

February 15, 2011

To: Rep. Robert Herkes, Chair of the Committee on Consumer Protection and Commerce, and
Rep. Gilbert Keith-Agaran, Chair of the Committee on Judiciary

From: Stan Morinaka, Independent service station dealer from Kauai

Re: Testimony in favor of HB 1455 and HB1456

Mr. Chairmen and Members of the Committees on Consumer Protection and Commerce and the Committee on Judiciary. I wish that I could be here to testify in person today. Unfortunately, I am in the process of renegotiating the lease for my station. I am strongly in favor of House Bills 1455 and 1456.

To give you a perspective on what's happened on the island of Kauai, forty years ago when I started my business, we had so many independent dealers that we were able to form an association. Today, there are only 2 independent service stations dealers left on our island and I am one of them. The rest of the stations are company owned and operated. And if I am not able to renegotiate a favorable lease, they will force me out of business as well. So without your help, it won't be long before all of the service stations on Kauai will be controlled by the oil companies.

HB 1455 would permit independent dealers to form a co-op which would give us the ability to negotiate bulk purchasing prices for gasoline. I strongly support this bill. This would go a long way towards helping businesses like mine.

Currently, I have to compete with Costco as well as other big box retailers who are planning to expand the number of their stations on the island. Without the ability to form a co-op, small independent dealers like me will not be able to offer product to the consumers at competitive prices. Since the inception of the giant retailers, I have seen my volume drop down from 250,000 gallons to 150,000 gallons **per month!** A co-op would allow me to offer my gas at the same price as my competitors. I can't do that now because my base cost is higher than theirs.

So with a higher cost basis and an increase in lease rental of the station, I will not be able to compete and will have to close my business. If that happens, the company will take over the operation and run it. How are local businesses expected to survive under these conditions?

During times of hardship and disasters, it has been the small local businesses that have stayed open and helped the community. Who will be there for the people of Kauai if there is another crisis in the future and the small mom and pops are no longer there? Also, the income that we generate goes back to support the local economy. So if small businesses like mine are forced to close, where will the tax revenue that supports the County and the State come from?

I know that there are state laws that are supposed to regulate the industry but they are virtually useless because they are never enforced. Changing the penalty provisions to make enforcement possible will help to level the playing field. That is why I support HB 1456. It is at least a step in the right direction.

I humbly ask that you pass HB 1455 and HB 1456 and help us to keep local businesses alive and thriving. Thank you.