NYS ASSOCIATION OF SERVICE STATIONS & REPAIR SHOPS, INC.

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6 WALKER WAY, ALBANY, NY 12205

(518) 452-1979 - (716) 656-1035 – state@nysassrs.com – www.nysassrs.com

Exxon Profit Records Cap an Orgy That Weakened U.S., World Economies, Says Consumer Watchdog

Consumers now know where their money went says a leading consumer group as it pushes for Congress and the White House to prevent a repeat of the costly energy bubble that struck over the past year and a half.

"ExxonMobil's $14.8 billion third-quarter profit reports clear up one thing -- now consumers know where their money went," said Consumer Watchdog. Exxon's mind-boggling profit is once again the highest quarterly profit ever reported by a private company, dwarfing even Shell's record $8.45 billion.

Exxon's profit for the first three-quarters of the year, $37.4 billion, is nearly equal to its all-time record yearly profit in 2007 of $40.1 billion. The 2008 profits were reaped as the price of oil rose on unregulated speculation to over $145 a barrel.

"Consumers got credit card debt and empty wallets, while Exxon got double-digit billions," said Judy Dugan, research director of the nonprofit, nonpartisan Consumer Watchdog. "Citizens deserve to be mad. They should demand that government get back in the business of protecting them from corporate greed, or the pickpocketing will happen all over again in the next oil-price bubble."

Exxon reaped its shocking profit even though its oil and natural gas production was down 8%, it refined less oil into fuel, and world oil prices began declining sharply halfway through the quarter. Energy prices during the last 9 months pushed consumers deeper into debt and magnified the harm of the financial crisis, said Consumer Watchdog. Yet the government did nothing.

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"ExxonMobil's record profit at this point in time documents the growing conflict of interest between the oil industry and the economy of the U.S.," said independent oil industry analyst Tim Hamilton. "The better it is for Big Oil, the worse it is for the rest of us."

Exxon is again spending more on buying back its own stock (up to $35 billion this year) than on finding and drilling more oil ($25 billion). Its stock buyback for the third quarter was $8 billion. The company spends less than one-hundredth of a penny of every dollar of profit on renewable energy.

"ExxonMobil is wallowing in cash," said Dugan. "It is so rich that it can live in the corporate lap of luxury no matter what its profits are for the foreseeable future. It is holding nearly $37 billion dollars in cash on hand, and about $125 billion in company-owned stock, giving new meaning to 'piggy bank.' It is Exxon doing only what is right for Exxon."

Congress and the White House must plug tax loopholes and remove superfluous oil subsidies including so-called royalty relief, said Consumer Watchdog. At the very least, Congress should certainly reject billions more in proposed taxpayer subsidies in the form of proposed new manufacturing tax credits.

According to Consumer Watchdog, the White House and Congress should:

- Plug the loophole that allows Exxon and friends to sell oil to their own overseas subsidiaries, driving up the price on paper before bringing the oil to the U.S. This allows the company to evade U.S. taxes.
- Oversee and regulate oil refining, to prevent production cutbacks that would keep the price of fuel artificially high.
- Oversee and regulate energy futures markets to quell speculative bubbles like the one this year that drove crude oil prices to over $145 a barrel and gasoline prices to a record $4.11 a gallon national average. Such regulation should require financial speculators to pay higher margins, put more money upfront on trades, and bar exotically constructed trades that encourage manipulation.
- Despite dropping energy prices, demand steady support for green energy, including transportation fuels and vehicles, energy conservation and wind and solar energy.

"Only having cleaner and cheaper alternatives will ultimately lift the stranglehold of oil on the U.S. economy," said Dugan.

Royal Dutch Shell Posts Personal Best Profits

Royal Dutch Shell PLC, Europe's largest oil company, Thursday reported a 22 percent jump in net profit for the third quarter, despite a fall in production, thanks to high oil prices and gains from the sale of operations. The company earned $8.45 billion, up from $6.92 billion a year ago, as sales rose 45 percent to $132 billion. The earnings included one-off gains of $2.06 billion, mostly from the sale of operations, up from $265 million in such gains a year earlier.

Shell's oil production fell to 2.93 billion barrels of oil and equivalents per day from 3.14 billion a year earlier. The company's average selling price was $111.18 per barrel, up from $70.81 a year ago. Oil hit a record $147 in July but has fallen by more than half.

Given the steep fall of oil prices in recent weeks, Chief Executive Jeroen van der Veer said the company was watching the global economic situation closely, but added Shell would be profitable amid a wide range of energy prices. "It was very difficult to forecast $147 in July, and then in October that they would fall below $60 — there are so many factors at work and even then you miss what will OPEC do," Van der Veer said on a conference call.

He declined to say whether the company would cut capital expenditure on projects next year, but said Shell would push back a decision on expanding an oil sand project in Canada.

"Our strategy remains to pay competitive and progressive dividends, and to make significant investments in the company for future profitability," he said.

BP PLC Profits Surge 83 Percent

British oil company BP PLC reported a huge 83-percent rise in third-quarter net profit Tuesday on the back of surging energy prices between July and September. BP, Europe's second-biggest oil producer behind Royal Dutch Shell PLC, posted net profit of $8.05 billion for the July to September quarter — up from $4.41 billion in the same period a year earlier.

The company said it was well-placed to continue to reap profits despite the fact that the price of oil has now more than halved from July's all-time high of $1.47. Oil traded around $64 per barrel Tuesday. Revenue for the third quarter rose 45 percent to $103.2 billion from $71.3 billion the previous year.

"The high oil price of the third quarter obviously helped our absolute result," said Chief Executive Tony Hayward. But Hayward also said that he was confident the company would continue to do well even though oil prices could dip even further in the face of an anticipated global economic slowdown that would cut the demand for crude. "I believe that BP is well-positioned to cope with such volatility," Hayward said, saying the company had not committed as much money as its rivals to high-cost ways of producing oil, such as mining tar sands and converting gas.

"We think the current turmoil may in fact create opportunities for us," added Hayward, who replaced John Browne last year., and has focused on bringing new production and refining capacity on line to improve earnings, which have lagged behind rivals such as Exxon Mobil Corp. and Shell. For example, the company began production at Gulf of Mexico oil field Thunder Horse, which was discovered nine years ago, in June.

ConocoPhillips Posts Gains

ConocoPhillips, the third-largest U.S. oil company, behind ExxonMobil and Chevron, posted a 41 percent profit increase after gains in energy prices made up for a drop in production. hird-quarter net income climbed to $5.19 billion, or $3.39 a share, from $3.67 billion, or $2.23, a year earlier.

Revenue jumped 52 percent to $70 billion after oil futures surged above $147 a barrel in July to a record. ConocoPhillips is the biggest natural-gas producer in the U.S., so it benefited as gas traded 44 percent higher, on average, than in last year's third quarter.

Production averaged the equivalent of 1.75 million barrels of oil a day, ConocoPhillips said, down 0.6 percent from a year earlier. Output will be higher in the current quarter and will average slightly below 1.8 million barrels a day for the full year, Chief Executive Officer Jim Mulva said in the statement. ConocoPhillips said it earned $3.93 billion from producing oil and gas, up 89 percent from last year's third quarter.

Market indicators for fuel prices and crude costs show third-quarter profit margins for U.S. refiners narrowed by 4.5 percent from a year earlier to $14.07 per barrel of oil processed, ConocoPhillips said Oct. 2. The company got almost half of its profit from refining last year.

ConocoPhillips ranks behind only San Antonio-based Valero Energy Corp. in U.S. oil-processing capacity.

Valero Bucks Trend – Third Quarter Profits Retreat

Valero Energy Corp., the largest U.S. refiner, posted a decline in third-quarter earnings Net income fell 9.6 percent to $1.15 billion from $1.27 billion a year earlier. Earnings per share rose to $2.18 from $2.09 after buybacks reduced the number of shares outstanding.

Valero said its average profit per barrel of oil processed jumped 32 percent to $13.11 as margins widened on products such as diesel and heating oil. Profit margins on distillate fuels were strong throughout the third quarter, and margins widened on such products as asphalt, petroleum coke and heavy fuel oil

Revenue climbed 52 percent to almost $36 billion, the company said. The sale in July of Valero's refinery in Krotz Springs, Louisiana, resulted in a pretax gain of $305 million. The 2007 results included a $426 million gain on the sale of the company's Lima, Ohio, plant.

Hurricane Ike, which slammed the Gulf Coast on Sept. 13, idled three of Valero's Texas refineries for at least a week. Ike and Hurricane Gustav, which struck 12 days earlier, shut down about 20 percent of U.S. refining capacity

and cut the nation's gasoline supplies to a 41-year low. The company processed 2,306 barrels per day of oil and other feedstocks during the quarter, down 9.3 percent from a year earlier.

Federal Legislative Update

When the Credit Card Fair Fee Act, passed the full House Judiciary Committee on July 16th with a 19-16 vote, both the yeas and nays were equally split between Republicans and Democrats. This bill could present you with substantial savings on your credit card processing fees. SSDA-AT met with the staff of Majority Leader, Steny Hoyer, (D-MD) in September to press for a full floor vote on this critical legislation.

In an additional note on credit card fees, Rep. Stephen Lynch (MA-9), after speaking to service station dealer constituents, has crafted H.R. 6620, the Gas Pump Fair Payment Act of 2008. This clear, concise legislation would bring rapid and substantial reduction to the price of a fill--up. During in-district visits dealers explained that the punitive costs of credit card processing fee and were rewarded with this bill. Call the Congressional switchboard, ask for your representative and voice your support for both of these bills. The phone number is 202-224-3121.

As runaway speculation on the oil futures market, led to record petroleum prices, consumer groups began asking what can be done to reign in the investors who have been speculating on oil? One bill in the Senate that has gathered the most momentum, S.3268, the "Stop Excessive Energy Speculation Act", has 17 co-sponsors, all Democrats, and the opposition has al-ready taken out a full-page ads in the major newspapers. We are hoping that this will not ultimately play out in a partisan fashion but that will not happen unless the offshore oil-drilling issue is resolved. We believe some oversight here could be a positive. Call the Congressional switchboard, ask for your Senator and voice your support. The phone number is 202-224-3121.

Health Care Premiums Have Risen 5.4 Times Faster Than Wages Nationally

Families USA, a national advocacy group, has released a series of reports that show that health care premiums for employer-sponsored coverage rose 5.4 times faster than median working wages from 2000 through 2007. Nationally, health insurance premiums for family coverage rose from $6,772 to $12,075 (an increase of 78.3 percent), while median wages have risen from $25,024 to $28,640 (an increase of 14.5 percent). The report also noted that many insurance plans, despite the higher premiums, were offering fewer benefits.

Residents of Michigan were affected the most, with their premiums rising 17.1 times faster than their median wages. Nevada was the least affected, seeing premiums rise only 2.5 times faster than wages.

Tire Fire Site Gets Superfund Status

In an unusual twist to an old issue, twenty to thirty auto repair shops in Wisconsin and Illinois have been named as Potentially Responsible Parties (PRPs) in a newly declared Superfund site. This is similar to our struggles with waste oil in Superfund sites which trap dealers into paying for the clean up because at one time they gave used oil to a hauler who brought it the now contaminated location. Just recently the New York Association was contact to help members named in a Super Fund Lawsuit for assistance in Buffalo and the Hudson Valley.

Watertown Tire Recyclers of Watertown, Wisconsin was the scene of a large tire fire in 2005. The Environmental Protection Agency (EPA) traced scrap tire deliveries back to the above-mentioned shops and recently mailed notification to them. This signals a new front for the EPA and we are now wondering if they wil1 revisit older tire fire sites and apply the same tactics. Our advice here is to perform strong due diligence on your scrap tire hauler and with your garage liability carrier. Make sure you understand what would happen to you in this kind of situation.

NHTSA to Intensify Investigation of Chinese-Made Tire Valves

National Highway Traffic Safety Administration (NHTSA) investigators announced their intention to upgrade a probe of Chinese-made Dill TR400 series tire valves that can crack and leak air causing tire damage and potential crashes. The investigation was opened in May to monitor the premature failure of Dill Air Control Products snap-in tire valves because they were cracking. Topseal, a subsidiary of Shanghai Baolong Automotive Corp, made the valves.

In addition, Dill was served with a suit alleging air leaked from a cracked valve installed in September 2006 to the right rear wheel of a 1998 Ford Explorer that caused a fatal crash in November 2007. The suit claimed that the rollover resulted from the sudden failure of the tire valve, which was caused by air leakage. The valve was installed by a Discount Tire store, who is a co-defendant with Dill. Topseal claimed the cracking problem was linked to a change in suppliers of a chemical that provides protection against cracking.

Through the investigation, 23,000 cracked Dill valves were discovered by Discount Tire, and half of them were leaking air. In May, Dill requested all of its North American customers return unused valve inventories from the 2006 production lot and recommended inspection procedures to detect and replace affected valves. NHTSA determined that Dill valves installed from August 2006 through July 2007, a time where Topseal lots were made with the new protection chemical, were more likely to be cracked than non-Dill valves and Dill valves installed before and since that day. Discount Tire told NHTSA it began sending letters to owners in July about the cracking valves and the potential safety risks and offered free replacements of the tire valves. Approximately 23.5 million TR400 series tire valves are under scrutiny.

NEW YORK STATE ASSOCIATION OF
SERVICE STATIONS AND REPAIR SHOPS
6 Walker Way
Albany, NY 12205

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New Jersey State Assembly Passes Right To Repair Act – Bill Moves On To Senate

The New Jersey State Assembly has passed The Right to Repair Act in a vote of 49 to 22. Assemblyman Reed Gusciora (D-Trenton), sponsor of The Motor Vehicle Owners' Right to Repair Act, A-803, hit a home run for motoring consumers to have the ability to have their vehicles repaired where and by whom they choose. The Right to Repair Act also brings relief and the ability to compete to independent repair shops who have been locked out of the information to fully repair consumers later model vehicles. Gusciora stated that consumers should be able to have the choice of where and by whom to have their vehicles repaired, including car dealerships, if they choose. He added that the American Automobile Association (AAA), National Federation of Independent Business (NFIB), Citizen Action and others are on the same page on this legislation.

Vehicles that are 1994 and newer are equipped with computers that control the repair and service information on vital systems such as, but not limited to: air bags, brakes, steering mechanisms, tire pressure, oil changes, check engine lights, transmissions, electronics and most of the vehicle. The only way motorists can have these systems and their "entire" vehicle repaired and parts replaced is to return to the new car dealerships. "The inability to quickly and affordably have their vehicles repaired at the shops of their choice has created a safety hazard for motorists who need immediate repairs but may not be near the appropriate car dealership or any car dealership, hurts low and fixed income motorists, hurts fuel efficiency, jobs and the environment," stated Sandy Bass-Cors, Executive Director, The Coalition for Auto Repair Equality (CARE).

"The New Jersey Assembly's historic passage of The Right to Repair Act paves the way for the New Jersey Senate to pass the bill and seal New Jersey's motorists' ability to make decisions on their own vehicles. Consumers need economic relief and this is one way they can regain control of their pocket books," stated Bass-Cors.

New Jersey has seven thousand aftermarket locations. The automotive aftermarket employs five million people nationwide in over 495,000 locations. CARE represents companies in the automotive aftermarket, among them: NAPA, Midas, CARQUEST, AutoZone, Advance Auto, O'Reilly's and EZ Lube.

Among supporters of the New Jersey Right to Repair Act are AAA, RetireSafe, Citizen Action, NFIB, Alliance of Automotive Service Providers, Automotive Aftermarket Industry Association, and motoring consumers.