

SENATE BILL REPORT

SB 5980

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, March 5, 2001

Title: An act relating to fair competition in motor fuel marketing.

Brief Description: Prohibiting the sale of motor vehicle fuels below their actual costs.

Sponsors: Senators Prentice, Winsley and Kline.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/27/01, 3/5/01 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5980 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Benton, Deccio, Fairley, Franklin, Hochstatter, Honeyford, Patterson, Regala, West and Winsley.

Staff: Joanne Conrad (786-7472)

Background: Concerns exist regarding the sale of petroleum below cost, in order to attract customers. Some believe this practice may have a negative, anticompetitive effect.

Summary of Substitute Bill: The Senate Committee on Labor, Commerce and Financial Institutions and the House Committee on Commerce and Labor cause an interim joint study to be performed, regarding the possibility that below-cost sales of petroleum may have an anticompetitive effect. The interim study examines petroleum marketing practices, and evaluates whether, and to what extent, below-cost sales may constitute deceptive advertising, unfair competition, or other anticompetitive effects. The study also researches whether such below-cost sales promote bankruptcies, unemployment and other economic dislocation in the area in which they occur, and findings are reported to the appropriate committees of the Legislature on or before December 1, 2001.

Substitute Bill Compared to Original Bill: No retail dealer may generally engage in a pattern of selling motor fuel below cost, when such a pattern has the effect of injuring one or more competitors or reducing competition. Civil penalties are established, and legal actions may be brought by an injured retail dealer or the Attorney General.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Small business owners are threatened by below-cost sales with negative consequences for the local economy, especially in rural areas.

Testimony Against: This bill would actually increase costs to consumers. Montana had a similar law and repealed it.

Testified: Charlie Brown, Bill Bellman, WA Oil Marketers (pro); Greg Hanon, Western States Petroleum Assn.; Brian Sullivan, British Petroleum (con).