Subj

Office of Special Adviser to the President
for Consumer Affairs
Washington, D.C. 20201

2/3/86

713-656-3636

Mr. Joseph V. Bres
Manager
Marketing Department
Coordination and Services
Consumer Affairs
Exxon Company, U.S.A.
Post Office Box 2180
Houston, Texas 77252-2180

Dear Joe:

After looking over "Questions and Answers About Exxon Marketing," I must wholeheartedly agree with your assessment of the publication as a helpful consumer education tool. I find the topics addressed to be most pertinent and the information useful for consumers everywhere, and hope that it does see broader distribution.

I was very interested to learn of your forums. It is obvious from the questions which came out of the series that consumers need to consider so many things in order to make informed marketplace decisions. They need, and want, education efforts such as yours which enable them to do so.

In reponse to your generous offer of additional copies, we would appreciate having a small supply on hand. I would be happy to have 10 copies.

Joe, this is the type of activity my office tries to foster and facilitate. Exxon has set an example that I hope other companies will follow toward the goal of better awareness of, and response to, consumer needs and preferences.

Best wishes for your continued success.

Sincerely,

Virginia H. Knauer
Special Adviser to the President
for Consumer Affairs

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GINA_____

EH: 1/21/86

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EXXON COMPANY, U.S.A.
POST OFFICE BOX 2180 • HOUSTON, TEXAS 77252-2180

MARKETING DEPARTMENT
CONSUMER AFFAIRS

JOSEPH V. BRES
MANAGER

May 1, 1984

Mrs. Virginia Knauer
Special Advisor to the President
United States Office of Consumer Affairs
1009 Premier Building
Washington, DC 20201

Dear Virginia:

It was certainly great to have you join us last Friday for our NCW luncheon in Houston. In truth, without you we wouldn't have had this opportunity to "get the word" to so many of our community senior management.

Houston, as you may have been told by Barbara Bland, is not a place where consumer affairs represent a universally recognized corporate responsibility. Our local SOCAP chapter has had a fearsome time just staying alive much less growing. So, thanks so much for giving us this opportunity to make an impact on our business leaders. They could not fail to be impressed.

I look forward to seeing you in Washington at our API Consumer Affairs Highlight Session.

Sincerely,

Joe

JVB:dh
Attachment

c.c.: Bob Wolcin
Joe

National Consumers Week 1984
United States Office of Consumer Affairs
Washington, DC 20201

In accordance with your request, listed below are those Exxon Company, U.S.A. activities designed to result in a better informed consumer which were implemented specifically in celebration of National Consumers Week:

- Co-sponsorship of a well attended, by invitation, luncheon for Houston business and consumer leaders; this event featured an address by Mrs. Virginia Knauer on Private Sector Initiative and the Consumer.

- Conduct of Better Business Bureau orientation programs for company employees at nine key company facilities nationwide to stimulate individual awareness of what services the local BBB offers to the public. The programs, in a majority of instances, included Q&A opportunities, materials distribution, and reference to/articles on the BBB in employee publications.

In addition, Exxon Company, U.S.A., since February 1983, has conducted a program of community leader dialogue sessions. These are designed to give our senior management an opportunity to hear firsthand what consumer leaders representing business, civic groups, academic, consumer organizations, and public interest groups in various locales think about Exxon (and the industry) and to answer directly their questions on specific matters. Twenty-one such "forums" have been held in five states; fifteen more are scheduled before 1984 year end.

EXXON COMPANY, U.S.A.
POST OFFICE BOX 2180 • HOUSTON, TEXAS 77001

MARKETING DEPARTMENT
CONSUMER, DEALER, AND DISTRIBUTOR AFFAIRS

JOSEPH V. BRES
MANAGER

April 18, 1983

NCW

Mrs. Virginia H. Knauer
Special Assistant to the President
The White House
Washington, DC 20500

Dear Virginia:

Even though I have earlier informed Dr. Lillian Mohr of my inability to attend your White House Conference on April 25, I wanted to personally express my regret to you.

The absolute inflexibility of an earlier commitment to an industry meeting in Denver, where I am on the program, prevents my attendance. This is most unfortunate, for your conference with its focus on consumer education is of particular interest to me. I hope that a digest of the remarks will be made available.

Best wishes for a most successful conference and National Consumers Week.

Sincerely,

Joe

JVB:dh

22 APR

EXXON COMPANY, U.S.A.
POST OFFICE BOX 2180 • HOUSTON, TEXAS 77001

MARKETING DEPARTMENT
CONSUMER, DEALER, AND DISTRIBUTOR AFFAIRS

JOSEPH V. BRES
MANAGER

NCW

April 29, 1983

Mrs. Virginia H. Knauer
Special Assistant to the President
The White House
Washington, DC 20500

Dear Virginia:

By the time you receive this letter, National Consumers Week of 1983 will be history - but the importance of proper emphasis on the role of the consumer to business success will continue on a daily basis. As an indication of our continuing dedication to that emphasis, I called Lillian Mohr last Friday to acquaint her with a service for the handicapped which we have recently announced. The details of this program are as follows:

- Decals which portray the standard "handicapped" symbol will be posted on curbside street signs and on self service pump islands at all company operated service stations which provide both "full" and "self" service.

- The decals indicate that whenever the full-service pump islands are open for business, an attendant will be available at the self-service pump islands to assist drivers with "handicapped" license plates to obtain product which will be priced at the self-service price.

- The decals also will be made available to all of Exxon's direct-served dealers and they will be encouraged to offer this special service to the handicapped.

For your further information, the need and desirability of this special service for the handicapped was highlighted directly to our Marketing management by consumer spokesmen in the course of a series of "grassroots" consumer forums conducted recently at eight cities in Virginia and Maryland.

With your interest in both consumer dialogue and the handicapped, I was sure you would want to know these details.

Sincerely,

Joe

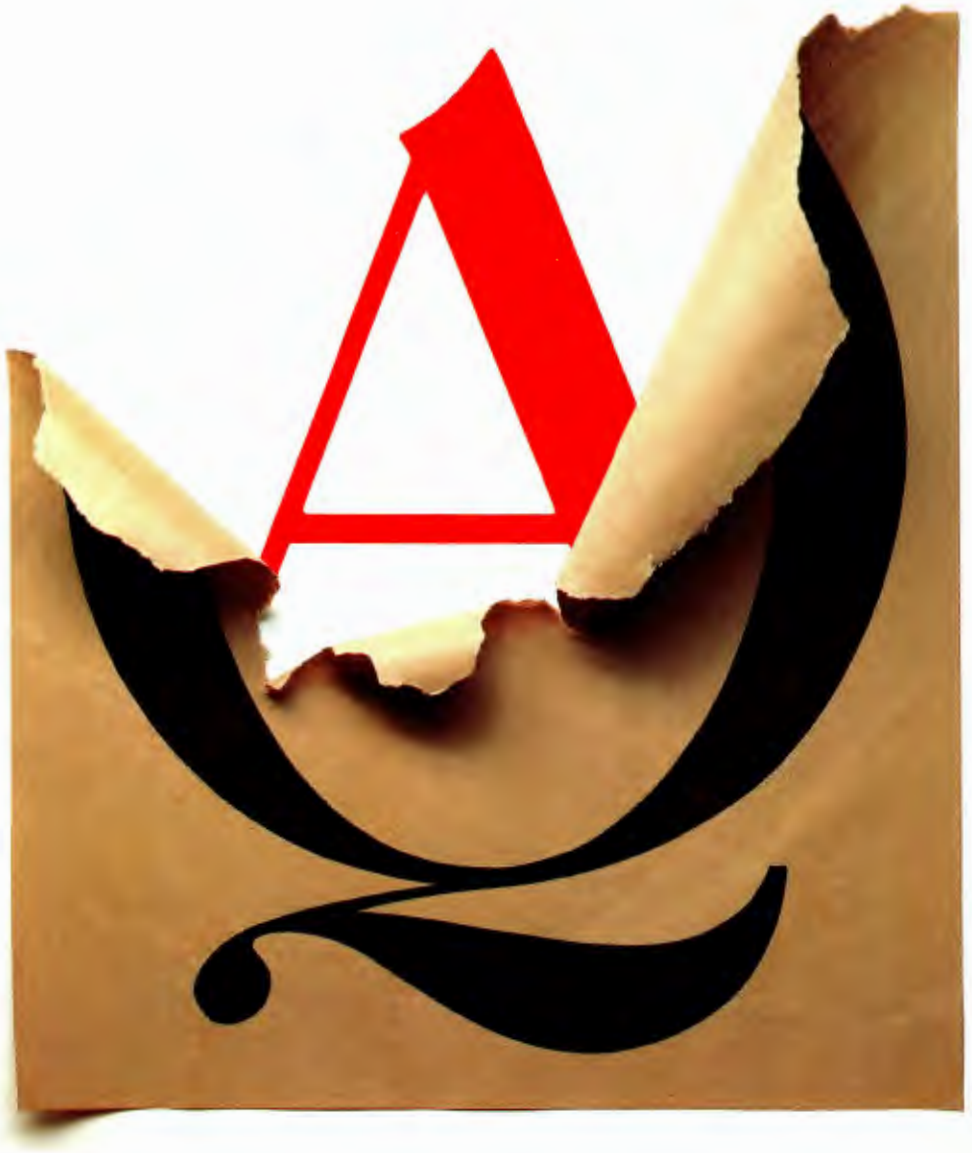
cc Bob
Lil
Tom

JVB:dh

4 MAY 1983

A DIVISION OF EXXON CORPORATION

c: Dr. Lillian Mohr



EXXON

QUESTIONS AND ANSWERS ABOUT EXXON MARKETING

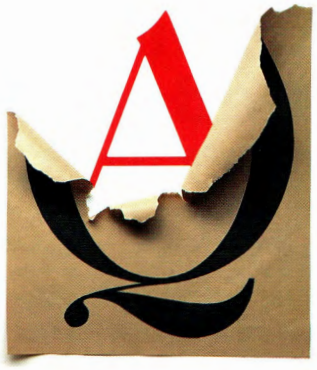
Over the past few years, Exxon senior management has personally met with consumers in 43 cities covering 11 states for the purpose of sharing information about the company and its products and of learning firsthand the concerns of our customers. These wide-ranging discussions have covered many marketing subjects; the questions asked and answers given were found to be helpful and instructive to the company and informative to the local participants. When those attending suggested that the information presented should be shared with others, Exxon agreed. As a result, question and answer summaries of the six major topics were printed in EXXON USA, our external magazine, and were well received by the magazine's readers.

Because those articles were so popular, we have extracted them and reprinted them in booklet form. The information has been updated to make it more timely and useful as a handy reference.

We hope you will find this booklet a convenient resource.

Sincerely,

R. P. Larkins
Vice President, Marketing



Contents

Service station operations

How are Exxon service stations operated and supplied with products?
The two most commonplace ways are these: Some dealers have supply agreements with Exxon providing for regular delivery of products to their stations directly from Exxon's facilities. Other dealers buy products from distributors (also known as "jobbers" or "resellers"), who purchase supplies from Exxon, then resell them to the dealers.

How many stations does Exxon operate with its own personnel? How many stations are operated by dealers?
Of the nearly 18,000 stations selling Exxon products at the end of 1984, about 540 — less than 3 percent — were managed and staffed by Exxon employees. These are called "company-operated stores." The remaining outlets were operated by dealers; 6,220 were supplied directly by Exxon, and 11,000 by distributors.

How much control does Exxon have over individual service stations?
With the exception of company-operated stores, very little. Service station dealers are independent merchants operating their own businesses, even though the properties they operate may be owned by Exxon. They are free to buy and sell products made by Exxon and others and to furnish whatever services they choose, subject only to their contractual obligations and federal and state laws and regulations affecting the marketing of petroleum products. Dealers are free to hire their own employees, set their own prices, and determine their own operating practices. Exxon's role with dealers is principally that of a motor fuel supplier (possibly one of several suppliers of products and merchandise) and a business counselor. If Exxon owns the station and leases it to the dealer, it also has the rights of a landlord.

Does Exxon monitor all stations selling Exxon gasoline for courtesy and cleanliness?
Exxon and successful Exxon dealers know that courtesy and cleanliness are essential to attracting customers and giving them a reason to come back. Exxon's field sales representatives continually counsel dealers on these and other areas of their business in an effort to help them improve the efficiency and profitability of their operations. Exxon has in operation a nationwide program to help and encourage dealers to upgrade their operations and enhance the Exxon image in the branded retail business. The program, called "Commitment to Excellence," stresses the basics of good business, basics which are fundamental to success in today's highly competitive marketplace.

Is Exxon able to exert any discipline over service station dealers? What about cheating, petty thievery, etc.?
No arbitrary, unilateral authority exists for Exxon to "discipline" dealers; however, if a dealer's performance has been unsatisfactory, Exxon may exercise its right not to renew a dealer contract at the expiration of its term. Specific grounds for termination or nonrenewal of a lease by any supplier are set out in the Petroleum Marketing Practices Act, a federal law enacted in 1978. Examples of these grounds are: fraud or criminal misconduct relevant to the operation of the station, bankruptcy, condemnation through eminent domain, failure of the dealer to operate the premises for seven consecutive days, and conviction of the dealer of any felony involving moral turpitude. In addition, under Exxon's credit card agreement with dealers, Exxon may remove a charge from a customer's account and charge it back to a dealer under certain limited conditions.

How does Exxon handle complaints from customers about service stations?

Exxon encourages customers to discuss their problems first with the dealer or, in the case of a company-operated outlet, the store manager. Experience has shown that this is usually the most effective way to resolve a complaint. If that fails, however, the customer can request Exxon's assistance by writing to: Manager, Consumer Affairs, Exxon USA, P.O. Box 2180, Houston, Texas 77252-2180. If the complaint concerns a dealer-operated station, Exxon can only attempt to mediate the dispute since legal restraints do not allow the company to dictate a resolution to dealers. An important part of Exxon's complaint handling system is the Complaint Resolution Improvement Training Program, a two-day course for field sales representatives, supervisors, and managers. Since implementation of this course in 1978, customer satisfaction with the handling of complaints, according to in-house surveys, has increased to a level well above the industry average.

How do people become service station dealers? Are there training programs?

Exxon seeks capable and responsible individuals to become Exxon dealers and actively recruits them when openings arise. New dealers must attend an intensive, highly structured training program. We work to engage the best qualified individuals regardless of race, religion, sex, or ethnic origin.

What's the difference between a dealership and a franchise?

Generally speaking, a franchise is purchased by an individual or individuals from the franchisor. The franchisor retains considerable control over the operation of the business, spelling out specific requirements for such matters as the design of the facility and the products to be sold. A service station dealership, while defined as a franchise under certain statutes, is not sold by Exxon to the dealer, (although a dealer in some states can assign it to another dealer). A dealer executes a real estate lease if Exxon owns the property involved; in some cases the dealer himself owns the property or leases it from a third party. In addition, the dealer has a supply agreement to obtain motor fuels from Exxon. Other than an obligation to maintain the integrity of the Exxon trademark and to honor the obligation of the supply agreement, there is nothing to prevent the dealer from carrying the branded products of a competing supplier. In general, the dealer has fairly wide latitude in the operation of his business.

Why are some states trying to make oil companies get out of retail gasoline sales?

"Retail divorcement" legislation would prohibit petroleum refiners from operating service stations with company employees, or at least limit the number of such service stations. These laws are on the books in Maryland, Connecticut, Virginia, and the District of Columbia. Advocates of such legislation say that suppliers use unfair price competition (so-called "predatory pricing") at company-operated service stations to control dealer prices and force lessee dealers out of business so that the leased stations may be taken over for company operations. However, in recent years statistical data show conclusively that there has not been a significant increase in the percentage of service stations operated by large refiners. In fact, in Exxon's case, the number of company-operated stations has declined by more than 80 percent, from 3,600 in 1970 to fewer than 550 today. In any event, Exxon believes that such legislation is unnecessary because existing federal laws provide ample protection to dealers. In addition, divorcement would actually have the effect of reducing the level of total competition and could discourage entries into new geographical markets. Company-operated stations benefit consumers and independent dealers in many ways. They provide a vehicle to test and evaluate merchandising techniques, new equipment, and administrative procedures before making them available to dealers. These innovations may ultimately benefit dealers and consumers alike.

Why doesn't Exxon have consumer education programs as some other oil companies do?

Exxon does conduct consumer education programs when we feel there is a need. During the past 2 years, for example, Exxon's Marketing Department conducted a series of 43 "grassroots forums," in 11 states, at which senior Exxon managers met with community leaders to discuss various aspects of our retail marketing operations. This booklet grew out of those meetings and is itself a form of consumer education.

Why is Exxon withdrawing from some markets?

Exxon announced plans to discontinue branded motor fuel marketing in Kentucky, Ohio, Vermont, upstate New York, and Berkshire County in western Massachusetts in 1982. The areas selected for withdrawal were chosen because they were judged to be the least attractive markets to Exxon in the future on one or more counts, such as low market penetration, lower sales volume per station, higher costs, and so forth. This decision was made with great care and deliberation, since it affected many of our valued customers and long-time loyal dealers. In the end, however, it came down to adapting, albeit painfully, to the realities of the marketplace.

Product quality

What is Exxon's policy on product quality?
In a few words, it consists of giving customers products with quality they can count on. It is our policy to provide high quality products that meet or exceed equipment specifications and consumer needs under all reasonable circumstances. Exxon further promises to meet responsible standards of service, price products competitively, meet safety, health, and environmental standards, comply with laws and regulations, and much more.

What are the product quality features of gasoline?
There are four main areas: 1) volatility or vaporization characteristics, which affect optimum cold- and warm-engine performance; 2) clean-burning characteristics, to prevent harmful deposits in an engine; 3) additives, to prevent rust, oxidation, and intake system deposits; and 4) octane ratings, which are an indication of a gasoline's ability to prevent engine knock. These are qualities that go into a gasoline when it is made. A fifth concern is that gasoline be free of contaminants such as water or foreign particles.

How can I evaluate the quality of different brands of gasoline?
You can't. At least, not without trying them all in your car. There is too much variation in the physical characteristics of fuels and in the cars in which they are used for a motorist to make accurate value judgments on gasoline quality before buying. Your best bet is to do business with a manufacturer that has a reputation for making quality products.

Aren't all gasolines alike?
No. They are all sold as motor fuel, but they are not all alike. The performance of different fuels in many automobiles is significantly different. And these differences may be detected by a discerning motorist. Gasoline is a blend of different hydrocarbon compounds of varying quality that are refined from crude oil. Each gasoline company has its own methods for blending gasoline to sell under its own brand name. The blend includes an "additive package" of chemicals designed to prevent the buildup of deposits in an engine, guard against corrosion, and boost fuel economy, for example. No two branded fuels are exactly alike. In fact, Exxon chemists can take a sample of gasoline from your car, analyze it, and tell you whether or not it is Exxon gasoline. The quality of the ingredients that go into gasoline makes a big difference in how well it will perform in your car.

Isn't high-octane gasoline better than low-octane?
It is, if that is what your car requires to run without knocking. But most cars don't need 92- or 93-octane gasoline. They will run equally well on 87-octane gasoline. Remember, octane is not a measure of a gasoline's energy content, but of its ability to prevent engine knock. Unleaded gasolines are blended to the desired octane level by adding the necessary amount of high-octane hydrocarbons. Unleaded premium gasoline costs more than unleaded regular gasoline because it contains more of those expensive high-octane components. However, you needn't buy unleaded premium gasoline for your car unless it is one of those models having high antiknock requirements. Buying a gasoline with an octane rating higher than that which allows occasional light engine knock is an unnecessary expense.

How do you keep contaminants out of gasoline?
At several points during its passage from refinery to motorist, gasoline must pass through mechanical filters that block solid particles. In addition, the pumps at most stations selling Exxon gasolines are equipped with a patented water trap filter that will shut off the flow of gasoline if it detects even tiny quantities of water. These filters also screen out solid particles as small as 10 microns — too small to see. But your gasoline supplier can't do anything about condensation in your car's fuel tank or dirt that might get into its fuel system. To protect against these, your car is equipped with fuel and air filters.

What happens when someone complains about product contamination?
A complaint is a matter of serious concern at Exxon and receives high-priority attention. Generally, within two working days after receiving a contamination complaint, an Exxon field representative begins an investigation of it. The investigator will gather facts as to the time and place of purchase and the amount and type of product involved. There'll be an inspection of maintenance, delivery, and complaint records. Pumps and storage tanks will be checked. Samples of the product may be taken for testing. If the complaint proves to be valid, Exxon will settle the claim. Also, the representative will immediately take steps to make sure the problem is corrected so that it won't happen again.

What if the complaint isn't valid?
Then we will disallow it. Nearly a century of experience has taught us that poor performance in many cars is frequently the consequence of poor maintenance by their owners. For example, a motorist who drives thousands of miles without changing oil or air filters in accordance with

the vehicle manufacturer's specifications may eventually find his car crippled by plugged filters. Likewise, an engine that is out of tune cannot make effective use of even the best of fuels. Top engine performance, fuel economy, and low exhaust emissions are largely the product of good maintenance and careful driving habits.

What am I to think when I see an unmarked truck or a non-Exxon truck unloading gasoline into an Exxon station's storage tanks?

It may just mean that Exxon's trucks are all occupied and we've hired a contractor to deliver gasoline for us. We use contractors to balance out the peaks and valleys of our delivery system and to insure that deliveries won't be delayed. It may also mean that a dealer is getting a delivery of Exxon gasoline made to Exxon's specifications, and containing Exxon's proprietary additives, but not blended in an Exxon refinery.

Recently, I went to an Exxon station and found a different brand of gasoline for sale, along with the usual Exxon products. Isn't that deceiving customers?

Only if a dealer tried to pass off some other brand as an Exxon product. Dealers are independent businessmen. Exxon cannot require that dealers offer for sale only Exxon branded products, although many of them do because they like the product line. However, if a dealer offers gasoline other than Exxon's, it must be clearly identified as such. A dealer cannot legally sell non-Exxon gasoline through a pump with the Exxon brand name on it. A dealer selling non-Exxon gasoline has a legal obligation to identify it as non-Exxon or by its proper brand name.

How long can gasoline last in storage? Does it "go bad?"

Yes, in time, it does. There are many variables that affect the length of time that gasoline can be stored without unacceptable deterioration. As a rule of thumb, we recommend that gasoline not be stored longer than six months. Beyond that, oxidation and evaporation lead to changes in the product's chemistry that reduce its quality as a fuel. In addition, gasoline blended for use during winter may cause problems such as vapor lock if used during summer's heat. Likewise, your use of a summer blend during wintertime may mean you'll have a hard time getting your car started. In general, storing gasoline for long periods is not advisable.

Full service vs. self-serve

What's all this about full service and self-serve?
Motor fuel is sold to motorists in several ways, so let's define our terms. The term "full service" is applied to a pump island in a service station where a motorist can have an attendant operate the pump and provide other services such as cleaning the windshield and checking under the hood. The term "self-serve" refers to a pump island where you, the motorist, operate the pump yourself, and, if you wish, look after your own car service needs. Another term to be familiar with is the "conventional service station with bays," which describes a place where you can buy motor fuel and other auto-related services as well, such as lubrication, tires, batteries, and accessories. Some conventional service stations with bays have only full service pumps; most have both full service and self-serve islands. The ultimate in this concept is the Exxon Car Care Center, a large and comprehensive installation, where a motorist can obtain the widest possible range of service and products for his car. By contrast, there is the "self-serve only" station that specializes in selling just motor fuel at self-serve pumps. And don't overlook the Exxon motor fuel store that offers both full service and self-serve islands for gasoline but does not have service bays.

Where and when did this self-service trend start?
It started in Europe in the 1950s. Gasoline has always been more expensive there than here, and European motorists became price-conscious long before Americans did. Today, self-serve is almost universal in Europe. The first self-serve stations in the United States were tested in the 1960s. Initially, they were not too popular. But during the past 10 years, consumer acceptance of self-serve grew rapidly. Today, almost three quarters of all gasoline is purchased at the self-serve pump. It is a continuing national trend. You can now pump your own gasoline in all but two states. In the two holdouts, Oregon and New Jersey, dealer organizations have opposed, in state legislatures, the introduction of self-serve.

But not everyone wants self-serve . . .
That's true. Self-serve is economically attractive, but not always the choice. Many motorists still are willing to pay higher gasoline prices for the convenience and extra services that full service provides. What's more, those who buy self-serve at a gasoline only facility must shop elsewhere for tires, batteries, mufflers, wash jobs, brake service, and engine tuneups . . . once the stock-in-trade that gave service stations their name.

Does Exxon favor one over another?
No, not at all. Our policy is to give motorists what they want. In some markets, self-serve is popular. In others, full service is preferred. Actually, most conventional Exxon stations have both full service and self-serve pump islands, giving motorists a choice of savings or service. Our objective is to make sure that somewhere within a reasonable distance, a motorist can find the kind of service that he or she wants.

What's Exxon's role in the motor fuel market?
Exxon is a manufacturer of high-quality petroleum products. Of the motor fuels we provide the motoring public, we sell nearly all at wholesale to dealers and distributors. We encourage these Exxon retailers to offer whatever products and related services motorists want. In the conduct of our business, we believe in honesty, integrity, dependability, top quality, and fair prices. Whatever we do, we try to do well, regardless of the form that relationship takes.

Why all these different setups?
It's nothing more than sellers trying to attract buyers in a highly competitive marketplace by offering various combinations of services to bring in the business. In comparing self-serve and full service, the difference is one of price as opposed to convenience. If price is important to you, you can save by pumping your own gasoline and cleaning your own windshield. If you'd rather have an attendant do the work, you can opt for full service and pay higher prices for the gasoline. The price differential recognizes competition in the marketplace and the cost of labor necessary to provide the help that full service affords.

Some say that self-serve may not be safe . .
The safety record of self-serve is every bit as good as that of full service. Early fears about possible hazards have proven groundless. National safety experts and fire marshals now accept that a motorist can operate a gasoline pump as safely as a service station attendant. The experience of more than a decade has given ample proof of this.

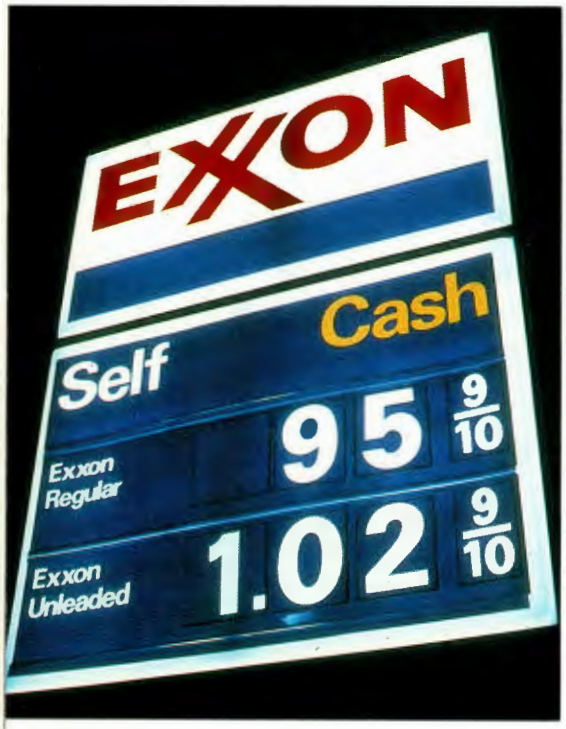
Aren't full service stations going out of business?
Some are. Over the past years, the number of service stations in the U.S. has declined by over one-third, from about 230,000 in 1970 to about 130,000 at the end of 1984. Most stations going out of business have been the lower volume outlets. Their demise has been due to such factors as inflation, national energy conservation policies, changing traffic patterns, and the economics associated with the application of mass-merchandising methods to retail gasoline sales . . . and not to a rejection by oil companies of the full service market.

How can a handicapped person take advantage of lower self-serve prices for gasoline?
Look for an Exxon station displaying the "handicapped" logo of a person in a wheelchair. This identifies a station that will give a handicapped person full service at the self-serve pumps. "Handicapped" logos are on display at company-operated stations which offer both full and self service. However, Exxon can provide this kind of leadership and assure this service only at company-operated stations. In states where company operation of service stations is prohibited by law, no such assurance is possible. Exxon can only recommend the service to the nearly 18,000 independent businessmen who handle Exxon products. Happily, an increasing number are cooperating.

Why can't you give every senior citizen that kind of a deal?
Full service means higher dealer costs and higher prices. If the offer is spread, your savings would disappear. Remember, a dealer must recover the costs of providing full service plus a margin of profit if he is to stay in business.

Will conventional stations with bays gradually disappear?
As long as significant numbers of motorists continue to prefer full service and patronize stations offering full service along with related products and services, there will be conventional stations with bays. About two-thirds of the service stations we built or extensively rebuilt in 1984 were equipped with service bays.

How do you maintain standards in a dwindling market?
To encourage quality in service, Exxon requires all would-be dealers to attend a training school and satisfactorily complete its courses. Dealers also are offered refresher courses that bring them up-to-date on the latest developments in car care. Exxon further urges mechanics to earn certification by the National Institute of Automotive Service Excellence. Company courses are available to prepare mechanics for the NIASE certification tests.



Gasoline prices

Who sets the price of gasoline?
In a free market, the price of any product first is set by the seller of it. If a seller asks more for his product than the buyer will pay, the price must go down to a more acceptable level or no sale can be made. On the other hand, a seller must recover his costs and a reasonable profit through sale of his product or services or he will go out of business. In the retail market for gasoline, the independent dealer sets his own price based on the costs he must recover (product, taxes, overhead) plus a margin of profit for himself. The price will be tempered by competitive pressures (what his competitors are charging) and the willingness of consumers to pay. One dealer may set a price slightly higher than his competitor, but rely on extra service to bring in customers. Another may sacrifice service to attract the price-conscious with lower prices. Because of these many individual decisions, gasoline prices may vary as much as several cents a gallon as dealers seek the level that attracts the most trade while yielding a reasonable profit. But in the end, the price depends on what consumers in that marketplace are willing to pay for the value-package offered.

Do service station dealers really have anything to say about the price of gasoline and other products?
Yes, they do. Nearly all gasoline is sold by independent dealers, people who own their own businesses. They buy products wholesale and sell them retail, just as do the owners of grocery markets, drugstores, hardware shops, appliance stores, and other suppliers of retail commodities. (Exxon, for example, sells about 90 percent of its gasoline on the wholesale market.) Exxon offers merchandising assistance and business counseling to dealers selling its products, but it cannot and does not set their prices.

What are the elements of cost that make up the retail price of a gallon of gasoline?
Currently, the cost of crude oil accounts for 58 percent of each gasoline retail sales dollar. Another 20 percent goes for refining, distributing, and marketing the product. On a national average, taxes add 13 percent. The dealer's margin averages 9 percent.

How much profit is there on a gallon of gasoline?
It is difficult, if not impossible, to determine the portion of an oil company's profits which comes specifically from gasoline sales. But the median profit of U.S. oil refineries amounted to about 5¢/gallon for each gallon of all petroleum products sold in 1984, which gives an approximation. (About half of Exxon's profits are reinvested in the business; the rest is distributed to shareholders as dividends).

What does a dealer make on a gallon of gasoline?
It varies, but using national averages, the typical dealer with both full-and-self-serve islands makes a gross margin of about 14¢ on a gallon of gasoline. He makes less on self serve leaded regular and more on full-serve premium unleaded.

How much of the price of gasoline is tax?
On a national average, about a quarter of your motor-fuel dollar goes to pay for taxes of all kinds. You may pay more or less than that, depending on where you live. The federal government levies an excise tax of 9 cents a gallon on gasoline; states also levy excise taxes that range from a low of 7 cents in Missouri to a high of 18 cents in Washington. In some cases, other state and city taxes add to gasoline prices. For example, in New York City, all taxes combined come to more than 27 cents tacked onto the price of each gallon of motor fuel. In addition, oil companies pay such corporate income taxes, severance taxes, gross receipts taxes, and others, as to make petroleum the most heavily taxed of all U.S. industries. The cost of taxes must necessarily be passed along to consumers, who are the ultimate source of all revenue.

Why does unleaded gasoline cost more than leaded gasoline?
Because it costs more to make. The problem is one of boosting the octane rating of gasoline to a level suitable for most cars. Low-octane gasoline, made at low cost by a minimum of refining procedures, can be given a higher octane rating by adding a small amount of inexpensive tetraethyl lead. But leaded gasoline cannot be burned in today's cars because lead poisons the catalytic converters that help control pollutants in exhaust emissions. To

make unleaded gasoline of acceptable octane, the refiner must put raw materials through additional and costly refining steps. The cost of these added steps, plus extra raw materials required, shows up in the higher final price of the product.

Why does diesel fuel cost more than gasoline at some service stations?

There are many factors which affect motor fuel prices to consumers, whether that fuel is gasoline or diesel. Refining costs, how much product is available for sale, demand for the product by customers, federal, state, and local taxes, and competition all contribute to determining the price consumers pay at the pump. For example, during the summer — when motor fuel demand is high — refineries adjust their operations to produce more gasoline from each barrel of crude oil. Since the additional, more expensive steps necessary to accomplish this increase the cost for producing gasoline, the cost of gasoline goes up relative to the cost of diesel fuel. During the winter months — when the demand for gasoline drops — refineries cut back production of gasoline and the relative costs of gasoline and diesel fuel are more in balance.

Long term demand for a product will also influence the price of that product. For example, supply capability in recent years for motor gasoline has been more than adequate because of declining gasoline demand. This has produced intense competition and consumer prices have declined accordingly. While gasoline demand has declined, the demand for diesel has increased. It should be noted, however, that while the demand for diesel in the trucking, railroad, and agricultural industries has been rising, the demand for diesel in passenger cars has not been nearly as high as predicted.

With regard to taxes; on average, state and federal fuel taxes on diesel are about six cents per gallon higher than on gasoline. This difference is reflected in the price paid by consumers at the pump.

The number of outlets offering a product in a given vicinity will also affect prices to consumers. For example, diesel prices are generally lower on a major highway with many truck stops than in a city or town where only a few outlets sell diesel. Although diesel demand continues to grow, it still represents less than two percent of the total motor fuel sales for passenger cars and light trucks; consequently, only a small number of stations offer diesel. For those that do, the unit operating and inventory costs are much higher than for gasoline because of the smaller volume sold. In addition, diesel demand is so low at many stations that only one dispenser can be justified. This typically results in self service diesel being unavailable at those locations.

Why do stations on interstate highways charge more for gasoline than those on local roads and streets?

When authorities limit access to interstate highways, they also limit the number of sites available for businesses, including service stations. Fewer stations means less competition. Less competition often leads to higher prices. But a more specific reason can be found in the buying habits of interstate motorists. When a motorist turns off the interstate into a service station, he wants to fill his gas tank, use the rest room, and get going again. He doesn't want to take time to shop for tires, batteries, accessories, lubricants, wash jobs, or tuneups. Lacking these allied sources of revenue then, the dealer operating an interstate service station must depend on gasoline sales alone for the bulk of his sales revenue. He sets his profit margin accordingly, and that usually means a slightly higher price for gasoline.

Why does gasoline cost less in self-serve stations than in full service stations?

Because the cost of labor is lower in a self-serve station, enabling the dealer to offer his product for less. A full-serve station employs attendants to man the pump, check under the hood, clean your windshield, etc. The price of gasoline and other products sold there must be sufficient to cover the cost of their wages. In a self-serve station, the buyer performs these services for himself in return for a lower price.

Does the price of gasoline ever go down?

Yes, it does. Historically, the real price of gasoline, based on the buying power of the dollar, has steadily declined. In terms of a constant 1972 dollar, the price of gasoline (ex tax) averaged 83 cents a gallon in 1929 even though in 1929 dollars, gasoline cost 18 cents a gallon (ex tax). In 1972 constant dollars, the average price of gasoline fell to 70 cents a gallon in 1939, 58 cents a gallon in 1949, 47 cents a gallon in 1959, and 42 cents a gallon in 1969. In constant 1972 dollars, the price of gasoline hit an all-time low in 1972, declining to 37 cents (ex tax). The Organization of Petroleum Exporting Countries (OPEC) took advantage of America's dependence on imported oil to force up the price of crude oil during the 1970s; gasoline prices rose accordingly, returning to the levels of the 1950s. Government controls and regulatory mismanagement aggravated the problem. But with removal of price controls in 1981, market forces once more came into play and gasoline prices have declined about 23% since then. Better technology and tough competition — when the market is permitted to work — have combined to provide American motorists with gasoline at a price and quality unexcelled anywhere in the world.

Service stations and the environment

How do you keep gasoline vapors from contaminating the environment?

With few exceptions, Exxon and its distributors have installed vapor controls on their storage tanks, bulk terminals, and delivery trucks in compliance with air-quality regulations. But the question of how best to control vapor emissions when refueling vehicles at service station pumps is still being debated. One state, California, and the District of Columbia require the installation of a rubber boot that fits around the pump nozzle. The boot captures vapors as gasoline enters the car's fillpipe and returns them to the station's storage tank. This equipment, known as Stage II Vapor Recovery, is heavier than the standard nozzle and awkward for many people to use. An alternative method, called the vehicle "on-board" system, has been developed for installation on the car itself. The vehicle on-board system captures vapors and sends them to the car's fuel tank. It requires minimal effort on the part of the dealer or the self-serve motorist and would be more cost-effective if required nationally. The Environmental Protection Agency will decide which system to require.

What happens to used motor oil?

Nearly all service stations have waste- or used-oil holding tanks. When a dealer changes your oil, he stores the used oil in his holding tank. Periodically, the used oil is collected by one of a number of companies engaged in recycling used oil for other uses. After processing, some used oil can be used again as a lubricant. Also, some is burned as a low-sulfur fuel. If you prefer to change your own oil, take the used oil to the dealer from whom you buy gasoline regularly. Most dealers are willing to accept used oil for proper disposal . . . if they know you as a customer.

I've read about gasoline leaking from underground storage tanks and getting into drinking water. Are you doing anything to guard against this?

Exxon has been a pacesetter in conducting leak-prevention programs. During the 1960s, we installed cathodic protection on tank systems in areas where corrosion was a problem. In the 1970s, we adopted pipe leak detection devices as an engineering standard for new and replacement installations. In 1980, we enhanced our leak prevention capability and began a comprehensive six-year program to upgrade or replace underground storage tanks. Exxon owns tankage at some 7,000 locations. So far, we have completed tank upgrading or replacement at some 5,800 locations. The program will be completed in 1986. Typically, it costs from $45,000 to $70,000 to replace tanks and lines at a location.

What happens if you suspect a gasoline leak at a station?

Upon notification, a field engineering representative begins an investigation. First it is determined if there is a threat to life and property. Next, an audit of inventory records is made to determine if there is a leak or if there is just a mistake in record-keeping, a loss by theft, or a malfunctioning pump meter. If records suggest a leak, a tightness test of tanks and lines is conducted. If a tank fails this test, it will be pumped dry immediately with repair or replacement to follow. Should the lines fail, the tank pump will be shut down and the lines repaired. In the case of an actual leak, local, state, and other necessary authorities are notified. In cooperation with the authorities, the company will clean up the spilled product.

What about hazards to human health from gasoline vapors?

At places where Exxon products are sold or used, Exxon posts signs and affixes labels on pumps to caution customers of potential safety and health hazards associated with the handling of gasoline.

In addition to citing dangers of fire and explosion, the warnings add: "Harmful or fatal if swallowed. Long-term exposure to vapors has caused cancer in laboratory animals." The health warning follows tests performed on behalf of the American Petroleum Institute (API).

The actual exposure of customers at service stations typically is a small fraction of the lowest level of exposure used in the API study. While low-level or infrequent exposure to gasoline vapors is unlikely to be associated with cancer or other serious diseases in humans, precautions should be taken.

Here are some suggestions for your personal protection:

- *Minimize breathing vapors from gasoline or other petroleum products. When using petroleum products, do so in a well-ventilated area. Clean up spills immediately.*

• *Do not use gasoline, naphtha, thinner, or similar solvents to remove oil or grease from your skin.*

• *If you get a petroleum product on your skin, wash the area with soap and water immediately. A waterless hand cleaner is also an effective cleaning aid.*

• *If a skin cream is available, apply it after washing your hands to prevent dry skin.*

• *Do not put oily or solvent-soaked wipe cloths into your pockets or under your belt.*

• *Avoid prolonged contact with oil-soaked clothing. Wash oil- or gasoline-soaked clothing before reusing. Discard oil-soaked shoes.*

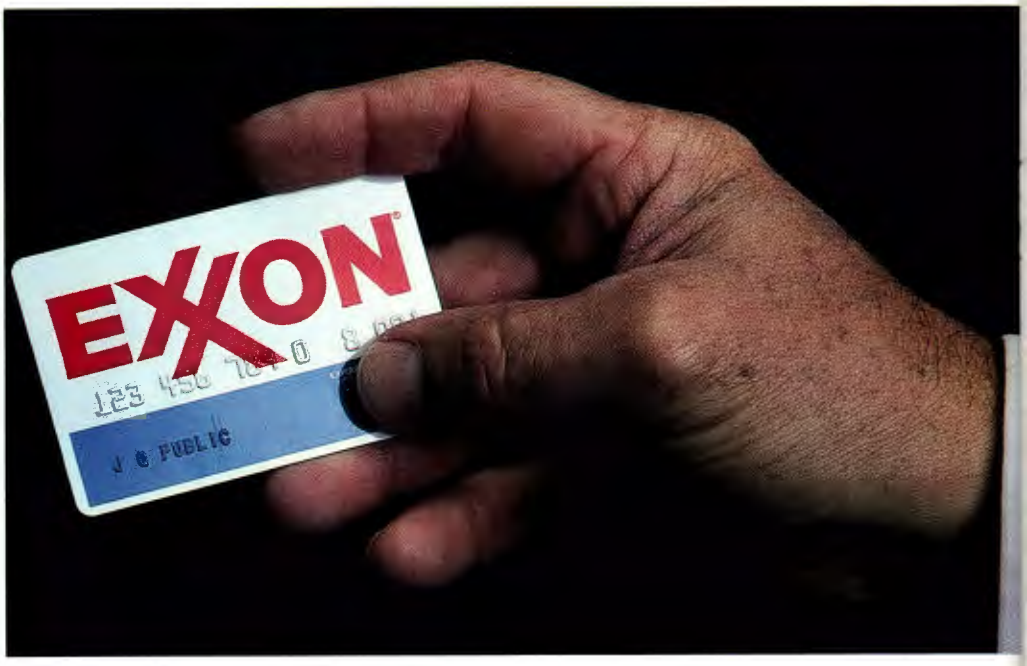
We all know that cars can be a source of air pollution. What can motorists do to keep from being part of the problem?

First, don't misfuel. Misfueling means to put leaded gasoline into a car requiring unleaded gasoline. If you car was built in 1975 or thereafter, it is equipped with an exhaust system containing a catalytic converter to eliminate pollutants in the exhaust. But lead in leaded gasoline will poison the catalyst so that the converter won't work properly. It is against the law to put leaded gasoline in a car equipped with a catalytic converter.

Second, keep your car's engine properly tuned. A poorly-tuned engine fails to consume fuel completely so that unburned hydrocarbons enter the atmosphere. This is true of both gasoline-powered and diesel-powered cars. Not only will your poorly-tuned car pollute, but your mileage per gallon of fuel will drop.

Third, if you store gasoline, keep it in the right kind of container, and keep the container closed. Don't use gasoline for purposes for which it was not intended, such as starting fires or cleaning tools. Not only is it a dangerous fire hazard, much of the fuel will evaporate into the air to become part of the air-pollution problem.

Credit cards



Some oil companies have eliminated credit cards in favor of selling their products at reduced prices for cash. How come?

Because competition in gasoline retailing is so fierce, companies look for strategies that they believe will give their dealers an edge in the marketplace. This is one strategy. By avoiding the sizable cost of carrying credit, a company may be able to reduce its wholesale prices for products. This helps the competitive position of its dealers who may then attract price-conscious customers with lower retail prices. After all, more than 70 percent of today's gasoline customers buy for cash.

But Exxon continues to offer credit cards. Why?

Offering credit is still another marketing strategy. There are many considerations that influence a customer in choosing among brands of gasoline, but the availability of credit is certainly one of the more significant of these. Experience tells us that credit-card customers are more loyal to a chosen brand than cash customers. The convenience and safety of a credit-card purchase is important to many motorists. For this reason, we regard our credit-card program as an effective marketing tool which we intend to continue. About 30 percent of all branded motor gasoline sales are made on credit.

If credit cards help bring in customers, why all this uproar over the cost of credit?

Times change. In an earlier day, gasoline retailing was mostly a cash business. Few people wanted credit and the cost of providing it was quite low. During the 1950s and '60s, the convenience of credit cards became extremely popular for everyday purchases at service stations. The 1970s and '80s saw a return to a more selective use of petroleum credit cards. Nowadays, the cost of providing credit is a big-ticket item. It includes the cost of processing millions of daily transactions, losses due to bad debts, and the high cost of carrying receivables. The latter is the most serious, as it represents the equivalent of lending money to customers interest-free for periods of 30 to 60 days with money costs ranging up to 20 percent per year. Thus, the cost of credit runs from four to six cents per gallon charged on a credit card, two to three times what it used to be 10 to 12 years ago. Obviously, some one must pay these costs, but it seems unreasonable to ask a cash customer to do so.

How does Exxon recover the cost of credit, then?

It is our position that people who want the convenience of credit should be the ones to pay for it. We feel customers should have the option of buying for cash at a lower price or using credit for its safety and convenience while paying the posted price. Therefore, we at Exxon support a Discount for Cash program by our dealers. A discount for cash is not prohibited by either state or federal law. If you are willing to pay cash for gasoline, many Exxon dealers will give you a discount on their posted price. They can do this because the price they pay for gasoline at the wholesale level no longer includes the cost of credit. Credit-card users pay the posted price, which includes some of the cost of providing credit. Those costs now are assessed on the dealer only when and if he submits credit tickets to Exxon. Our dealers apply no surcharge for the use of the card, nor do we apply finance charges on customer accounts for bills that are paid on time.

Will Exxon dealers accept bank or travel credit cards in the purchase of gasoline?

Dealers have the freedom, as independent businessmen, to accept such credit cards. Many of them accept VISA and MASTERCARD, and we have agreed to accept these tickets from them. It's up to individ-

ual dealers to decide. At Exxon company-operated stations, we unfailingly accept bank credit cards. Conversely, we do not at this time accept for payment at company-operated stations American Express or other travel and entertainment cards nor any tickets from dealers written on these cards.

When charging my gasoline purchase on an Exxon credit card, should I keep the carbon paper along with the tissue original of the charge ticket as a precaution against fraud?

There is really no need to ask for the carbon paper from an Exxon charge ticket. That precaution may be appropriate for charges you might make on a bank credit card, but not for your purchase of petroleum products with an Exxon credit card. The difference is this: The number alone from your bank credit card may be used by anyone to buy almost anything, frequently over the telephone, so this is a legitimate cause for concern. This is not true of your Exxon credit card, which has limited use. Further, the service station dealer is requested by Exxon to retain the carbon paper for verification of your credit purchase in the event the heavy paper copy is lost in transmission to Exxon. You get the original tissue copy; the dealer keeps the carbon paper as his proof of sale; and the heavy paper copy goes to Exxon for processing to your account. In our experience, no one has used a carbon in an attempt to defraud a motorist. Actually, there are too many safeguards in place to make it an attractive risk for a dishonest person. But if it should ever happen, a customer has only to notify us of any improper charges to be freed of liability. However, many customers have been concerned by the publicity given to credit-card fraud. They would feel better about using credit if they could retain the carbon paper from the charge ticket. Therefore, Exxon has provided dealers with a substitute ticket so they may keep their records intact yet surrender the carbon when a customer demands it.

What if I lose my credit card or someone steals it?

Let us know immediately. As an Exxon credit-card holder, you were provided with a set of instructions as to what to do in case of loss or theft of the card. Briefly, you should report the loss to Exxon as soon as possible. Give us your name and address and the number of the lost card. We will then cancel the old card and issue a new one to you. We'll warn dealers not to accept the old card. Should you later receive charges made by some unauthorized person, you have only to identify these charges and you will not be held responsible if you have followed these procedures.

What if I have a question or complaint about my bill?

Look on the back of your billing statement for directions. Or, if that isn't handy, you may write to Exxon Company, U.S.A., P.O. Box 3505, Houston, Texas 77253-3505. If you prefer to telephone, the number is 713/680-6500. Exxon does not have a toll-free "hot line" number, which would add still more to the cost of credit and further increase the cost of gasoline.

What's Exxon's policy on giving out credit cards? Are there restrictions?

We'll provide a credit card to any adult who qualifies as a good credit risk. But our standards are high. Like the cost of burglary, fraud, and theft, the cost of uncollectible bad debts must be borne by the more responsible segment of society. So we try to keep losses low by screening applications carefully and providing credit only to those who qualify. This policy works in your best interests as well as our own. Should your credit card application be turned down, we will comply with federal law and explain why.

Does Exxon have a program for helping credit-card customers who have been hit by natural disasters?

Yes. It's called the Disaster Assistance Program. It offers special payment terms on credit-card accounts to customers who have been stricken by severe storms, floods, tornadoes, and the like. The objective of the program is to help ease the financial burden that victims of a disaster may have incurred. Customers who respond to our offer of help can choose among deferred payment plans and receive exemption from finance charges. In 1984, customers in New York, New Jersey, North and South Carolina, and in Texas received disaster assistance. Since the program was started in 1970, more than two million customers nationwide have been offered help.

What is a debit card? Does Exxon have one?

A debit card might be described as an automated, reusable electronic check. Used at the point of sale, it automatically transfers the amount of a purchase from the buyer's bank account to that of the seller. With a debit card, you may receive a discount for cash payment, avoid interest and carrying charges, and save the cost of writing checks and paying postage. Exxon is experimenting with debit cards in several markets. Our card is called AutoCheck. We are also testing bank debit cards. After we've gained more experience with consumers and equipment in the use of debit cards, we'll decide how to approach this interesting alternative method of payment.

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