

The Virgin Islands Consortium

**Average Gas Price In U.S. \$2.90 Per Gallon, USVI \$4.19;
DLCA Has More Questions For HOVENSA**

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The Commissioner of the Department of Licensing and Consumer Affairs Wayne Biggs has told *VI Consortium* that his department has asked HOVENSA to provide evidence that the gas it's been selling to local gas stations up until Oct. 24 is from fuel it purchased since June 2014, adding that if HOVENSA fails to comply, DLCA will move to subpoena the company.

Biggs' action follows a response the DLCA received in a formal letter from HOVENSA after the commissioner expressed concern that HOVENSA's fuel prices remained unchanged since about mid August, even though there has been a worldwide trend of decreased gas prices. In his letter to Richard Layton, a HOVENSA representative, Biggs

pointed out his department monitors gasoline and crude oil prices through a variety of internet websites.

HOVENSA, in its response letter, said the fuel purchased in June was "higher than it's been recently," and said it will "post further changes in the price of fuel at the truck loading rack as changes in the purchased cost of fuel are realized." But the company refused to make available its pricing mechanism to the DLCA, stating that the information was "proprietary." HOVENSA added that it purchases fuel "in large quantities in order to take advantage of economies of scale relative to price and ocean freight delivery to St. Croix and it takes a couple of months for HOVENSA to sell the acquired cargo of fuel."

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This reporter asked Commissioner Biggs whether local gas stations play a role in the current high prices of gasoline in the territory. Biggs said the role is minimal, noting that gas stations make about \$0.52 on every gallon of gas they sell to consumers.

Biggs further broke down the numbers, explaining that local gas stations purchase the fuel from HOVENSA for [\\$3.28](#), then a \$0.14 fuel tax is added. From there, \$0.07 per gallon is added for delivery of the gasoline, bringing the total to \$3.49. A final gross receipt tax of 5 percent is also added.

Biggs said local gas stations make little money on the sale of gasoline, explaining that if a gas station sells 4,000 gallons of gas, it makes \$2,000 gross profit -- that's before considering other expenses.

Furthermore, Biggs said the sale of gasoline has never been the true source of income for gas stations. He said he remembered when gas stations had mechanic shops where people would go to fix their vehicles; however, he said, since many mechanics have moved out on their own it has cut off that source of income to local gas station owners. It was then, Biggs said, that gas stations began opening convenience stores-- and that's where the money is made, not in the sale of gasoline.

Currently, the average price of gas in the United States is \$2.90; however, the average price in the territory is \$4.19.

The *VI Consortium* will continue to follow this story as it develops. Find HOVENSA's letter to DLCA Commissioner Wayne Biggs [here](#).