according to the governor's office. The measure also allows county governments to cap the price their local sales tax rate is imposed on, at \$4 per gallon.

The governor's office estimates the measures will cost about \$585 million and transfer money from the state's

General Fund to the dedicated funds to offset the taxes not collected.

The move comes as the average price for regular gasoline in the state was \$4.2234/gal, down from a recent high of \$4.4662/gal on March 10.

Gasoline prices around the country have eased somewhat since mid-March, as fears about the demand impact of an ongoing COVID-19 outbreak in China and news that the United States and member nations of the International Energy Agency would coordinate the release of about 240 million bbl of crude oil from their strategic petroleum reserves through the end of the year pushed energy futures prices lower. Nonetheless, OPIS retail data show that the gas tax holidays seem to be saving motorists money at the pump.

In Georgia, gas prices hit a recent average high of \$4.2690/gal on March 10, which was 1.14% lower than the national average price of \$4.3306/gal. The Georgia average price was \$4.22/gal when Gov. Brian Kemp approved the gas tax holiday, 1.29% below the national average. On Monday, the state's average price was \$3.7608/gal, 9.4% lower than the national average \$4.1136/gal, OPIS data show. The Georgia measure runs through May 31.

In Maryland, the state average price was 0.57% lower than the national average when it hit a recent high of \$3.3057/gal on March 10. It was 2.6% lower than the national average when Gov. Larry Hogan approved a one-month gas tax holiday on March 18 and was \$3.7401/gal on Monday, 9.98% lower than the national average, according to OPIS data. Drivers, however, face the prospect of higher taxes at the pump at the end of the week, as Democrats in the state legislature have blocked attempts to extend the tax holiday period.

In Connecticut, the state average price was 3.46% higher than the national average when it hit its recent peak of \$4.4858/gal on March 11. The state average was 1.9% higher than the national average when Gov. Ned Lamont approved the tax suspension and was 4.93% lower than the national average on Monday, at \$3.9203/gal. The Connecticut tax holiday runs through July 1.

--Reporting by Steve Cronin,

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### **Biden Administration to Temporarily Allow E15 Sales Through Summer**

White House announced plans to temporarily allow high-ethanol content gasoline to be sold during the summer in an effort to curb high gas prices, reports the Wall Street Journal. The Environmental Protection Agency (EPA) will allow E15 to be sold between June 1 and September 15.

Typically during summer U.S. gas stations are only allowed to sell a 10% ethanol blend to reduce smog caused by the 15% blend's higher volatility. The EPA will issue an emergency waiver allowing the summer sale of E15.

Using E15 year-round could save drivers 10 cents a gallon, according to the Biden administration. E15 is currently is available in 30 states at just over 2,300 stations,

according to the Energy Department, which is a small amount of America's 116,641 convenience stores that sell gas.

Last month, NACS asked the EPA to authorize the year-round sale of E15.

"This common-sense step would provide much-needed price relief at the pump while enhancing America's energy security and improving gasoline's emissions characteristics," wrote NACS, along with NATSO and SIGMA, in a letter to the EPA. "Allowing the year-round sale of E15 in all parts of the country would help enhance supply and lower prices for all American fuel consumers."

U.S. Sens. John Thune (R-SD) and Dick Durbin (D-IL) led a bipartisan congressional group that urged President Biden to permit retailers to sell E15 fuel all year.

"As the United States joins global partners in seeking to hold accountable and isolate the Russian Federation for its unprovoked assault on Ukraine, we must deny Russia's economic lifeblood of energy dominance," the senators wrote in letter to the president. "This will require tapping every accessible contribution of American energy technology. As you know, American biofuels are one such readily available energy solution that offer consumers affordable and cleaner options at the pump."

Environmentalists have opposed the year-round use of E15 because of the additional smog created by the higher blend, but farmers who grow the corn used to make ethanol support the use.

Additionally, higher ethanol blending can sometimes raise refinery prices, according to oil industry officials, and they question whether the move to year-round E15 use can lower prices and would rather see more investment in U.S. oil and gas production, reports the Journal.

The EPA will cite the Russia-Ukraine war as the reason for the emergency waiver, and it will review the waiver every 20 days to see if the measure should stay in place.

### **Gasoline Demand Ticks Upward as Prices Ease Off Record Highs**

As more areas of the U.S. see pump prices for gasoline fall below \$4 a gallon, consumer demand is ticking back up, but fluctuating oil prices and geopolitical risks continue to weigh on the market.

"As the days get longer, the weather gets warmer, and pump prices dip from their record highs, consumers feel more confident about hitting the road," said Andrew Gross, AAA spokesperson. "But these lower pump prices could be temporary if the global price of oil increases due to constrained supply."

After slight downward trends over concern about increased global oil prices and the return of seasonal domestic gas demands, gas prices are creeping up again, according to AAA. The current national average for a gallon of gas is \$4.10, up a penny from yesterday, but down from \$4.26 a month ago. Gas prices were \$2.87 a gallon a year ago.

The war in Ukraine and fear of less Russian oil entering the market caused the price of crude to creep back above \$100 a barrel yesterday. Brent crude was down \$1.41, or 1.2%, to \$111.75 a barrel at 10:28 GMT, after rising more than \$1 to \$114.21 earlier in the session, reports Reuters. U.S. West Texas Intermediate crude fell \$1.64, or 1.5%, to \$106.57 a barrel, after rising to \$108.92 earlier.

Data from the Energy Information Administration shows that total domestic gasoline stocks decreased by 3.5 million barrels to 233.1 million barrels last week. Gasoline demand increased slightly from 8.5 million barrels per day to 8.73 million barrels per day.

“Although supply and demand factors would have typically supported elevated pump prices, the fluctuating oil price continues to be the main factor influencing prices at the pump,” writes AAA. “Pump prices will likely face downward pressure if oil prices remain near \$100 per barrel.”

The dollar is trading at a two-year high, reports Reuters. When the dollar is stronger, commodities priced in dollars are more expensive for holders of other currencies, which can dampen demand.

Last week, the White House announced plans to temporarily allow high-ethanol content gasoline to be sold during the summer in an effort to curb high gas prices. The Environmental Protection Agency (EPA) will allow E15 to be sold between June 1 and September 15.

Gasoline prices most recently have been ticking upward, led by crude increases. Prognosticators appear to be bethinking with their hopes not with their brains.

### **Las Vegas Fuel Theft Probe Results in Three Arrests**

The Las Vegas Metropolitan Police Department arrested several men this week in connection with fuel theft in the Las Vegas area, police told OPIS.

Three men -- Luis Gomez Modero, 41, Javier Gomez, 35, and Raidel Amodor Blanco, 27 -- are suspected of using prepaid gift cards to activate the pump at a gas station, then tampering with the pump to dispense more diesel fuel than they had paid for. They operated a "bladder" truck, which is a truck or van modified to store large amounts of fuel, Detective Matt Jogodka said.

The men are accused of paying less than \$100 for 900 gal of diesel fuel, said Jogodka, adding that the three defendants are suspected of other fuel thefts that are under investigation.

--Reporting by Donna Harris  
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### **Your Inspection License May be Worth Money**

Depending on where you are located, it may be possible to sell your license. Before merely turning it in, contact the association for further information.

### **DMV Record Retrieval**

DMV record retrieval is available to association members and affiliates at a cost of \$12 per record. Additionally, you may order DMV certified paper abstracts of driver's license, vehicle registration, and vehicle title records for an additional fee of \$2 per abstract. Please call 518-452-4367

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