

The Virgin Islands Consortium

DLCA Finds St. Croix Gas Stations Profiting At Record Highs; Owners Respond

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Editor's Note: According to DLCA, the results did not include St. Thomas gas stations because the majority did not respond to the subpoena. Nor does it include St. John gas stations who are to be subpoenaed shortly. The St. Thomas gas stations that did not respond have been referred to the Attorney General's Office for further enforcement action.

ST. CROIX -- The Department of Licensing and Consumer Affairs (DLCA) has released the results of its analysis of gas prices for retailers on St. Croix, gleaned from information

the department collected through a subpoena issued in January to all gas stations in the territory, which reveals that service stations on St. Croix -- 12 listed in the subpoena, are making record profits on each gallon of gas that they sell -- with some stations at one point profiting in the amount of \$1.45.

In February, before DLCA results became available, people in the business of selling fuel to consumers, who requested anonymity because of the sensitivity of the issue, [told VI Consortium](#) that gas stations on St. Croix were making a profit of more than \$1 on every gallon sold to consumers.

In a press release attached to the findings, DLCA Commissioner nominee Devin Carrington said the numbers profoundly illustrate that the less money retailers paid for gas on the wholesale market, the more money the consumer paid at the pump. The commissioner characterized the behavior of the subpoenaed gas stations as "less than consumer friendly," and said DLCA is issuing an order requiring wholesalers and retailers of gasoline in the islands to submit a written request to the department prior to increasing prices at the pump. The department is also considering further action based on Virgin Islands law.

[\[Comprehensive Fuel Presentation\]](#)

In search of a response, *VI Consortium* visited four gas stations on St. Croix on Thursday -- Queen B Gas Station, Karim Service Station and One Love Gas Station -- all located in the Frederiksted area, and Super Tanker Service Station in Sunny Isle.

Bernadette Benjamin, co-owner of Queen B Gas Station located across from K-Mart west and adjacent to Subway, told *VI Consortium* that although they are currently seeing



below the current retail markup

Queen B Gas Station in

Frederiksted, across from Kmart

"I think because we're going to be buying gasoline from HOVENSA for two weeks and then it's going to go back up, nobody wants to go down to go back up," Benjamin said, telling *VI Consortium* that HOVENSA's currently selling wholesale gas at \$2.14, however once the shuttered refinery's inventory is exhausted, gas station owners will move back to purchasing fuel from Puerto Rico at \$2.50 per gallon.

A quick mathematical analysis reveals that after including the .14 cents tax mandated by law, the price adds up to \$2.28 per gallon. Currently, gas at the pump is \$3.39, which means gas stations on St. Croix that are presently purchasing gasoline from HOVENSA are profiting \$1.11 on every gallon sold. If these gas stations sell 40,000 gallons of gas on a monthly period, the total equates to \$44,400.

Queen B's co-owner, Chad Pringle, tried to explain to *VI Consortium* the difficulty in lowering the prices when it's sure to climb back up.

"At the end of the day you are a businessman," Chad said. "So, if I interrupt my profit margins, when gas goes back up in Puerto Rico, I have just decreased my profit margins and guess what, nobody is going to go back up when you're already going back down."

He added: "So you're decreasing your profit margin when you go down, so you are at a loss when the two and three weeks are over and you can no longer buy from HOVENSA."

VI Consortium pressed Pringle on his explanation, asking why not raise the price when they go back up.

"It would be hard to raise back up because you're already set back at your lower price," he said. Pringle, like his partner, Benjamin, said the reason gas is below \$4.00 per gallon is because they made the decision before any other gas station to lower the price.

Furthermore, Benjamin said when they decided to go below the \$4.00 mark, Arab gas station owners started calling.

"We started the price war," she said. "When we put the price down, oh my goodness! We got calls from a lot of Arab gas station owners saying, 'how is that you all put the price down, they continued saying a lot of



One Love Service Station,

Frederiksted

Benjamin said Pringle, who is also her son, told the Arabs that Queen B regularly hosts customer appreciation events where gas is sold at a \$.20 discount for an entire day -- usually on Fridays.

"We are not coming here to fight nobody," she said, referring to the Arab gas station owners. "We're in a business and I don't think anybody out there have a right to tell us what price to put our gas because this is a competition. What price we give our customers have nothing to do with what price you give your customer. That's your customer; you give them whatever price you want," Benjamin said.

When asked if Queen B would lower its price from the current \$3.39 to \$3.19 until the price of gas goes back up, the owners decided to hold a meeting amongst themselves to discuss the matter, and promised to get back in touch with *VI Consortium* on Thursday night.

But, alas, the response was only partially favorable.

"We have made the decision not to decrease our price to \$3.19," Pringle said late last night. He said the financial setback would become too great a burden, so in lieu of a permanent decrease, Queen B said it would offer gas at \$3.19 on Friday as part of its customer appreciation initiative. However, as of 11:20 a.m. on Friday, it was unclear if Queen B was offering the \$.20 discount to its customers, as the price sign did not reflect the promised savings.

Moving further west, a stop at Karim's Gas Station seeking the same information returned futile, and *VI Consortium* was asked to leave the premises.

Situated near the Police Operations & Administrative Services Building in Frederiksted immediately after some stoplights, is One Love Service Station. The Frederiksted arm is one of three owned by the Francis brothers, among them Sen. Novelle Francis, Jr.

When asked for comment on how the company determines its retail gas prices, the brother, who did not give his name, refused to comment.

In Sunny Isle, however, where Super Tanker Service Station is situated, W. Abdullah, who also owns Royal Furniture across from the majorettes building in Peter's Rest, told *VI Consortium* that he currently pays \$5,000 to \$6,000 to WAPA every month; \$10,000 monthly for rent and other monthly expenses including employee salaries. He said going any lower than the current \$3.39 would be to the detriment of his business.

"We have about \$.70 cents expense, and we're making \$.35 cents," Abdullah said. He did not list the expenses to *VI Consortium*.

To compare, a study was conducted by NACS, the association for convenience and fuel retailing, which revealed the amount that gas stations across the US mainland profit on each gallon of gas as 15.4 cents. "

"Motor fuels gross margins (or the "markup"?) averaged 18.5 cents per gallon in 2011. However, after incorporating expenses, such as debit/credit cards fees - which averaged 4.7 cents per gallon across all payment methods - operating expenses, depreciation and taxes, profit margins in 2011 typically were 3 cents to 5 cents per gallon (average breakeven on fuel sales is around 14 cents). Retailer profit margins over the past five years have averaged 15.4 cents per gallon," the [research found](#).



Super Tanker Service Station,

Sunny Isle area

Gas station owners on St. Croix contend that it's not a fair comparison to look at the US gas stations and those in the islands side-by-side because of the volume disparity.

Abdullah then pointed to the pumping area of the service station, telling *VI Consortium* that they must be changed every year.

Abdullah also revealed that the government has called for the implementation of a tank monitoring system that costs \$18,000, and must be installed in every gas station in the territory by May 15, 2015.

The gas station owner expressed frustration with the price of WAPA, and said that if WAPA would lower its prices, the prices at the pump would decrease as well.

"We're asking the consumer to help us and go after WAPA," Abdullah said. "We're asking the government to go and look after WAPA. We're asking all the senators to go and look after WAPA and why their prices are ridiculous. Why are we paying \$5,000 and \$6,000 every month."

"My friend, honestly speaking, yes we are making a couple of cents, but we're hardly making it. We have to work hard for it -- it don't come that easy," Abdulla said.

He concluded: "If WAPA drops our bill, of course, we will drop our prices."