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AUTOMATIC TEMPERATURE COMPENSATION

The retail petroleum business is one of the most competitive industries in the United States. Few industries compete on the basis of one penny per gallon and advertise their prices on signs that are visible to consumers from the highway. Due to the competitive nature of retail petroleum pricing, mandating costly automated temperature compensation (ATC) pumps at every retail station would be detrimental to gasoline retailers and their consumers.

For 70 years, liquid motor fuels have been sold nationwide to retail consumers on the basis of regularly posted prices for each liquid gallon (231 cubic inches) of fuel delivered into the motorist's tank. Some consumers argue that they are being cheated in warmer climates because warmer fuel temperatures result in less energy content in the gallon.

CURRENT STUDIES

Congressman Bart Gordon (D-TN), Chairman of the House Science and Technology Committee, issued a letter requesting that the Government Accountability Office (GAO) assess several factors associated with the installation of ATC. The report concluded that the costs to implement ATC are unclear and that further studies were needed to determine whether ATC would benefit or hurt the consumer. Furthermore, the California Energy Commission (CEC) recently adopted their extensive study which concluded that implementing ATC would force consumers to pay more for their fuel and the "net cost to society is slightly negative" if automatic temperature compensation were required. The 148-page report found that the initial costs alone to retrofit fuel pumps in California would range from \$103.8 million to \$127.4 million, and that annual expenses for ATC-related maintenance and inspections would range from \$7.4 million to \$20.6 million. While PMAA applauds the CEC study findings, we continue to express concern that some of the costs may in reality be higher than the CEC estimates because of inaccurate assumptions concerning retail fuel operations. PMAA also disagrees with the CEC's suggestion that fuel retailers could simply raise prices on convenience store items to cover the costs associated with installation of ATC equipment.

PMAA'S POSITION

PMAA does not agree with the assertion that fuel temperatures directly indicate any losses or gains *to the consumer*. Fuel temperature plays no role in pricing decisions made by retailers.

PMAA is opposed to both the permissive and/or mandatory use of ATC devices at the retail level. Under permissive temperature compensation, few retailers will install the equipment unless there is a perception by retailers that somehow those costs can be recouped in the marketplace. Permissive temperature compensation will create ambiguity and lead to unequal cost and volume delivery standards from location-to-location. Another factor to assess is the emergence of ethanol, which has 25 percent less energy content than conventional gasoline.

Mandatory ATC will disadvantage the consumer as the costs associated with installing and maintaining ATC equipment must be passed on to the consumer with no resulting gain in energy. Retailers cannot absorb the costs associated with installation of ATC equipment as well as the expected increased state inspection costs that will be passed on to the retail community, and ultimately, the consumer.

CURRENT LEGISLATION

During the 110th Congress, Senator Claire McCaskill (D-MO) introduced the Future Accountability in Retail Fuel Act, S. 1997, that would require all new and upgraded retail fuel pumps to be equipped with automatic temperature compensation equipment.

CONCLUSIONS

PMAA fully supports fairness and transparency in fuel pricing and delivery, and PMAA members are committed to compliance with all applicable weights and measures requirements. The National Conference on Weights and Measures (NCWM) creates the standards and processes to fairly meet the needs of consumers, businesses, regulators and manufacturers. PMAA believes that NCWM will ultimately fully understand the implications of such a drastic change in the way fuel is sold at retail in the U.S.

The development of mandatory and permissive standards for automatic temperature compensation devices is premature and the costs of compliance with such standards would not yield benefits equal to the cost for consumers. PMAA does not see a need to alter a system, which already delivers the regularly posted price at all retail signs nationwide.

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