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Costco decries 3-cent solution by Quebec Added to cost of gas in st. Jérôme. Energy board rules it's necessary to support independent dealers in region

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A Quebec energy board decision that will add 3 cents to the cost of every litre of gas sold in St. Jérôme until early 2011 highlights the irrationality of the province's controversial minimum-pump-price regulations, Costco Wholesale Canada Inc. said yesterday.

The board ruled this week that the 3-cent inclusion was necessary to support independent gas dealers in a region that has seen intense competition - in effect, a gas price war - since Costco opened a gas bar in St. Jérôme in 2000. It was in the long-term interests of consumers, the Régie de l'énergie said.

Costco executives counter that allowing gas station owners an additional 3 cents in operating profits gives them "guaranteed income" by taking it directly from consumers' pockets.

"A strong and free marketplace is what the consumers need," company spokesman Ron Damiani said yesterday.

"I don't know of any other industry that is guaranteed to make a profit ... by decree or regulations, even less retailers."

Quebec is the only province in Canada where it is illegal to sell gasoline below a set price. The floor price, set once a week by the board, considers wholesale gas prices, the cost of transport from the refinery, government taxes and fixed operating costs of gas retailers.

The last factor was added after the board determined that independent gas retailers needed some protection from large multinationals because a marketplace with the two groups works best for consumers.

"We have no problem with the minimum floor price," although Costco is among those who believe that, given volatile fuel markets, it should be set daily," Damiani said.

There are now 29 gas retailers in St. Jérôme, and at least 13 of them are independent. Only two stations have mechanics on staff, the board said in its ruling. Eight gas stations closed shortly after Costco opened its gas bar and most of those had mechanics on staff.

Gas regulations in Quebec are complicated and divisive. In this case, the board heard from consumer advocacy groups that argued for - and against - the inclusion.

CAA-Quebec and Option consommateurs had asked the board to refuse the latest request by independent gas dealers to augment their operating margins.

Two earlier interventions by the board in favour of independent dealers had failed to stabilize the St. Jérôme market, they said.

And it did not lose more independent stations than elsewhere in the province.

CAA-Quebec has long lobbied for an overhaul of regulations, spokesman Philippe St-Pierre said.

"A fair (gas) price cannot be had with a minimum estimated price that is calculated once a week when we know that price indicators move daily," he said.

Union des consommateurs and the Automobile Protection Association sided with the association of independent gas dealers.

The independent operators argued that there must be enough independents in Quebec to enjoy economies of scale and purchasing power in their dealings with terminal operators and importers.

The 3-cent inclusion comes into effect on Tuesday and runs until midnight Jan. 24, 2011.

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