

Testimony of Ray Carey, representing Kwik Trip, on AB 415

- My name is Ray Carey, I'm here today representing Kwik Trip, Inc. Kwik Trip is a full-service convenience store selling gasoline and many other products. The company has 190 stores in Wisconsin, 50 stores in Iowa and 65 stores in Minnesota. Kwik Trip employs 6,500 people, about 4,500 of those in Wisconsin.
- Kwik Trip opposes Assembly Bill 415.
- Under current law, retailers of gasoline must mark up the price of gas beyond its wholesale cost, in order to reflect the retailer's true cost of selling gasoline. The purpose of the so-called "minimum mark up" is to prevent predatory pricing and other types of anti-competitive behavior.
- There is one very important exception to this law: a retailer may reduce their price below the minimum mark-up in order to meet a competitor's price. Without this critical exception, retailers would lose customers to competitors who are able -- for whatever reason -- to price their gas lower than their own.
- Customer loyalty is the lifeblood of any retail operation, and it is especially true in the convenience store business. No retailer can afford to lose their customers to competition ... and that is exactly what would happen if a convenience store was not permitted to lower its prices to meet competition
- Assembly 415 removes this "meet competition" exception if a seller of gasoline is trying to meet the competition of a store across the state border. It essentially nullifies this vital exception for convenience stores in the border areas of the state.
- Without the "meet competition" exception, the minimum mark up law would be unworkable ... worse, it would be unfair.
- Kwik Trip supports the minimum mark-up law ... but that law is not really the issue today (that's a debate for another day). The issue before the Committee is whether to effectively remove the "meet competition" exception for stores in our border region.
- Here's the problem: The gas tax in Iowa and Minnesota, on average, is 10-11 cents less than it is in Wisconsin. That disparity gets larger every year because of our indexing. This permits gas stations in Iowa and Minnesota to charge a lower price for gas.
- Kwik Trip and other stores along the border must either lose customers to stores in Minnesota and Iowa or they must lower their prices to meet the competition in those states. It is essentially a choice between losing customers or losing money.
- If this law were enacted, customers who are price sensitive about gas purchases (and that is most customers) would be driven out of Wisconsin. Border stores would lose customers and the state would lose gas tax revenue.

- Although we do not agree with this legislation, it is helpful in one respect: it highlights the real core problem and the only solution: The problem is the gas tax disparity between Wisconsin and her neighboring states. The solution is some mechanism that will permit our retailers to be competitive in those border regions.
- Thank you. I'd be happy to answer questions.

AB 431 -

DPI - Opposed - unintended consequences that could occur in other areas.

Paul Nelson - Middleton Library - Why statewide solution to problem confined to Oz. Co.

AB 415 - Johnsrud - written testimony? Change must be made because the "little guys" are being driven out.

Johnsrud: DATCP - Failure to address this issue. Huge problems along borders. Extends out to nearby areas. Concerns with businesses closing. ~~From~~ ~~from~~ Hebl - unintentional ~~consequences~~ consequences could be great. - opposed.

DATCP - Kevin Leroy - Dept. has not taken stands on min. mark-up