SSRA

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Inside This Issue

1-2	*July US Vehicle Miles Fell Slightly Below 2019 Levels: US DOT Data*
2-3	*Analysis: Why This Time May be Different for Retail Gasoline Prices*
3	*US Trucking Business Sees Slight Gain in Tonnage in August*
3-4	*Large US Fuel Retailers See 'Impediments' to Installing EV Chargers*
4	*FTC to Scrutinize Mergers in Oil & Gas Industry*
4-5	*Senate Committee Holds Hearing on Consumer Privacy*
5	*Can Employers Require Their Employees To Get The COVID-19 Vaccine*
5-6	*5 Ways You Can Prepare for the Workplace Vaccine Mandate*
6	*DMV Record Retrieval*
6	*You Need Training We Have Training*

July US Vehicle Miles Fell Slightly Below 2019 Levels: US DOT Data

Total U.S. vehicle miles traveled in July 2021 dropped below the July 2019 level, a month after that measurement climbed above the same month two years ago since the start of the COVID-19 pandemic, according to government data Thursday.

Total U.S. vehicle miles, which measure travel on all public roads and streets, were 290.1 billion, compared with 292.7 billion in July 2019, according to the latest Traffic Volume Trends report compiled by the U.S. Department of Transportation's Federal Highway Administration.

(Note: The Federal Highway Administration's final vehicle miles figure for July 2019 was slightly lower than its initial estimate at 294.3 billion.)

On a seasonally adjusted basis, which allows meaningful month-to-month comparison excluding seasonal factors, July 2021 vehicle miles were 0.2% higher than in June 2021, according to the highway administration.

The latest report came after data showed vehicle miles in June 2021 surpassed the level two years ago for the first time since the start of the COVID-19 pandemic, continuing an improvement trend versus two years ago.

On a regional basis, July 2021 driving was the weakest (down more than 5%) in the Northeast compared with two years ago, while the other four U.S. regions -- the north-central, the south Gulf, the south Atlantic and the West – fared relatively better compared to levels seen in July 2019.

According to analysis by energy-focused investment bank Tudor, Pickering, Holt & Co. (TPH), only 19 out of 50 states were above the July 2019 levels, with Idaho, Arizona, Utah and Tennessee all posting solid gains between 5%-10%.

Notably, the four most populous U.S. states -- California, Texas, Florida and New York -- all posted worse performance in July 2021 versus June on a two-year comparison, the bank said.

According to OPIS DemandPro Data, which surveys more than 25,000 gas stations across the U.S., average gas station gasoline volumes on a same-store basis in July 2021 were down 12.1% versus two years ago.

At the same time, OPIS data show U.S. gasoline demand has narrowed two-year deficits for six straight months -- February through July 2021 -- even though demand worsened in August on that basis.

Matthew Blair, head of chemicals and refinery equity research at TPH, said that both Energy Information Administration's implied gasoline demand and TomTom congestion data have shown vehicle miles improvement in September.

"With fewer restrictions and a pullback in COVID-19 cases from recent peaks, we're likely to see better VMT [vehicle miles traveled] figures in coming months, although elevated prices at the pump may pose some headwinds," Blair said.

--Reporting by Frank Tang

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Analysis: Why This Time May be Different for Retail Gasoline Prices

Fall has arrived, but retail gasoline prices are still at hot summertime levels with a national average near $3.19/gal, according to AAA.

Prices have been remarkably steady throughout the summer and may not be ready for the typical summer to fall decline. Some of the usual reasons for the stubbornly high prices are in place, gasoline inventories are running below seasonal norms and crude oil prices are well entrenched above $70/bbl with NYMEX WTI futures in the $73/bbl area and ICE Brent at more than $77/bbl.

There are also not many September-October periods over the past decade that see similar crude oil prices with 2014 and 2018 having the closest profile to current prices.

During the September-October period in 2018, NYMEX WTI futures ranged anywhere from about $65.50-76.50/bbl. RBOB futures were in a $1.95-2.14/gal range, slightly below current levels. The national average though was about 30cts lower than it is now. Also RBOB by the end of October was in the $1.77/gal range.

Once October ended, the national retail average dropped sharply through the end of the year. A similar path for retail prices for the remainder of 2021 is not expected to be the case, even with a backward dated market.

In the early fall period of 2014, crude oil prices were well above where they are and retail averages were as high as the $3.44/gal area.

The 2014 and 2018 periods for strong retail prices are easily explained by the usual factors driving prices higher.

In 2021, the usual suspects that have driven prices higher are getting some assistance from factors that are not normally part of the retail gasoline price fabric.

Andy Lipow, president at Houston-based Lipow Oil Associates, attributes lofty retail gasoline prices to rising operating costs for fuel retailers, including higher trucking costs to haul fuel from terminals to gas stations and climbing wages for retail workers amid an overall U.S. labor shortage.

Lipow said the U.S. is currently in an inflationary period where costs of everyday necessities including the price of gasoline is being passed through to the consumers at the retail site.

"Someone's got to pay for it. Ultimately, it's the consumer because otherwise the retail sector would go out of business," Lipow said.

The truck driver shortage has been a feature of the downstream petroleum supply chain since the spring and that has brought on higher freight costs. Freight costs have increased by about 20%, according to market sources, though that is largely dependent on where in the country someone is operating.

But not only have freight costs been a factor, the ability for some stations to get loads as quickly as they normally would has also been impacted. That may cause retailers from becoming too aggressive on street prices, sources speculated.

Also, some fuel retailers, such as those in California, must raise prices at the pump to compensate for the state's rising taxes and other regulatory costs, such as Low Carbon Fuel Standard (LCFS), Lipow added.

According to data analyzed by Irvine, California-based Stillwater Associates, a U.S. West Coast-focused energy consultant, additional regulatory costs to mitigate climate change as a component of retail gas price has been increasing every year since 2014.

Lipow also noted that fuel discounts and rewards from affinity programs offered by retailers such as Kroger and Albertsons have become increasingly popular, suggesting that companies need to make up for those discounts by possibly keeping prices higher.

Dean Foreman, API's chief economist, said global oil and natural gas investments fell to record lows this year. As a result, supplies aren't keeping pace with post-pandemic demand growth, leading to lower inventories and higher imports and higher prices.

"In general, a combination of demand generally outpacing supply, lower inventories and higher imports has historically been a recipe for higher prices," he said.

The uncertainty caused by the disconnect between supply and demand and its implications for long-term impact on the market could also be leading retailers to hold off on lowering pump prices based on short-term market movements as they face the possibility of higher replacement cost for gallons currently in their tanks, API also noted.

Crude oil costs, as well as taxes, regulatory costs and costs related to downstream operations are the main factors explaining why gasoline prices are higher in 2021 compared to 2020, Stillwater's analysis shows.

Brian Stetter, director of Americas Refining at IHS Markit in Houston, said the stickiness in gasoline prices has to do with the "rocket and feathers" phenomenon, whereby retail fuel prices rise quickly when input costs increase but they decrease more slowly when input costs come down.

"Because there is a cost associated with searching for the station with the best price, there is a tendency for consumers to stay with their normal supplier for longer. But as consumers slowly learn about prices in different locations, retailers are gradually forced to lower prices in order to compete," Stetter said. Stetter also cited steady declines in U.S. gasoline inventory earlier this year and below-average inventory level. However, with the sizable 3.5-million-bbl soline build in the latest Energy Information Administration report for the week ending Sept. 17, Stetter said he expects to see downward pressure on retail prices very soon.

IHS Markit is the parent company of OPIS.

Market sources have noted that the price correction for RBOB futures has really just begun. Prices have been in a steady uptrend since January through August, only recently starting to correct. However, strength in crude oil and ULSD futures is keeping RBOB selling at bay.

There has been little reason for RBOB to sell-off from a technical standpoint as well. Sources note that just twice has November RBOB dropped below the 100-day moving average since the start of 2021. Once dipping below the 100-day moving average, RBOB has had a tendency to shoot back up. Since corrections have been short-lived, racks have generally lagged, sources note.

There is also the idea that all the consolidation in petroleum retail hasplayed a role. The acquisitions have created a lack of diversity, one downstream petroleum source said.

In addition, companies paid what has been described as "insane multiples" for petroleum properties. Those companies have to recover those costs through higher margins, thus prices remain elevated longer.

In early September, the Federal Trade Commission said that it would look at potential mergers and acquisitions activity with more scrutiny. However, M&A experts at the time told OPIS that they believe activity would remain healthy, though some of the larger consolidators may see their efforts limited.

Reporting by Steve Cronin, Frank Tang,

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US Trucking Business Sees Slight Gain in Tonnage in August

The for-hire trucking business registered a slight gain in August, the first increase seen since March, according to the American Trucking Associations (ATA).

The ATA's advanced seasonally adjusted (SA) For-Hire Truck Tonnage Index rose 0.5% in August after falling 1.1% in July, revised up slightly from an earlier announcement. In August, the index was 110.3 (2015=100), versus 109.8 in July, the trade group said in an announcement today.

However, the August SA index fell 0.5% year over year, the second straight year-over-year drop in the index. The July index was down 2.9% from a year earlier. Year-to-date through August, tonnage is down 0.2% from the same period in 2020, ATA said.

"It is important to remember that ATA's tonnage data is dominated by for-hire contract freight, with a very limited amount of spot market freight. I continue to believe that tonnage has not recovered to pre-pandemic levels for two main reasons -- broader supply chain issues, like semiconductor shortages, as well as industry specific difficulties, including the driver shortage and lack of equipment," said ATA Chief Economist Bob Costello in the announcement.

"Despite some supply chain issues, demand remains strong for trucking services generally. Truckload carriers are operating fewer trucks than a year earlier, which makes it difficult to increase freight volumes significantly," Costello said.

The not seasonally adjusted index, representing the change in tonnage actually hauled by the fleets before any seasonal adjustment, was 114.5 in August, 2.2% above the July level of 112. Again, 100 represents 2015.

Trucking represents 72.5% of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods. Trucks hauled 11.84 billion tons of freight in 2019. Motor carriers collected $791.7 billion, or 80.4% of total revenue earned by all transport modes.

--Reporting by Donna Harris

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Large US Fuel Retailers See 'Impediments' to Installing EV Chargers

As consumers shift to electric vehicles, large retailers Pilot Co. and RaceTrac say they want to provide EV charging sites, but the two companies currently see substantial hurdles to building the EV infrastructure, according to an online panel discussion Monday sponsored by NATSO, a trade association representing truckstops and travel centers.

The companies are looking for policymakers to provide government rebates, tax incentives, grants -- even a Renewable Identification Number (RIN), similar tothe renewable energy credits provided blenders under the federal Renewable Fuel Standard program -- to make installing and operating EV charging equipment cost effective.

Based on the discussion, the greatest "impediments" include competition from utilities that provide EV charging services, add-on demand charges from utilities, and burdensome regulation that, for example, would treat retailers that resell electricity as if they are utilities.

David Fialkov, NATSO's executive vice president of government affairs, said competition from utility-owned chargers is a disincentive for retailers to invest in the infrastructure. "If a utility sets up a charger and gives away electricity at a depressed price, retailers are not going to make a $1 million investment in EV charging, even if the government is picking up 80% of the cost
as it will with the Biden (infrastructure) bill," Fialkov said.

Still more challenging, he added, are the ongoing costs of demand charges, which are additional fees utilities impose on commercial customers to maintain a constant supply of electricity, including during peak periods.

Up-front government incentives that reduce the cost of installing charging equipment are "going to be critical in getting through the early years of the energy transition," said Tim Langenkamp, vice president and general counsel for Pilot. "But it's even more important to bring some common sense to rate structures across the U.S. in many jurisdictions."

Perhaps the most compelling case for relief from demand charges came from Eva Rigamonti, RaceTrac's associate general counsel and executive director of public

policy. She said the Southeast retailer has 582 locations spanning 67 different utility jurisdictions, each with its own rate structure. RaceTrac looks for a return on investment over a seven-to-10-year period.

"There is no way selling coffee and a sandwich will cover a demand charge for us," Rigamonti said. "A single DC fast charger pulls 150% more power than an entire store during peak time."

She said that adding a fast-charger increases a site's electric bill an average of $1,600 more per month -- $1,500 for the demand charge and $100 for the energy.

"Policymakers need to send a signal they want to support private enterprise (charging infrastructure). There needs to be a reason to put private capital at risk," Rigamonti said. She added that private entities should be prioritized for grants, and government-subsidized utilities should not be allowed to "double-dip" into taxpayers' money by obtaining grants to install chargers.

Anne Smart is vice president of public policy for ChargePoint, a third-party charging network that is installing chargers at convenience-fuel sites and working with NATSO to prepare travel center operators for the energy transition. The federal government could fund up to 80% of the cost of installing chargers with the remainder provided by state governments and private enterprise, she said. More states are expected to provide additional money for EV charging projects, and Smart said she thinks 2022 will be a "big"year for ChargePoint.

There should be plenty of opportunity for fuel retailers to enter the charging business, she said. While most of the vehicle charging is expected to take place at home or at work, these charging sites are not seen as a threat to retail EV chargers. "You also have to factor in the need to travel," said Smart. She said travel centers in particular offer the best locations, typically next to highway exits, with food, bathrooms, well-lit stations and other amenities.

However, "the regulatory environment is definitely in a state of flux -- and it needs to be in order to make this a successful energy transition with as few dropped balls as possible," said Langenkamp.

--Reporting by Donna Harris

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FTC to Scrutinize Mergers in Oil & Gas Industry

Federal officials are going to start taking a closer look at merger-and-acquisition (M&A) moves in the industry.

According to Reuters, Federal Trade Commission (FTC) Chair Lina Khan told the White House that the commission will seek to deter "unlawful" mergers in the oil and gas industry. Her comments came in a letter to Brian Deese, director of the National Economic Council, which the news outlet obtained.

The letter came after the White House raised concerns about prices at the pump. In a letter to Khan on Aug. 11, Deese questioned why "gas prices tend to rise more quickly to adjust to spikes in oil prices than they fall when the price of oil declines."

Among the steps the FTC intends to take, Khan said the commission will start an investigation of abuses in the "franchise market" for retail fuel stations.

According to the news outlet, the FTC commissioner also said she was concerned that the FTC's approach to merger reviews in recent years had "enabled" significant consolidation in the industry and created "conditions ripe for price coordination and other collusive practices."

She added the FTC would "identify additional legal theories" to challenge mergers in which dominant players in the industry were buying up family-run businesses, Reuters reported.

According to NACS, roughly 20 percent of the 121,000 c-stores that sell gasoline, or 24,900 stores, are owned by a company with 500-plus stores; 69,342 of c-stores that sell fuel are one-store operators.

"The fuels retailing businesses is incredibly diverse and competitive," Jeff Lenard, NACS vice president of strategic initiatives, told NACS Daily. "There are more than 121,000 convenience stores that sell fuel, and these stores are collectively owned by 70,000-plus businesses. If there were actual wrongdoing in any corner of the industry, that should be investigated, and the law should be enforced."

Senate Committee Holds Hearing on Consumer Privacy

Yesterday, the Senate Committee on Commerce, Science and Transportation held a hearing on “Protecting Consumer Privacy” to examine how to better safeguard consumer privacy rights, including providing the Federal Trade Commission (FTC) with resources it needs to protect consumer privacy through the creation of a privacy bureau and the need for a comprehensive federal privacy law.

The four witnesses who testified were mainly former FTC commissioners or staff who now represent various interests in the privacy debate, along with one private sector witness from the App Association.

In advance of the hearing, the Main Street Privacy Coalition (MSPC) submitted comments to be entered into the hearing record to the committee outlining its call for federal privacy legislation and the key elements that should be included in a federal law.

While both Democrats and Republicans on the committee have stated the need for federal consumer privacy law, the same disagreement on two key issues remains—whether or not federal privacy legislation should pre-empt state privacy laws and whether individuals should be able to sue companies for privacy violations.

Recent action in Congress on privacy has focused on Democrats’ attempt to create a privacy and data security bureau at the FTC. Senator Maria Cantwell, chairman of the Senate Commerce Committee, supports this idea, and House Democrats have been trying to add $1 billion for such bureau as part of the multi-trillion-dollar social infrastructure package.

Yesterday’s hearing was the first in a series of privacy-related hearings that the Senate Commerce Committee will be holding this fall. The committee will be holding a hearing

next week on data security and it has invited FTC Chair Lina Kahn to testify next month and share how the FTC would implement a privacy bureau.

Can employers require their employees to get the COVID-19 vaccine?

The Equal Employment Opportunity Commission (EEOC) issued guidance indicating that employers can require most of their employees to get a COVID-19 vaccine in order to ensure a safe workplace, with certain exceptions. The commission noted that although the Americans with Disabilities Act limits an employer's ability to require employees to undergo a medical examination unless job-related and a business necessity, receiving a vaccine doesn't constitute a medical exam.

Employers must permit two limited but significant exceptions to any mandatory vaccination policy. Employees who refuse to take the vaccine on the basis of a medical condition or sincerely-held religious belief are entitled to request a "reasonable accommodation" from getting the vaccine. Under federal law or applicable state laws, an employee may have a legal right to decline to take the vaccine, and the employer must consider and provide, if appropriate, a reasonable accommodation to allow the employee to maintain an equal opportunity to perform the essential functions of the job or enjoy equal benefits and privileges of employment.

The EEOC has stated that employers may permissibly implement certain medical testing and other screening measures that applicable federal law would otherwise prohibit, given the "significant risk of substantial harm" to others posed by COVID-19. The EEOC also provides guidance on situations in which employers provide the vaccine to their employees.

5 Ways You Can Prepare for the Workplace Vaccine Mandate

Last Thursday, the Biden Administration announced that the Occupational Safety and Health Administration (OSHA) will soon issue a rule that will require all employers with 100 or more employees to either ensure their workers are vaccinated or require unvaccinated employees to produce a weekly negative test result before coming to work. It's estimated that 80 million workers, or two-thirds of the country's workforce, will be impacted by the rule, according to law firm Fisher-Phillips.

In light of the announcement, many employers are left unsure how to navigate these unchartered waters. Fisher-Phillips lays out a five-step action plan for employers to implement immediately.

Adopt procedures for determining employees' vaccination status: Employers should be ready to implement an organized, confidential process to determine vaccination status, and companies are OK to ask employees about COVID-19 vaccination status as indicated by the Equal Employment Opportunity Commission.

Determine if you will mandate the vaccine or allow unvaccinated employees to be tested weekly: Some employers may choose to not allow weekly testing, as it could be onerous to collect and keep track of test results.

Develop a plan for handling accommodation requests: Employers who plan to have a mandated vaccination policy must also have a detailed, crystal clear accommodation policy for any employee exempted from the vaccine for religious or disability reasons. Companies who implement weekly testing will also need an accommodation policy.

Have a plan for tracking test results: Employers who do decide to allow weekly testing will not only need to have a set plan to track the test results, but they also need to find out if they will have to cover the cost to test. Non-exempt workers also must get paid for time spent getting tested, according to FLSA.

Prepare for OSHA complaints and inspections: Any existing OSHA and CDC compliances in place at a company relating to the mitigation and prevention of COVID-19 will need to stay in place, as a mandated vaccine and/or weekly testing policy does not negate these compliances. OSHA could ask for an employer's COVID-19 response plan and training records if it receives a complaint or inspects a workplace. Employers should have a COVID-19 policy and communicate it to employees, and those in charge should be trained on how to handle an OSHA visit.

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 607-723-1849

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