50/50 POWDER MILL ROAD
BELTSVILLE, MARYLAND 20705

DISTRIBUTION OF THIS DOCUMENT IS UNLIMITED

ENGINEERING • SYSTEMS ANALYSIS • ENVIRONMENTAL SYSTEMS • SUPPORT SERVICES

DISCLAIMER

This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency Thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.

DISCLAIMER

Portions of this document may be illegible in electronic image products. Images are produced from the best available original document.

DOE/RG/10379--T1

DE82 005480

A STUDY OF THE COMPETITIVE VIABILITY
OF MINORITY FUEL OIL MARKETERS

Final Report

MASTER

September 30, 1981

DISCLAIMER

This book was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise, does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.

Prepared for
U.S. Department of Energy
Office of Environmental Protection
Safety and Emergency Preparedness
Washington, D.C. 20461

In Response to
Contract Number DE-AC01-80RG-10379

Prepared by
OAO Corporation
7500 Greenway Center
Greenbelt, Maryland 20770

DISTRIBUTION OF THIS DOCUMENT IS UNLIMITED

EB-JTB

CONTENTS

<u>Section</u>	<u>Page</u>
1. INTRODUCTION.	1-1
2. BACKGROUND.	2-1
2.1 Overview	2-1
2.2 Market Profile	2-3
2.3 Related Studies.	2-7
2.3.1 Introduction.	2-7
2.3.2 DOE Advisory Committee Report	2-7
2.3.3 R. Shriver Associates Report.	2-10
2.3.4 SBA-Commissioned Study.	2-10
2.3.5 Problems of Minority Fuel Oil Dealers	2-12
3. STUDY METHODOLOGY	3-1
3.1 Study Charter.	3-1
3.2 Methodology.	3-1
3.2.1 Literature Search/Preliminary Contacts.	3-3
3.2.2 Directory Confirmation/Data Development	3-4
3.2.3 Data Organization and Analysis.	3-7
3.2.4 Minority Firms/Industry Sector Comparisons.	3-9
3.2.5 Conclusions	3-10
3.3 Study Scope, Limitations, and Assumptions.	3-10
4. STUDY RESULTS	4-1
4.1 Overview	4-1
4.2 Minority Marketers-Industry Profile.	4-2
4.3 Financial Analyses Overview.	4-9
4.3.1 Common Size Percentages	4-11
4.3.2 Ratio Analyses.	4-11
4.4 Composite of MFM Retailers-Financial Profile	4-12
4.4.1 Common Size Percentages-Balance Sheet	4-14
4.4.2 Common Size Percentages-Income Statements	4-17
4.4.3 Ratio Comparison and Analysis	4-19
4.4.4 The Outlook-MFM Retail Composite.	4-21

CONTENTS (cont.)

<u>Section</u>	<u>Page</u>
4.5 Composite of MFM Wholesalers-Financial Profile	4-22
4.5.1 Common Size Percentages-Balance Sheet	4-22
4.5.2 Ratio Comparison and Analysis	4-27
4.5.3 The Outlook-MFM Wholesalers	4-28
4.6 Problem Areas.	4-29
4.6.1 Overview.	4-29
4.6.2 Federal Set-Aside Contracts	4-29
4.6.3 Financing	4-32
4.6.4 Supplier-Related Problems	4-33
4.6.5 Cost of Product/Competitive Pricing	4-35
4.6.6 Regulatory Constraints.	4-36
4.6.7 Impact of Alternative Fuels	4-38
5. SUMMARY AND CONCLUSIONS	5-1
5.1 Overview	5-1
5.2 MFM Industry Profile	5-2
5.3 MFM Financial Profiles	5-3
5.4 Problem Analysis	5-6
APPENDIX A. LITERATURE REVIEWED.	A-1
APPENDIX B. POINTS OF CONTACT.	B-1
APPENDIX C. DIRECTORY OF MINORITY FUEL OIL MARKETERS--U.S.	C-1
APPENDIX D. MINORITY FUEL OIL MARKETERS SITE VISIT GUIDELINES.	D-1
APPENDIX E. DEFINITION OF RATIOS USED IN FINANCIAL ANALYSES.	E-1
APPENDIX F. FINANCIAL PROFILE INDUSTRY COMPOSITE OF RETAILERS AND WHOLESALERS.	F-1

ILLUSTRATIONS

<u>Figure</u>	<u>Page</u>
2-1 Heating Oil Sales by States.	2-4
3-1 Study Methodology.	3-2
3-2 Minority Fuel Marketers by States.	3-5
3-2A Number of MFMs Identified by State	3-6

CONTENTS (cont.)

TABLES

<u>Table</u>	<u>Page</u>
4-1 Minority Fuel Marketers; A Profile.	4-4
4-2 Comparisons of Financial Indicators Developed from MFM Study and RMA Data on the Total Market Sector (Retailers).	4-13
4-3 Comparisons of Financial Indicators from MFM Study and RMA Data on Total Market Sector (Wholesalers).	4-23

SECTION 1. INTRODUCTION

SECTION 1. INTRODUCTION

The Emergency Petroleum Allocations Act of 1973 (EPAA) carried a continuing mandate, now the responsibility of the Department of Energy (DOE), to assure an equitable distribution of petroleum products at reasonable prices among all regions and areas of the United States. On July 1, 1976, prices of most middle distillate petroleum products, including No. 2 fuel oil, were decontrolled. Because the supply of fuel oil, particularly No. 2 fuel oil used for home heating, is critical to millions of individuals, it became important for DOE to continue monitoring the impact of decontrol on normal market mechanisms.

Minority-owned companies are known to supply fuel oil to many low-income customers in urban and inner-city areas. It has been brought to DOE's attention that minority fuel marketers may be experiencing problems which jeopardize their economic and competitive viability. Some broad-based studies were made on the wholesale and retail distribution of fuel oil used for residential and commercial heating. A few studies addressed the general status of minority firms in this market sector. No previous study, however, specifically identified the minority fuel oil marketers (referred to as MFMs) within this market sector, nor was an in-depth characterization developed of their operations vis-a-vis conditions prevailing for all firms comprising the total market sector (referred to as TMS). This information gap constituted the basis for the study covered by this report.

Based on available information, MFMs were reportedly experiencing problems involving fuel oil supply, establishing supply contracts, and obtaining financing. These problems, together with the rising prices of fuel oil, prompted DOE concern over the competitive viability of MFMs. The basic objective of the study, therefore, was to investigate MFM operations, identify problems, and assess MFM characteristics relative to the TMS for the purpose of determining what, if any, prevailing conditions constituted adverse discrimination against MFMs. The basic approach used in meeting this objective involved:

- o Identification of the universe of MFMs operating within the TMS

- o Development of communication channels with MFMs through multiple contacts
- o Development of a data base on MFM operations through both primary and secondary sources in sufficient depth to characterize this segment of the TMS completely
- o Documentation of specific problems facing MFMs with subsequent assessment of their uniqueness relative to the TMS.

Establishment of a data base on MFMs required the compilation of both operational and financial information in a form amenable to direct comparisons with existing data covering the TMS.

Some of the basic data gathering requirements were to:

- o Develop a directory of names and locations of minority fuel marketers
- o Classify minority marketers by size (number of employees, gallonage sold, assets, number of accounts), by geographic area, by service area (urban, suburban, or rural), by type of facilities, and by services provided
- o Define capitalization status and continuing requirements (equipment, inventory, credit, etc.)
- o Determine supply sources (contract or spot market, supplied by refiners or independent wholesalers)
- o Determine types of credit extended to MFMs and types extended to their customers
- o Define MFM customers (commercial or residential, urban or rural).

During the investigation, efforts were also directed toward assessing the relative impacts on MFMs versus the TMS because of price and allocation controls, subsequent decontrol, and regulatory practices and policies. While the attrition rates for MFMs were addressed, with their impacts on customers, this figure could not be directly assessed because a prior data

base on MFM firms had never been established. Some reasonable estimates on attrition rates for MFMs may be made, however, based on extrapolation of data available on the TMS, together with information on the characteristics of MFMs derived from the study. For example, an SBA-commissioned study referenced in Section 2 showed that 32 percent of all TMS firms in the New England area went out of business between 1974 and 1979. In turn, it was found that about 50 percent of the MFMs identified began operations after 1973. It is reasonable to assume, therefore, that these less mature MFM firms would be harder hit by the oil embargo and the resulting market conditions than the typical New England firm in the TMS. Consequently, it is logical to conclude that MFM attrition rates between 1974-79 were higher than 32 percent.

To evaluate the financial status of MFMs versus the TMS, the Robert Morris Associates (RMA) Annual Statement Studies covering representative firms in the fuel oil TMS were used for comparison purposes. Financial data on MFMs was developed, covering retail and wholesale firms. Common-size percentages and ratios representing key financial indicators were developed for MFMs and compared with RMA data on the TMS in comparable categories. Similar comparisons were also made for the composite wholesale MFMs.

The study initially identified a universe of 136 MFMs in the U.S., as the result of repeated primary contacts and referrals from an extensive list of organizations and individuals. No one source was found to have any extensive list of MFMs. Follow-up confirmations and cross-checks were then carried out. During this time, a total of 29 of the 136 firms were found to have ceased operations. An additional seven firms refused to contribute any information to the study, despite repeated assurances of confidentiality. While the remaining 100 firms provided input to the study, two had insufficient data to analyze completely. In addition, not all of the information requested was provided in all cases because of the competitive nature of the market and the proprietary nature of some of the data.

A reasonably clear profile of a typical MFM emerged from the analyses of information developed during the study when compared to conditions reported in the literature for the TMS. Most MFMs have been in business less than 10 years. The typical firm is smaller than the TMS average in terms

of total assets, number of employees, number of accounts, annual volume of oil delivered, and number of trucks. The primary customers for minority firms are low-income families in urban areas and most customers are given credit terms of 30 + days. Relatively few MFMs have storage facilities. Most MFMs rely on independent suppliers for their oil and only about half have contractual arrangements with their suppliers. While a substantial percentage of the retail dealers are required to pay C.O.D. for their supplies, most MFMs reported that suppliers do extend credit terms.

Financial analyses revealed that, generally, MFMs maintain a high cash position, have a high percentage of receivables, operate with low inventories, and have adequate availability of trade credit associated with product purchases. However, MFMs lack short-term non-trade lines of credit and long-term credit. Consequently, these firms are unable to use financial leverage as a means of increasing profit margins. While MFM net profit margins may be slightly higher than the TMS norm as a result of lower operating expenses, this may reflect a lack of MFM investment in internal controls and systems for the production of management information.

The significant indicators point up a reasonably healthy financial posture for the typical MFM in the short run. When viewed in a longer range timeframe, however, some of the indicators portend danger signals for the average MFM. These signals suggest that MFMs are less mature than the typical firm in the TMS and that their present operational patterns are not conducive to the establishment of long-term financial stability or are indicative of preparation for growth.

As an overall conclusion, thorough investigation of the MFMs, considered to constitute the universe of minority firms in the TMS, did not reveal any evidence of overt discrimination against MFMs which could affect their competitive viability. The study, however, did point up problems which are unique to MFMs but are attributed to the operational and financial characteristics of the typical MFM.

Following this introduction, the report is organized into four basic sections (Sections 2 through 5). Section 2 covers background information on

the characteristics of the fuel oil market, in general, and reviews the highlights of related studies. Section 3 outlines the methodology used in pursuing the study objectives and discusses the scope and limitations of the study. The basic information developed during each task comprising the study is presented in Section 4. This includes an industry profile of the MFMs studied, a summary and assessment of MFM problems reported, and an explanation and interpretation of the financial indicators used to compare MFM data with comparable TMS data. This data is followed in Section 5 by a summary of the data developed and the conclusions derived. Appendices are included to document all information sources utilized.

SECTION 2. BACKGROUND

SECTION 2. BACKGROUND

2.1 OVERVIEW

During the past decade, petroleum products in the middle distillate market have been subject to a series of Federal regulations. The underlying objectives of the regulations were to stimulate continued competition in the marketplace, while assuring appropriate distribution of the products at equitable prices. Two of the major developments affecting the market conditions during this time which may be briefly noted are: (1) the passage of the Emergency Petroleum Allocation Act (EPAA) of 1973, which established allocation programs and continued price controls, prompted by shortages brought on by the oil embargo, and (2) subsequent price decontrol on middle distillate products, including fuel oil. The ramifications of these and other developments on the fuel oil market involve complex considerations which, while not addressed here, form the backdrop for some of the market problems identified during the study.

The retail fuel oil business involves distribution of oil by truck to residential and commercial customers. Generally, fuel oil consists of several basic grades: kerosene or No. 1, No. 2 furnace oil, and residuals (bottoms). The basic grade for household use is No. 2 fuel oil. Burners are adapted and designed to handle a certain grade, which may be light or heavy. Heavy oil burners can, however, burn furnace oil with proper burner adjustments. Large commercial buildings use any one of the varied grades of heavy oil, although on occasion, light oil may be purchased for them. For example, kerosene is commonly used as a blending agent for residual or heavier grades of oil.

Sales of fuel oil are highly seasonal. Oil burner cleanings and overhauls start in the spring and continue through fall, although domestic hot water customers continue to receive oil during the off season. It is not uncommon for a fuel company to sell appliances, air conditioners, boats, and other merchandise during the slow season.

From the standpoint of home fuel oil supply, the supply sources for retail dealers may be categorized as: (1) major oil refiners, (2) large indepen-

dent suppliers who may buy from the major oil companies or on the spot market, and (3) wholesalers. In some cases, all three sources may be involved in retail distribution. Refiners, suppliers, and wholesalers who also have retail outlets have some competitive advantages over smaller retailers, who are more dependent on prevailing terms of supply. Wholesalers, for example, may take advantage of low spot market prices for supply, giving their own retail outlets better supply terms than independent retailers.

The distribution system, therefore, sometimes involves the resale of refined oil a number of times before reaching the final consumer. Each step in the resale process increases the distribution cost. Increases in product cost are passed on to the retailer, who, in turn, may either increase the selling price or accept a lower gross-profit margin (selling price less cost of goods sold). In addition, during periods when oil prices are on the rise, refiners/suppliers and wholesalers may choose to hold back supplies to retailers to gain better supply terms. That is, they may create temporary, artificial shortages as a means of commanding higher prices.

Many retailers report supply problems in areas including:

- o Difficulties in obtaining long-term supply contracts
- o Increasingly stringent credit controls by suppliers
- o Difficulties in obtaining short-term, low-interest credit from the private or public sectors
- o Inflated costs of fuel oil on the spot market.

During the period when price controls on fuel oil were in effect, retailers reported problems in maintaining gross profit margins (selling price less cost of goods sold). While EPAA, which imposed controls on price, allocation, and distribution of fuel oil, was intended to reduce inequities in supply distribution, the price controls were based only on petroleum costs. Retail dealers contended, however, that the controls did not permit increased selling prices to cover other costs increased through inflation. While prices of fuel oil continued to rise, based on petroleum costs,

dealer gross profit margin percentages decreased. Gross profit margins are generally considered in terms of percentages by retailers since profits in cents per gallon are relative to the purchasing power of the dollar at any given time and place. While it is important to consider gross profit in terms of actual dollars for any given firm, percentages are often used for convenience on comparing the operation of firms within a defined market segment.

When the price controls on fuel oil were removed in July of 1976, these controls continued to remain on gasoline. This situation provided some incentive for refiners to charge higher prices for fuel oil in relation to actual fuel oil product cost increases. In March of 1979, however, the Economic Regulatory Administration adopted the "gasoline tilt" rule which, while partially offsetting this inequity and helping to assure availability of fuel oil, could not assure any rollback in fuel-oil prices.

While the foregoing discussion merely touches on some of the considerations involved in the fuel oil market, the basic factors affecting fuel oil prices which have had impacts on distributors as well as consumers since 1973 may be summarized as including:

- o Progressive inflationary pressures
- o Escalating fuel oil costs
- o Increasing interest rates
- o Difficulties in meeting payments by both consumers and dealers.

This introductory section provides a brief overview of the general economic climate in the fuel oil market in recent years. This material considers some background information to present a collective profile of those firms comprising the market sector.

2.2 MARKET PROFILE

There are an estimated 8000 firms* currently involved in the distribution of fuel oil for residential use in the United States. The concentration of fuel oil sales by state is illustrated in Figure 2-1. Because it was not the objective of this study to reinvestigate the characteristics of the

*National Oil Jobbers Council

FIGURE 2-1. HEATING OIL SALES BY STATES

RESIDENTIAL CONSUMPTION OF
FUEL OIL AND KEROSENE CONSUMPTION
(Total amount consumed shown in Quads-
Quadrillion Btu's-as of March, 1980)

Note: Statistics reflect annual totals through March, 1980.

total market sector, a profile of this sector is perhaps best drawn by summarizing the most recent "Mantho Report."

Over the past 40 years, the trade journal "FUEL OIL and OIL HEAT & Solar Systems" has published an annual report on the market status of fuel oil dealers in the U.S., often referred to as the "Mantho Report," because the statistics are compiled and summarized by Margaret Mantho. The latest annual report (September 1980) characterized conditions for the 1979-80 heating season. The annual update is scheduled for publication in September 1981.

The Mantho Report characterizes fuel oil marketers by size of operations, geographic distribution, and size of cities within the market. Size of operations of a company is measured by number of customers: small--under 1000, medium--1000 to 3000, and large--over 3000. Geographic regions are categorized as: New England, Metro New York, other Mid-Atlantic, South Atlantic, Midwest, and West. City sizes are considered by population: small--under 25,000, medium--25,000 to 250,000, and large--over 250,000.

All firms surveyed sold No. 2 fuel oil, and 45 percent supplied kerosene or No. 1 fuel oil. Small percentages also sold No. 4 and No. 6 fuel oil. Oil-heating equipment was also sold by 77 percent of the firms, and 72 percent operate a bulkplant (have storage facilities).

In the 1979-80 season, the average company surveyed had 1,824 residential customers, down 10 percent from the previous year. This is attributed primarily to conversions of space heating equipment to other fuels, notably natural gas. The breakdown of the market sector by company size is: 47 percent surveyed are small and supply 14 percent of the market, 39 percent surveyed are medium and supply 38 percent of the market, and 14 percent surveyed are large and serve 48 percent of the market.

The average residential customer used 1,081 gallons of No. 2 fuel oil, a drop of 10 percent from the previous season and a decrease of 26 percent from the 1972-73 season average of 1,463 gallons per customer. This is largely the result of customer conservation measures, such as improved

insulation, etc., prompted by rising fuel costs. The price of oil per gallon reached 99.1 cents by the end of the 1979-80 season and averaged 88.6 cents during the season. This rise represents a fourfold increase in price over the 1972-73 season.

Average industry gross margins in cents per gallon (selling price less cost of goods sold) for 1980 were 15.96 cents per gallon for companies with bulkplants and 16.99 cents for smaller companies without bulkplants. This difference might generally be attributed to economies of size. When margins are calculated on a percentage basis (margin in cents per gallon/selling price), the gross-margin share percentage shows a drastic decrease to 16 percent in 1980, compared with a 35 percent gross margin in 1973.

For the average company in the survey, the sale of fuel oil accounts for 75 percent of income. In the 1979-80 season, operating costs increased over the previous year, with delivery costs up 17 percent, selling costs up 40 percent, and overhead up 21 percent, for a weighted 25 percent cost increase. Most of the companies (74 percent) reported an increase in receivables amounting to an average of 13.3 percent more money on their books.

The reported refiners' share of the No. 2 fuel oil market sold at retail was only 9 percent in 1980, down from 27 percent in 1977.

Sources of supply were more firmly established for the 1979-80 season, with 81 percent of the retailers having supply commitments, compared to only 19 percent the previous year. In addition, suppliers were providing summerfill for 50 percent of the retailers.

Fuel oil found stronger competition from natural gas during the 1979-80 season. Following the Natural Gas Act of 1978, permitting increases in natural gas prices, the industry went from shortage to surplus. Of the new heating systems installed in 1980, 60 percent of the installations used gas, up from 44 percent the previous year. Only 22 percent of new installations used oil in 1980, down from 31 percent in 1979. In comparison, a total of 4.4 percent of existing oil customers were lost because of conversion to other fuels, predominantly gas.

The Mantho Report makes a finer breakdown of the statistics cited, and others, by geographic regions, city sizes, etc. For orientation purposes, the statistics briefly outlined here serve as a background for the study of minority fuel oil marketers. Some additional consideration was also given to recent studies/reports covering the fuel oil market in general, and to some degree problems of minority firms in this market.

2.3 RELATED STUDIES

2.3.1 INTRODUCTION

A number of studies relating to the competitive viability of the fuel oil market have been carried out in recent years. Four of these studies have been selected for brief review here because they constitute a backdrop against which the study of minority fuel oil marketers was drawn. Brief summaries of these studies are presented in the following sections. Their sequence of presentation is based on their scope in terms of total market-sector coverage, followed by increasing focus on minority firm marketers. In summarizing the studies, every attempt was made to avoid editorializing their content/conclusions. Only selected portions of the study reports are addressed here, as they were judged germane to the minority firm investigation. Note that the study summaries must be considered in context of the individual time intervals addressed. For example, the earlier studies placed heavier emphasis on impacts of regulations that prevailed at the time.

While the studies reviewed constitute only a portion of the sources from which information was drawn, they are representative of background reports considered in the assessment of "The Competitive Viability of Minority Fuel Oil Marketers."

2.3.2 DOE ADVISORY COMMITTEE REPORT

The Department of Energy (DOE) commissioned an ad hoc subcommittee from members of its Fuel Oil Marketing Advisory Committee to identify the relevant issues affecting the independent marketer of middle distillates. The subcommittee prepared a White Paper for presentation to the full Committee on December 5, 1977. The report, presented in two parts, covered:

- o The competitive viability of independent fuel oil marketers
- o Conclusions and recommendations on the impact of Federal regulations on independent marketers.

The conclusions presented in the White Paper are included here as part of the background for the minority fuel oil marketer study. As previously pointed out, the conclusions cover conditions prevalent during the time of the study. They are summarized as follows:

- o Profitability of wholesale and retail marketers has declined substantially since 1974. This decline in profits has been a result of increases in costs that far exceed increases in margins at both levels of distribution.
- o There is strong competition in the home heating oil market on both the independent wholesale and retail levels. While competition maintains a downward pressure on home heating oil prices and thereby benefits the consumer, it does limit severely the costs which a marketer may recover.
- o Retail marketers are experiencing severe cash-flow problems because of the ever-increasing time period between the issuance of home-heating oil bills and receipt of payment from homeowners. These delays adversely affect the dealers' ability to meet their financial commitments to their refiner-suppliers for product.
- o As a result of increased costs, suppliers are modifying historical terms of sale, shortening payment periods and eliminating discounts. During the period of controls and the period of continuing threats of reimposition of controls, few are willing to take on new distributor customers. The net effect is a restriction of the financial flexibility of oil dealers.
- o The financing of inventory and equipment has become significantly more difficult because of inflated product prices and an absence of an adequate return on equity.

- o All regions of the country are experiencing increased rates of attrition among heating oil marketers. Economic pressures render small retailers the most vulnerable to bankruptcy, merger, or voluntary dissolution because they do not generate enough dollars of margin to cover expenses and make a reasonable return, even if their unit costs, investments, and profits are at an efficient level. Companies of all sizes are becoming less viable.

With regard to the impact of Federal regulations on independent marketers, the White Paper concludes that:

- o Congress has mandated that DOE promulgate energy programs which protect the independent marketer, foster competition, and ensure an efficient distillate distribution system. To date, Agency action has not accomplished the objectives of that mandate, and the viability of the independent marketer and his capability to distribute vital distillate supplies to all sectors of the United States economy has been adversely affected by Governmental regulations and control.
- o Enforcement practices of DOE have been unreasonable and injuriously inconsistent, because the regulations themselves have been complex, vague, and extremely difficult for a small businessman to understand.
- o The blanket preference given to small refiners in the entitlements program results in a noncompetitive advantage for those marketers supplied by subsidized refiners who are able to undercut sale prices of independent marketers supplied by nonsubsidized refiners.
- o Reporting and recordkeeping requirements imposed by DOE on the small marketer contribute to the increased costs of operating a fuel oil marketing business.

The White Paper makes a number of recommendations based on the conclusions reached. These are not summarized here because they represent considerations relating back to December of 1977.

2.3.3 R. SHRIVER ASSOCIATES REPORT

DOE's Economic Regulatory Administration commissioned a study by R. Shriver Associates, the results of which are presented in "Analysis of Competitive Viability of Independent Middle Distillate Marketers," November 1979. The study, which analyzed three major market regions of the U.S. during the 1972-78 period, concluded, in part, that the viability of the home heating oil dealer is being threatened by changes in the basic conditions of the middle distillate industry. The decrease in the number of fuel oil retail dealers is not attributed to lack of competition but, rather, to industry sector conditions which include:

- o Declining market in terms of number of households using fuel oil and declining consumption per household
- o Increased costs of home heating oil
- o Inflationary impacts on the fuel oil dealer in a competitive market.

The declining market is attributed to fuel conservation practices and conversion from oil heat to other energy sources (gas, electricity, etc.), particularly in new construction. Rising costs of fuel oil have fostered conservation and conversion practices and have added barriers to competitive viability of individual dealers in general. To compensate for rising costs of oil sold, while total volume sold remains static or decreases, the dealer must increase his gross margin to compensate for rising operating costs. (Note: Again, this trend was viewed from a 1979 timeframe.)

The study also reviews market conditions during price controls as well as the impacts following decontrols. While the impacts of Federal regulations on the market are reviewed, and conclusions drawn, no specific recommendations are presented in the report.

2.3.4 SBA-COMMISSIONED STUDY

A Study report commissioned by the Small Business Administration (SBA) Office of Advocacy was prepared by Resource Planning Associates, Inc. (RPA) (October, 1980), covering "Steps to Ensure the Viability of the

Residential Fuel Oil Distribution Systems." The RPA study generally concludes that the profitability of many fuel oil dealers in the total market sector is threatened by problems with suppliers, declining market share, and complex regulatory environment, factors over which dealers have little or no control. Small and/or minority dealers were shown to be particularly vulnerable to these problems. Some of the data reported by RPA which provides background for the study of minority firms included:

- o An average fuel oil dealer in the total market sector was characterized as employing 8 people, using 5 trucks, having 1000 accounts, selling 2.25 million gallons annually, and having a 50-mile service area.
- o In the New England area, only 2 percent of the fuel oil dealers are minority firms; however, 40 to 60 percent of the inner-city markets are serviced by these minority firms.
- o Unlike individual electricity and natural gas suppliers, who have monopolies on supply in given areas, fuel oil dealers must compete among themselves. The requirements for flexible fuel oil delivery schedules and other customer services leads to higher costs and lower margin operations for fuel oil dealers.
- o Between the oil embargo of 1974 and the year 1979, some 916 (about 32 percent) of the dealers in the New England area went out of business.
- o General dealer problems external to their control were cited as involving: (1) stringent supplier allocation and credit arrangements, (2) declining share of residential heating market for fuel oil, and (3) potentially noncompetitive Government policy and regulation. One example of noncompetitive Government policy cited was that DOE's Residential Conservation Service Program requires gas and electric companies to help customers reduce fuel bills, but leaves mandatory efficiency improvement for oil-burning equipment to the discretion of the States.

- o In 1979, fuel oil dealers in the U.S. reported tight credit to be their biggest problem, according to the SBA-commissioned study, with dealer credit shrinking with rising fuel oil costs. Conversion of heating systems to natural gas was also reported as a serious problem.
- o General dealer supply problems included unpredictability of supplier allocation and nontransferability of allocation rights. These problems were said to have disproportionate impacts on small/minority businesses. A specific supply problem reported was that, in 1979, 45 percent of dealers used one supply source, and some major refiners required dealers to buy one gallon of oil in the summer for every two to be allocated for winter delivery.
- o Specific problems involving minority fuel oil dealers cited were:
 - (1) difficulty in obtaining contracts with primary suppliers because many are low-volume, high-credit risk firms, and
 - (2) in dealing with secondary suppliers, minority firms had little leverage against price increases because of lack of storage facilities. Secondary supplier prices were usually higher because many purchased oil on the spot market.

2.3.5 PROBLEMS OF MINORITY FUEL OIL DEALERS

A recent unpublished report commissioned by the Economic Regulatory Administration was prepared by Kalt and Lee of Harvard University on "Problems of Minority Fuel Oil Dealers." The authors, acknowledging that further empirical analysis was warranted, summarized their findings on the situation confronting minority fuel oil dealers in the Northeast as follows:

- o The heating-oil market is declining in volume, and therefore, retailers are experiencing increasing difficulties in keeping their rapidly rising costs from exceeding their revenues. If a dealer is both new and small, these difficulties are compounded.

- o Fuel oil retailers who service low-income, inner-city neighborhoods are confronted with: a) higher costs; b) greater difficulties in obtaining supply contracts; c) significant obstacles in obtaining credit either from banks or government; and d) less stable and less predictable cash flows. Again, these problems are more severe for new retailers trying to enter the market than for larger existing dealerships.

Based on interviews in the Northeast, the authors' characterization of minority dealers emerges as: new (started after 1973), small (sell less than 5 million gallons annually), and serving a high-risk clientele (primarily low-income, inner-city). While not discounting the possibility of discrimination against MFMs, the authors conclude that discrimination is of lesser importance than the underlying characteristics of the market in which minority dealers typically operate.

The study, which centered on minority dealers in New England (without specifically identifying them), reported the existence of 50 current dealers in that area, with 40 having been started after 1974. With the total number of dealerships on the decline, a disproportionate number of new entrants into the market are minority firms. The reason ascribed to this is the exodus of established dealers from inner-city areas, with minority firms taking their places. Because of poorer cash flows, higher distribution costs, and higher overhead costs involved in servicing inner-city accounts, minority firms in this market sector are likely to have poorer cash flows and delivery costs greater than the average.

The Federal Government's minority set-aside program (8(a) program) requires that 10 percent of all Government oil contract work be reserved for minority businesses. New minority businesses, however, find difficulty in competing with pre-1970 firms because of lack of operating capital and/or equipment and reliable supply sources.

Minority dealers reported difficulty in obtaining contracts with primary suppliers. Most MFMs that obtain long-term contracts deal with secondary suppliers. This fact cannot be ascribed to overt discrimination but, rather, to primary suppliers' preferences for larger deliveries and for entering those relationships which offer minimum financial risk.

Minority fuel oil dealers reported difficulties associated with short-term credit policies. That is, dealers often cannot collect for their oil deliveries quickly enough to pay their debts and cover the cost of new supplies. While some minority firm low-income customers receive oil assistance payments, these programs involve delays between the time the oil is delivered and the dealer receives payment from the Government. During credit crunches, minority firms find financing through commercial banks difficult to obtain. While SBA will grant loans, many dealers report considerable delays in receiving SBA assistance.

The Harvard study reports that minority fuel oil dealers often lack information concerning changes in their market and industry sector. In addition, minority-firm participation in trade association activities is reported to be less than 5 percent of minority firms operating in New England.

The report discusses special problems related to oil deliveries in the inner-city, where many customers are minorities in poverty situations. The report makes six general recommendations for overcoming basic problems facing minority fuel-oil marketers. As the authors point out, however, the conclusions drawn could not be supported by sufficient documentation.

In summary, the background conditions of the fuel oil market covered by previous related studies led to development of the study methodology used in the specific investigation of minority fuel oil marketers. This methodology is addressed in the following section.

SECTION 3. STUDY METHODOLOGY

SECTION 3. STUDY METHODOLOGY

3.1 STUDY CHARTER

As described in the introductory Section 1, the basic objectives of this study were to:

- o Specifically identify the minority fuel marketers (MFMs) within the total market sector (TMS)
- o Develop and organize information on MFMs in sufficient detail to permit comparisons of their operational characteristics, financial status, and problem areas with other firms comprising the TMS.

The purpose was to determine what, if any, adverse situations/conditions existed for MFMs which could affect their competitive viability, what led to these conditions/situations, and what could be done to counteract these conditions, if appropriate.

3.2 METHODOLOGY

The methodology used in the conduct of the study is shown schematically in Figure 3-1. Following the initial literature review, the methodology chart shows study areas, enclosed by dotted lines, which sequentially led to data synthesis and conclusions. The study areas were grouped as (1) preliminary contacts-market identification, which led to the initial minority-marketer directory development; (2) directory confirmation-data development, and (3) data organization and analysis. MFM industry analyses, combining operational/financial analyses, were used in deriving conclusions.

The approach, rationale, and sequencing of study elements is covered in the following sections. These sections also serve as a guide for referral to the Appendices, which document: the literature reviewed, the points of contact made during the study, the directory of MFMs in the U.S., the site visit guidelines used, the definitions of ratios used in the financial

FIGURE 3-1. STUDY METHODOLOGY

analyses, and basic data used in comparing MFM financial indicators for retailers and wholesalers with comparable data representative of the TMS.

3.2.1 LITERATURE SEARCH/PRELIMINARY CONTACTS

The literature search/review and preliminary contacts outlined in Figure 3-1 were conducted simultaneously because of their interdependence. The literature reviewed and listed in Appendix A covered the overall fuel oil marketing sector, in general, and minority fuel oil marketers, in particular. Legislation having an impact upon the market was also reviewed with transcripts and hearings pertaining to the study area.

Some of the organizations illustrative of those contacted preliminarily are shown in the figure. For example, basic data on the overall market sector was obtained from the American Petroleum Institute (API), DOE's Office of Petroleum Operations, the Department of Commerce, trade associations such as the National Council of Petroleum Jobbers (NCPJ), various trade publications, and financial organizations such as Dun and Bradstreet and Robert Morris Associates. The organizations contacted to identify minority firms engaged in marketing fuel oil included:

- o Small Business Administration (SBA) Headquarters and 10 Regional Offices
- o The National Minority Purchasing Council, comprised of 35 affiliated members
- o The Department of Commerce's Office of Minority Business Enterprises
- o The 12 active State offices of Minority Business Enterprise
- o The National Association of Black Manufacturers (NABM)
- o The Latin American Manufacturers Association (LAMA)
- o The Minority Contracts Association (MCA)
- o Individual minority marketers (for information on others)

A complete listing of organizations contacted relative to the identification of minority fuel oil marketers is contained in Appendix B. As the result of these contacts, a master list of 136 MFMs was compiled. Based on continued cross-checks with the information sources, it was concluded with reasonable assurance that this list comprised the "universe" of firms in this category in the U.S. at the time the repetitive contacts were made over a nine-month period. This conclusion takes into account a probable 5 percent error in completeness when excluding firms having less than \$100,000 in annual sales. The list, therefore, was deemed to constitute the basic "Minority Marketer Directory" for use in further investigations. This distribution of the MFMs identified is shown in Figures 3-2 and 3-2A.

3.2.2 DIRECTORY CONFIRMATION/DATA DEVELOPMENT

Concurrent with the compilation of the directory, contacts with individual MFMs were initiated. The first step involved corresponding with each MFM identified, explaining the study, requesting their cooperation, notifying them they would be receiving a form (questionnaire) showing the types of information required, and assuring them of the confidentiality of any information supplied. Following up on the correspondence, personal contact was made with all the MFMs in the survey for the purpose of gaining their confidence. During these contacts, the MFMs were asked if they had any problems or questions concerning the information outlined in the questionnaire, and were again assured of the confidentiality of any information to be contributed. It was also pointed out that the firm conducting the survey is itself an 8(a) certified firm.

After allowing a reasonable time interval for the initial contacts and information sent to be considered by the MFMs, follow-up contacts were made. During these contacts the questionnaire information was discussed and recorded as provided. Any information not immediately available was requested, and arrangements were made for additional contacts. During the discussions, leads on any other known MFM in the areas were requested to either confirm or supplement the MFM directory.

During the initial and follow-up contacts it was determined that 29 of the firms in the directory were no longer in the fuel oil business. This conclusion was determined either through contacts with persons formerly

FIGURE 3-2. MINORITY FUEL MARKETERS BY STATES

FIGURE 3-2A

NUMBER OF MINORITY FUEL OIL MARKETERS BY STATE IDENTIFIED

BY THIS STUDY

associated with the firms or through information received from other organizations/individuals in the area or the principals themselves. In addition, 7 firms refused to respond even after repeated attempts and assurances of confidentiality of the information. Responses were received from the remaining 100 firms, 98 of which supplied information sufficiently complete to be useful in subsequent data analysis. Some of the data deficiencies are reviewed in the subsequent subsection under "Scope and Limitations."

Through repeated contacts, correspondence, and analysis of the data base developed, it was determined which of the firms contacted would be receptive to site visits by designated researchers and could make significant contributions to the study. Because the preliminary data collected indicated that the majority of the MFMs operated within urban areas in the Northeast, nine sites were selected for visits in this region. The firms selected for visits were judged to be representative of a cross-section of MFM operations within the TMS. The general guidelines developed for use during site visits are included in Appendix D.

The site visits included firms with small volume sales (under \$1 million annually), retailers handling primarily residential accounts, large retailers (over \$10 million annual sales), retailers with considerable commercial business, retailers involved with 8(a) set-aside delivery contracts, and retailers without benefit of set-aside programs. Unfortunately, to gain their confidence and to prompt responses, most retailers requested, and were assured, that no reference to their firms be made in the report, as to specific circumstances or unique situations. In addition, for purposes of confidentiality, most firms refused to disclose current financial information or to isolate individual financial statements in the study; therefore, some of the financial information used in the study was obtained from independent credit reports.

3.2.3 DATA ORGANIZATION AND ANALYSIS

While data on operations, problems, and financial matters were being obtained directly from the minority fuel oil marketers, arrangements were made with Dun and Bradstreet (D&B) to secure independently developed financial data on the 100 firms identified. The purpose was to use this

information for cross-check purposes as well as to obtain the most representative sampling of management, financial, and historical data covering the minority firms studied. When obvious discrepancies were identified between the data received from the minority firms and the D&B reports, attempts were made to reconcile these discrepancies through numerous call-backs to the contacts.

All quantifiable data contained in the questionnaire information received from 100 firms was organized into 12 basic categories, each with various subcategories. A matrix was then developed which identified the firms by code number and their corresponding classification within each of the categories/subcategories. The basic categories covered for each of the minority firms were:

- o Length of time in business (historical data)
- o Total assets
- o Business type (wholesale, retail, etc.)
- o Number of employees
- o Number of accounts
- o Annual gallonage of fuel oil sold
- o Characteristics of customers served (residential-commercial, urban-suburban, income classification)
- o Selling terms (C.O.D., net 10 days, etc.)
- o Product storage facilities
- o Delivery equipment (number and size of trucks)
- o Supply arrangements (contract and credit terms, type of supplier)
- o Sources of capital and financing

This information, in the aggregate, provided the basis for developing an operational industry profile of the MFMs. The information was also used to

organize the firms into categories conducive to comparison and analysis of financial data representative of the TMS.

In addition to organization and analysis of quantifiable data, efforts were made to identify and characterize problems reported by the MFMs. These problems were carefully noted during repeated contacts with individual firms and explored in greater detail during site visits. To the extent possible, any problems reported were evaluated from the standpoint of whether they were peculiar to MFMs, characteristic of the TMS, or company-specific.

3.2.4 MINORITY FIRM/INDUSTRY SECTOR COMPARISONS

While a myriad of sources was used in comparing reported overall industry characteristics with those reported by minority firms, the Robert Morris Associates (RMA) Annual Statement Studies were used for financial comparisons. RMA is the national association of bank loan and credit officers. Their statement studies are widely accepted by the financial community and used in the evaluation of business operations by lenders. The RMA analyses of both retail and wholesale fuel oil marketers, broken down by size of business in terms of total assets, were used for comparison with the data gathered on the MFMs within the TMS. Basically, this process involved the development of financial indicators for minority firms through the calculations of common size percentages using balance sheet and income statements, and a series of ratios which can be grouped into three principal categories.

- o Liquidity ratios -- a measure of the quality and adequacy of current assets to meet current obligations
- o Leverage ratios (debt/assets to net worth) -- indicators of vulnerability to business downturns
- o Operating ratios -- indicators of management performance and profitability

The types of ratios used within these categories, their methods of calculation, and interpretations are covered in Appendix E.

3.2.5 CONCLUSIONS

The study methodology employed was structured to collect, organize, analyze, and synthesize information in a manner which would permit conclusions to be drawn on the competitive viability of minority fuel oil marketers. The issues requiring conclusions were considered to be focused in three general areas:

- o The degree to which MFM operations were characteristic of, or different from, the TMS
- o Variance of the key financial indicators for MFMs from comparable firms in the TMS
- o Whether or not regulatory factors (previous price control, subsequent decontrol, audit practices, local ordinances and controls, oil purchase and credit policies, etc.) had disproportionate impact on MFMs as compared to the TMS.

In summary, the methodology outlined in this section was followed explicitly and/or implicitly in the conduct of the study. It provides the framework for the study results presented in the following sections of this report.

3.3 STUDY SCOPE, LIMITATIONS, AND ASSUMPTIONS

The study of the competitive viability of minority fuel marketers, by definition, took into account limited previous studies and analyses made of this market sector, as well as other studies addressing the total market sector. It also assumed that pertinent aspects of previous work be incorporated into the underlying considerations involved in meeting the study objectives. The scope of the study, however, differed from that of previous studies in that it specifically addressed minority fuel oil marketers through direct and indirect contacts and compared the results against the entire market sector. A significant part of the study involved the identification and subsequent documentation of those firms which comprise the universe of minority fuel oil marketers in the U.S. These firms, then, provided the source of information for analyses and comparisons.

Because of the specialized scope of the study and its first-of-a-kind focus on minority firms, it carried inherent limitations. There was no established data base for this industry segment from which to analyze trends. This lack presented a particular limitation to the study when analysts attempted to ascertain attrition rates of minority firms in the industry sector.

A brief commentary on the interpretation of questionnaire responses is also in order, especially in cases where no previous data for comparisons exists. Because some of the information requested was of a proprietary nature, firms often showed a reluctance to provide detailed information, even though confidentiality was assured. While careful attention was given to avoid both overly restrictive and overly broad questions, the degree of responsiveness among firms contacted was subject to some expected variations. Inadvertant distortions in some of the data supplied, based on subsequent cross-checks, also appeared.

The basic financial information gathered from a large percentage of the minority firms is unaudited. This included Dun & Bradstreet reports, which were also based on unaudited data. The RMA data used in the data evaluation reflects a representative sampling of the industry sector and was the most valid basis for comparisons. The individual companies comprising the RMA sample, however, in many cases also supplied unaudited data.

During the analysis of financial indicators for MFMs versus the TMS, in some cases there was insufficient data from a few firms on all 14 of the indicators addressed. In these instances, surrogate data was used. The rationale employed and the specific indicators affected are addressed in the appropriate tables covering financial profiles.

Finally, while the minority firms identified as being currently engaged in fuel oil marketing did contribute data for the study, the completeness and detail of data provided varied widely. For example, 98 of the 100 firms identified provided sufficient information to be used in developing the industry profile. Only 37 firms, however, had sufficient financial data adequate for use in all of the financial analyses performed. Comparisons of financial analyses on the minority firms with the RMA data reflecting the TMS, therefore, required interpretations based on judgmental factors.

While detailed and sophisticated statistical techniques could be applied to substantiate judgment, in some cases, this task was beyond the scope of the study, because of time and cost constraints. Considering the nature of the data involved and the initial stage in characterizing minority fuel oil marketers, the increased efforts involved in detailed statistical analyses would only produce marginal returns.

SECTION 4. STUDY RESULTS

SECTION 4. STUDY RESULTS

4.1 OVERVIEW

The study results in this section are presented in three basic categories: (1) a profile of MFMs developed from quantitative information derived through study contacts, (2) analysis of all financial data available from MFMs and outside sources, and (3) a summary of basic problems reported by MFMs during the study. The types of information developed in each of these categories was pursuant to the study objectives cited in Section 1, and the methodology outlined in Section 3.

Preliminary analyses of the data collected on the operational characteristics of the MFMs identified during the study showed it to be sufficiently complete to develop an industry profile on the minority firms. Only one general area in the data base was determined to be questionable in the preliminary evaluation. This was in the area of working capital requirements. While 83 of the MFMs provided information on this aspect of their operations, repeated inquiries showed the problem to be a lack of consistency in the respondents' interpretation of the term "working capital". Since other information received was sufficient to establish liquidity positions of the MFMs, working capital requirements were not specifically addressed in presenting the results of the study.

The analyses of key financial indicators (common size percentages and industry ratios) for MFMs, in comparison to equivalent RMA indicators for the TMS, was presented in two parts: (1) by the composite of all MFM retailers, and (2) by MFM wholesalers. During the workup of all the data available, this data was subjected to a wide variety of common size percentage and ratio analyses. In a number of cases, the MFM data was not sufficiently complete for direct comparison with RMA data. In other cases, backup data obtained from Dun and Bradstreet was not compatible with RMA data. In addition, cross-checks to verify the validity of indicators developed for MFMs revealed discrepancies which could not be reconciled with RMA data for comparison purposes. These discrepancies, however,

occurred only in a few cases. In general, when analyses cast some uncertainty on the reliability or confidence levels of the data, such data is not presented in the report. In the few cases in which minor adjustments were needed to reconcile data and these could be made in accordance with accepted accounting principles, this was done and annotated in the data base shown in Appendix F.

In a few instances, complete financial data was not available from some of the MFMs analyzed in this study. As a means of reconciling some variations in the numbers of firms providing data in a few common size percentage columns (cash plus equivalent, receivables, and inventory), surrogate data was employed. The surrogate data used was based on accepted accounting principles and, consequently on the basis of cross-checks to verify validity, had little (if any) effect on the arithmetic means derived.

The summarization of MFM problems reported in this section are addressed further in Section 5, Conclusions. The conclusion section presents an overall analysis of MFM problems in light of the overall background for the TMS and in the context of financial and other indicators derived in the study.

4.2 MINORITY MARKETERS - INDUSTRY PROFILE

The identification of the Minority Fuel Oil Marketers (MFMs) within the total market sector (TMS) required iterative contacts with a large number of minority organizations and other organizations/individuals having information relevant to the study. No organization contacted had complete information, nor had they ever attempted to make such an identification of the MFMs. There is reasonable assurance that the 136 MFMs initially identified constitute a "universe" at the time of the study, based on continued cross-checks with various information sources. However, some very small MFMs (under \$100,000 gross revenues), those operating on a sporadic basis, or minority firms delivering fuel oil as only a small portion of their main business operations may not be represented in the MFM directory compiled.

Appendix D contains the directory of MFMs in the U.S. compiled during the study. The firms are categorized alphabetically by State and also listed

alphabetically under each State. The directory includes the company name, address, telephone number, and name of official spokesperson(s) for the company.

Table 4-1 contains a summary of operational information developed during the study. Relevant financial data are not included in the table, because this data was analyzed separately and is addressed in Section 4.4. Information from 100 firms is incorporated into Table 4-1. Totals of less than 100 indicate that some firms did not respond to requests for information in certain categories for various reasons. The total number of responses under each category of information does not total 100. When the totals exceed 100, and/or there were duplicate answers, explanations are shown in the notes under the items in the table.

The study showed that about half of the MFMs began operations after the beginning of the oil embargo in 1973. The years immediately following the embargo saw a number of retail suppliers going out of business, particularly in the inner city. It is a reasonable assumption that the resulting vacuum in the distribution system drew a number of minority firms into the business to fill the needs of consumers in the inner cities. The profile that begins to emerge, then, is that at least half of the MFMs have been in business for less than ten years. Based on the history of development in this market sector, therefore, many of these relatively young firms probably have yet to become financially mature and have not, as yet, established long-term supply contracts and/or completely assured sources of supply.

The majority of the MFMs providing information reported total assets of \$250,000 or less (22 out of 37 respondents.) Ten claimed assets between \$250,000 and \$1 million, 6 between \$1 and \$10 million and none above \$10 million.

Over 78 percent of the MFMs are involved exclusively with retail sales, primarily to residential consumers. Only about 18 percent of the firms act exclusively as wholesalers, and 4 percent deal in both wholesale and retail trade.

Table 4-1. Minority Fuel Marketers: A Profile

		% based upon Total Respondents, as appropriate
1. <u>Start of Business Operations</u>	<u>Number</u>	
A. 1973 or Before	48	51
B. After 1973	<u>47</u>	<u>49%</u>
Total Respondents	95	100%
2. <u>Total Assets</u>		
A. 0 - \$250,000	22	58%
B. \$250,000 - \$1 Million	10	26%
C. \$1 - \$10 Million	6	16%
C. Over \$10 Million	<u>0</u>	<u>0%</u>
Total Assets	38	100%
3. <u>Business Type</u>		
A. Wholesale	17	17%
B. Retail	76	78%
C. Both	5	5%
Total Respondents	<u>98</u>	<u>100%</u>
4. <u>Number of Employees</u>		
A. 1 - 5	49	57%
B. 6 - 10	17	20%
C. 11 - 20	12	14%
D. Over 20	<u>8</u>	<u>9%</u>
Total Respondents	86	100%
5. <u>Number of Accounts</u>		
A. 1 - 100	11	21%
B. 100 - 500	25	49%
C. 500 - 1000	8	16%
D. 1000 - 3000	<u>7</u>	<u>14%</u>
Total Respondents	51	100%
6. <u>Annual Gallons Sold</u> <u>(No. 2 Fuel Oil - Most Recent Year)</u>		
A. 0 - 250,000	40	43%
B. 250,000 - 1 Million	24	27%
C. 1 - 10 Million	17	19%
D. Over 10 Million	<u>10</u>	<u>11%</u>
Total Respondents	90	100%
7. <u>Characteristics of Customers Served</u>		
<u>Type:</u>		
A. Residential	62	N/A*
B. Commercial	<u>36</u>	
Total Respondents	98	
Note: 5 Served Both Types		

Table 4-1. Minority Fuel Marketers: A Profile (cont.)

<u>Location:</u>	<u>Number</u>	<u>% based upon Total Respondents, as appropriate</u>
C. Urban	79	N/A*
D. Suburban	<u>40</u>	
Total Respondents	109	
Note: 26 Served Both		
<u>Income Level (est.)</u>		
E. Low	61	N/A*
F. Middle	0	
G. Commercial	<u>33</u>	
Total Respondents	94	
Note: 2 Served Both E & G		
8. <u>Selling Terms</u>		
A. C.O.D.	25	28%
B. Net 10 Days	15	17%
C. 30 Days +	<u>50</u>	<u>55%</u>
Total Respondents	90	100%
9. <u>Product Storage Facilities</u>	<u>Number</u>	
A. None	59	N/A*
B. Leased Tanks	10	
C. Owned Tanks	<u>13</u>	
Total Respondents	82	
Note: 2 Reported Both B & C		
10. <u>Delivery Equipment</u>		
<u>Number of Trucks:</u>		
A. 0 - 3	42	62%
B. 4 - 5	7	10%
C. 6 - 10	12	18%
D. Over 10	<u>7</u>	<u>10%</u>
Total Respondents	68	100%
<u>Truck Size (Gal.):</u>		
E. Less than 2,000	32	N/A*
F. 2,000 - 5,000	18	
G. Over 5,000	<u>7</u>	
Total Respondents	57	
Note: 8 Reported E & F		
11. <u>Supplier Type:</u>		
A. Major Refiner	26	30%
B. Large Independent	55	65%
C. Other	<u>4</u>	<u>5%</u>
Total Respondents	85	100%

Table 4-1. Minority Fuel Marketers: A Profile (cont.)

<u>Contractual Arrangements</u>	<u>Number</u>	<u>% based upon Total Respondents, as appropriate</u>
D. Contract	37	51%
E. No Contract	<u>36</u>	<u>49%</u>
Total Respondents	73	100%
<u>Terms:</u>		
F C.O.D.	17	N/A*
G Credit	<u>46</u>	
Total Respondents	63	
Note: 4 Reported A&C		
27 Reported A&D		
14 Reported B&D		
13 Reported B&C		
12. <u>Capital Source</u>		
A. Banks	54	N/A*
B. Supplier Credit	50	
C. SBA	23	
D. Other	<u>20</u>	
Total Respondents	157	
Note: 39 Reported A & B		
18 Reported B & C		
12 Reported A, B, & C		
5 Reported A & C		
3 Reported A, B, C, & D		

*Use of percentages not appropriate because of multiple responses.

The SBA-commissioned study by Research Planning Associates (see Section 2.2.4) reports that the typical firm in the total market sector (TMS) employs eight people, has five trucks, services 1,000 accounts, and delivers 2.25 million gallons of oil annually. The Mantho Report (see Section 2.2) characterizes retail firms that have fewer than 1,000 customers as "small." Information received from MFMs contacted in the study shows that most MFMs employ only 1-5 people, well below the TMS average. In terms of number of accounts, some 86 percent of MFMs reporting had less than 1,000 accounts. Some 70 percent of MFMs responding in the study delivered less than one million gallons during their most recent year of operation.

In terms of size of operations, MFMs may be considered small from the standpoint of number of employees, number of accounts, and annual gallons sold. On the basis of the entire retail TMS, a medium-sized dealer sells between two and seven million gallons annually. Less than 20 percent of minority firms, both retailers and wholesalers, fall within this category. Less than 10 percent of the minority firms can be characterized as large dealers, considering this classification to include those selling more than seven million gallons per year.

A large majority of the MFMs serve residential customers exclusively. The survey revealed that of the 98 responses received, 62 supplied oil for residences, 36 for commercial establishments, and five both types of customers. Deliveries were primarily to low-income users in urban areas. Based on information developed, the ratio of urban to suburban deliveries for MFMs was 79 to 40, with 26 firms covering both areas. The ratio of deliveries to low-income residences versus commercial establishments was 61 to 33, with only two firms serving both types of customers. A reasonable conclusion, therefore, is that the primary customers of minority fuel marketers are low-income families in the inner city.

Most minority firms offer their customers at least 30-day credit terms (50 of those reporting). By comparison, of the 90 firms responding to this question, 15 used 10 days net, and 25 required C.O.D.

The survey showed that the large majority of the MFMs (72 percent) had no facilities other than their trucks for oil storage, by a ratio of 59

without facilities to 23 with facilities. Of the 23 reporting storage facilities, 10 lease their storage tanks and 13 privately own tanks.

Most MFMs operate three or fewer small-sized trucks. Of those firms providing this information, 42 have fewer than four trucks and 26 more than four. By comparison, the average dealer in the TMS uses five trucks. The minority dealers reporting 6-10 trucks (12) and those over 10 (7) generally serve the commercial sector. Most MFMs report truck capacities of less than 2,000 gallons (about 57 percent of those responding to this inquiry). Slightly over 30 percent of the respondents had individual truck capacities between 2,000 and 5,000 gallons.

The large majority of MFMs used large independent companies as their source of supply versus major refiners (55 to 26), while 8 reported using both sources. MFMs are about evenly split between those having contracts with suppliers and those with no contracts. Of those MFMs having supply contracts, most suppliers provided credit terms. Of those not having contracts, the terms of delivery reported were about evenly split between C.O.D. and credit (14 to 13) as shown in the note under item 11-G, Table 4-1.

The capital sources used by MFMs are primarily commercial banks and supplier credit (54 and 50, respectively), and 39 of the firms reporting used both sources. Based on conversations with the MFMs, commercial banks were used primarily for financing truck purchases. SBA was reported to provide a substantial source of financial assistance as a supplement to bank and supplier credit.

In summary, a reasonably clear profile of a typical MFM emerges from the analyses of information developed during the study when considered in terms of conditions reported for the TMS. Most MFMs have been in the business less than 10 years. The typical firm is smaller than the TMS average in terms of total assets, number of employees, number of accounts, volume of annual oil delivered, and number of trucks. The primary customers for minority firms are low-income families in urban areas and most customers are given credit terms of 30 + days. Relatively few MFMs have storage facilities. Most MFMs rely on independent suppliers for their oil and only about half have contractual arrangements with their suppliers.

While a substantial percentage of the retail dealers are required to pay C.O.D. for their supplies, most MFMs reported that suppliers do extend credit terms.

While the study showed that many MFMs have established bank credit, this is primarily for the financing of equipment purchases, notably trucks. Suppliers provide short-term credit for product purchases for most of the MFMs. A significant number (23) of the firms reported some financial assistance from SBA. The MFMs categorizing capital sources as "other" generally referred to loans received from family or friends.

4.3 FINANCIAL ANALYSES OVERVIEW

During the multiple contacts with minority fuel marketers (MFMs) identified as being currently active within the total market sector (TMS), investigators placed key emphasis on obtaining financial data for use in assessing competitive viability. Special efforts were made to obtain information from MFMs in the form of:

- o Balance sheets
- o Income statements
- o Sales tickets (invoices to customers)
- o Invoices (from supplies)
- o Credit data

Most of the MFMs were naturally reluctant to reveal detailed data of this type because of its proprietary nature. In some instances, however, MFMs did permit some access to data when assured of strict confidence. In general, the quantity and quality of financial data obtainable from MFMs during the study was such that it was not amenable to sophisticated financial analysis. The insufficiency of financial data may be attributed to the lack of detailed recordkeeping by many MFMs as well as the inconsistencies in the accounting procedure among many of the MFM operations evaluated.

Preliminary review of financial data retrieved from all MFMs showed that this information, in itself, was insufficient for a valid overall financial analysis of MFMs as a business category. Additional data on the

MFMs under study was therefore obtained from Dun and Bradstreet reports and other sources. While varying amounts of financial data were collected on all MFMs in the study, consolidation of all available data revealed that of the 97 MFMs providing some data, reasonable financial analyses only could be performed on a portion of the MFM retailers and wholesalers. This selectivity was due to the fact that only that data considered to be complete, accurate, and amenable to confirmation was used in the analyses. It was judged that the number of firms represented a reasonable portion of the MFMs studied. Of the 80 MFM retailers (the 4 firms acting as both wholesalers and retailers were included in the retail category), 37 were used for financial analyses. Of the 18 MFM wholesalers, 7 were subjected to financial analysis.

To pursue the objectives of the study, analysts needed to compare key indicators relating to financial structure, operations, and credit risks for MFMs with comparably derived indicators representative of the TMS. A number of information sources were explored for applicable financial data covering the TMS. These included the Department of Commerce, Dun and Bradstreet, the Department of Energy, various trade associations, and industry publications. The Robert Morris Associates (RMA) Annual Statement Studies provided the most detailed breakdown of financial indicators by company size for the TMS to permit direct comparison with the study data developed on MFMs.

Robert Morris Associates is a national association of bank loan and credit officers. Their Annual Statements Studies cover financial data on income statements and balance sheets for major standard industry classifications (SIC). The portions of the Annual Statements used for comparing data consistently compiled on MFMs during the study were:

- o SIC #5983 - Retailers - Fuel Oil, and
- o SIC #5171 - Wholesalers - Fuel Oil

Two basic groups of financial indicators were developed for MFMs for direct comparison with RMA data on the TMS. These groups were: (1) common size percentages, which provide an overview of a firm's

asset/liability/ownership structure, and (2) ratios, which are used in the analyses of liquidity, profitability, and leverage.

4.3.1 COMMON SIZE PERCENTAGES

Balance sheets and income statements were presented in common size, with each item a percentage of total assets, liabilities and net worth or sales (revenues) as appropriate. Common size indicators were computed for each individual MFM in the categories of retailers and wholesalers. The figures covering the composites of retailers and wholesalers were averaged. The means arrived at for each category for MFM firms were then compared with RMA means covering wholesalers and retailers within the TMS. Although a large number of common size percentages were calculated for the MFMs in the study, only ten were selected for presentation in the report because of their reliability and levels of confidence. Common size factors compared to total assets were cash plus equivalents, receivables, inventory, and total current assets. Those factors compared to liabilities plus net worth were trade payables, total current liabilities, and net worth. Factors compared to sales were cost of sales, operating expenses, and net profit.

4.3.2 RATIO ANALYSES

A series of ratios was computed from financial statement data obtained for each MFM identified by this study. The ratios calculated were:

- o Current ratio (total current assets/total current liabilities), which is a rough indication of a firm's ability to service its current obligations
- o Quick ratio (cash and equivalents + accounts and notes receivable/total current liabilities), which expresses the degree to which a company's current liabilities are covered by the most liquid current assets
- o Debt/Net Worth expresses the degree of protection provided by the owners for the creditors

- o Sales/Total Assets is a general measure of a firm's ability to generate sales in relation to total assets.

Further information on interpretations of ratios is contained in Appendix E. In analyzing ratios, medians rather than arithmetic means were used. A median is the midpoint number between the strongest and weakest ratios. The basic reason for using medians was that ratios are not amenable to the same calculations used in determining means. In addition, the use of medians reduces the influence that unusual values have on a mean. In evaluating means in this report, the percentages of MFMs above or below the mean are cited.

The median value of each ratio was determined for the composite group of MFM retailers, as well as for MFM wholesalers. The medians for each ratio were then counterposed to comparable figures developed by RMA for the TMS.

The following sections present the results of common size percentages and ratio calculations. The results are compared to RMA data with interpretive comments. Appendix F presents the analysis sheets, covering composites of retail and wholesaler MFMs. Summaries of the analysis sheets for each of the MFM groupings appear, in turn, in the subsequent sections.

4.4 COMPOSITE OF MFM RETAILERS - FINANCIAL PROFILE

Common-size percentages and ratios were calculated for all of the retail MFM firms on which sufficient financial data could be accumulated (30 firms). Since financial data in all categories was not available on a few firms, a few of the calculations were based on less than 30 firms. As previously pointed out, the insufficiency of data was due, in large part, to the lack of sophisticated accounting procedures used by many MFMs, including some immaturity in their stage of business development. The data base is contained in Appendix F-1. A summary of the results appears in Table 4-2. This table also includes data developed by RMA based on analysis of firms representative of the TMS. The presentation affords a convenient means of comparison. The following subsections address each financial indicator in turn.

Table 4-2. Comparisons of Financial Indicators Developed From
MFM Study and RMA Data on the Total Market Sector
(Retailers)

BALANCE SHEET COMMON SIZE PERCENTAGES - MEANS
(as compared to total assets)

	<u>CASH + EQUIVALENTS</u>	<u>CURRENT RECEIVABLES</u>	<u>INVENTORY</u>	<u>ASSETS</u>
MFM	21.0	36.7	5.8	63.5
RMA	10.8	33.5	17.0	62.3

COMMON SIZE PERCENTAGES
(as compared to liabilities +
net worth)

	<u>ACCOUNTS PAYABLES</u>	<u>CURRENT LIABILITIES</u>	<u>NET WORTH</u>
MFM	23.1	40.0	52.7
RMA	23.1	46.0	38.6

INCOME STATEMENT COMMON SIZE PERCENTAGES - MEANS
(as compared to sales)

	<u>COST OF SALES</u>	<u>OPERATING EXPENSES</u>	<u>NET PROFIT</u>
MFM	90.4	7.8	2.1
RMA	81.7	15.6	1.9*

*Figure based upon Dun and Bradstreet industry average after taxes.

INDUSTRY RATIOS - MEDIANS

	<u>CURRENT RATO</u>	<u>QUICK RATIO</u>
MFM	1.6	1.3
RMA	1.4	1.0

	<u>DEBT OVER NET WORTH</u>	<u>SALES OVER TOTAL ASSETS</u>
MFM	0.8	7.4
RMA	1.8	4.1

4.4.1 COMMON SIZE PERCENTAGES - BALANCE SHEET

4.4.1.1 Cash and Equivalents/Total Assets. The MFM mean for this indicator was higher than the RMA composite mean indicator. The MFM figure was 21.0 percent, as compared to 10.8 percent for the RMA mean. Using the RMA mean as the base, the MFM mean is 94 percent higher. For this indicator, 20 out of 29 firms had means above the RMA mean. This direction is favorable in the short term from a creditor's viewpoint because it indicates a more liquid position for the company and less short-term risk. In addition, in case of a forced liquidation, this asset class does not decline in value. For MFMs, however, a trade-off between cash and other assets, such as inventory, may exist in a situation further discussed in paragraph 4.4.1.3.

The better cash position for MFMs shown by this indicator may be attributed to a number of factors. For example, since many MFMs do not have supply contracts and must purchase oil on a C.O.D. basis, a high cash position is necessary. Since small MFMs may need to take every opportunity for "fast buys" of supplies at low prices, cash is also needed for this purpose. Casual labor is often used by MFMs because of lower costs, since detailed record keeping is not required for this purpose and fringe benefits and associated employee carrying costs are reduced. Thus, MFMs may choose to turn fixed employee expenses into a variable expense, which gives them better cash flexibility.

A high cash position is generally symptomatic of a small, new firm. While this may be an acceptable business practice in the short term, the cash position becomes lower as a firm matures and grows.

4.4.1.2 Receivables/Total Assets. The MFM mean for this indicator is higher than the RMA industry composite mean indicator. The MFM figure is 36.7 percent compared to 33.5 percent for the RMA mean indicator. Using the RMA mean as the base, the MFM figure is 10 percent higher. Seventeen out of twenty-eight MFM means were higher than the RMA norm. From a creditor's viewpoint, this situation is usually favorable because receivables are a relatively liquid asset and easily converted to cash; however, it is necessary to note the quality of the receivables. In the

case of MFMs or any other company, the significance of this ratio must be made on an individual basis, after a detailed review of the collectability of the underlying receivables on the company's books. There were some indications during the study that MFM clients were generally slower in paying than those clients served by a typical firm in the TMS.

4.4.1.3 Inventory/Total Assets. The MFM mean for this indicator is significantly lower than the RMA mean. The MFM figure is 5.8 percent, as compared to 17.0 percent for the RMA composite mean indicator. Using the RMA mean as the base, the MFM mean is 66 percent lower. Fifteen out of 17 MFM firms show means lower than the RMA index. This trend is consistent with the operational profile developed for MFMs, which showed that most MFMs did not have storage facilities. This measure could indicate a relatively risky situation for the MFMs in times of supply shortages or widely fluctuating variations in product demand. Therefore, the amount of money a minority has tied up in inventory compared to total assets may be lower because of necessity (storage limits) rather than choice.

4.4.1.4 Current Assets/Total Assets. The MFM composite mean for this measure is somewhat higher than the RMA composite mean indicator. The MFM composite mean is 63.5 percent compared to the 62.3 percent of the RMA composite mean indicator. Using the RMA mean as the base, the MFM mean is two percent higher. The difference in this measure appears almost inconsequential. Seventeen MFM firms were above, and twelve MFM firms were below the RMA mean. The mix of components of current assets (cash, receivables, inventory), as previously discussed, is widely variable. The mix of current assets appears to be more significant than the total proportion in current assets.

4.4.1.5 Trade Accounts Payable/Total Liabilities and Net Worth. The MFM mean for this indicator is exactly even with that of the RMA composite mean indicator. Twelve MFM firms are above the RMA mean and fifteen below. The MFMs carry approximately the same amount of trade payables relative to capitalization as the overall industry. This situation implies that the MFMs are able to secure trade credit consistent with the industry relative to firms with a similar capital structure.

Again, this is on a short term basis only. As further analyses show, this credit position does not hold for the longer term.

4.4.1.6 Total Current Liabilities/Liabilities and Net Worth. The MFM mean for this measure is lower than the RMA composite mean indicator. The MFM figure is 40.0 percent as compared to 46.0 percent for the RMA composite index. Using the RMA mean as the base, the MFM mean is 13 percent lower. Seventeen MFM firms out of 30 have lower means than RMA. A lower percentage of current liabilities to total capitalization tends to be less risky to short-term creditors, as it implies relative ease in meeting current commitments. This measure must, however, be analyzed in conjunction with other measures of liquidity, such as the current and quick ratios to assure adequate assets on the other side of the balance sheet. These ratios will be interpreted in later sections.

In general, the significance of this indicator must be considered in terms of time. It has already been shown that MFMs have sufficient current assets compared to the TMS norm. This would normally indicate their ability to incur more current liabilities. The low current liability indicator, therefore, suggests some inability for MFMs to establish short-term non-trade lines of credit and longer-term credit. While trade credit for product is obviously available, other forms of credit must eventually be obtained to establish a firm business base.

4.4.1.7 Net Worth/Total Liabilities and Net Worth. The MFM mean for this measure is higher than the RMA mean industry composite. The MFM data averages 52.7 percent as compared to 38.6 percent for the RMA composite. Using the RMA mean as the base, the MFM mean is 36.5 percent higher. Nineteen out of 30 MFMs had higher means than the RMA base. A creditor would view this trend as very favorable and less risky because the owner has a larger stake in the firm's assets than do the creditors. In viewing this indicator from the standpoint of a minority marketer, this trend may be one of necessity rather than choice, because it appears that less debt financing is available to the firm.

4.4.1.8 Summing Up - Balance Sheet Indicators. In considering the last two indicators based on current liabilities and net worth, a significant

factor becomes apparent. Long-term credit may be interpolated from these indicators. By implication, long-term liabilities are only 7.3 percent for MFMs compared to 15.4 percent for the TMS as reflected by RMA means. Stated dramatically, when the 7.3 percent is used as the base, firms in the TMS have 210 percent more long-term credit than MFMs. A significant profile of MFMs begins to emerge based on the credit picture and implications of the other balance sheet common size indicators.

Generally, MFMs have a high current position, a healthy percentage of receivables, low inventories, and adequate availability of trade credit associated with product purchases. However, MFMs lack long-term credit. Consequently, these firms are unable to use financial leverage as a means of increasing profit margins. While MFM net profit margins may be slightly higher than the TMS norm due to lower expenses, this may reflect a lack of MFM investment in internal controls and systems for the production of needed management information.

In summary, MFM balance sheet indicators present a reasonably healthy financial picture over the short term. When viewed in a longer range timeframe, however, the indicators point up danger signals which MFMs, as any firm, must address to assure continued economic viability.

4.4.2 COMMON SIZE PERCENTAGES - INCOME STATEMENTS

4.4.2.1 Cost of Sales/Net Sales. The MFM mean for this indicator is higher than the RMA composite mean. The MFM average is 90.4 percent compared to 81.7 percent for the industry. Using the RMA mean as the base, the MFM mean is 10.6 percent higher. All MFMs have higher cost of sales than the RMA mean. This unfavorable trend, from a lending standpoint, indicates a higher cost of product as compared to sales price and implies a riskier profit situation. The gross profit of the MFM is less, and the MFM sector itself is less able to absorb cost increases or to lower price to meet extremely competitive situations without adversely affecting profits. This variance reflects the minority industry profile of supply by independents or other wholesalers. Because the majority of MFMs are buying from second and third tier

sources in the marketing chain, they probably have higher costs as a result of middleman fees or generally higher spot-market prices.

4.4.2.2 Operating Expenses/Net Sales. The MFM mean for this indicator is lower than the RMA composite mean indicator. The MFM mean is 7.8 percent in comparison to 15.6 percent for the RMA industry composite indicator. Using the RMA mean as the base, the MFM mean is 50 percent lower. All individual MFM means were below the RMA base. This trend is favorable on the surface because it implies more efficiency in operations per sales dollar. This figure has an inverse relationship on net profitability. The variance contradicts previous implications that minorities are subjected to higher operating expenses than the industry in general. But lower operating expenses may also mean reduced services and less opportunity to increase market share through diversification, etc.

Despite the apparently favorable implication that MFMs have good operating efficiency, there may be a less favorable interpretation of this indicator. As previously pointed out, low operating expenses may be viewed as being the result of low investment expense in the internal controls needed to produce and maintain accurate management information. For example, investments in recordkeeping systems for keyfill practices and controls for delivery schedules and truck dispatching would be required in business development. Another factor to be considered is that, assuming MFMs to be relatively small and new in the business, operating efficiencies may be expected if most of the operations are performed by the owners or principals. Any expansion from this type of operation, however, would understandably decrease operating efficiencies unless the expansion were covered by adequate internal controls and systems. Here, again, the surface image of MFM operations, while reflecting favorable conditions in the short term, does not extend to a longer range viewpoint.

4.4.2.3 Net Profits/Net Sales. The MFM mean for this indicator is higher than the industry mean extracted from Dun and Bradstreet's Key Business Ratios. However, it is based only on a small number of firms having data for this calculation. Dun and Bradstreet (D&B) data was

used for the industry composite Net Margin (Net Profits/Net Sales), because Robert Morris Associates data on profit margins refers to a before-tax situation. Since individual data was not always available for MFMs on before-tax profits, the D&B index was used here. The D&B mean for Net Profit Margin is 1.9 percent. The MFM mean is 2.1 percent, or 11 percent higher than the D&B base. Fifty percent of MFM firms had higher means than the RMA base index. This obviously favorable trend usually indicates management efficiency and provides insight into the profitability of the firm for each dollar of revenue. The significance of this indicator should be tempered with consideration of the small number of firms used in the analysis.

4.4.2.4 Summing Up - Common Size Income Statement Indicators. In general, the net profits picture is a basic reflection of the indicator for operating expenses. It is expected that net profits will increase as operating expenses go down. This point must be considered in the context of the events previously discussed.

4.4.3 RATIO COMPARISON AND ANALYSIS

4.4.3.1 Current Assets/Current Liabilities. The MFM median for the current ratio is higher than for the RMA median composite index. The MFM ratio is 1.6 compared to 1.4 for the industry norm, a positive increase of 14 percent over the RMA median. Of the 30 MFM firms, seventeen have higher current ratios than the RMA median index--a favorable trend, as the current ratio is a rough measure of the ability of the firm to meet short-term obligations, with higher ratios being more favorable. This fact implies that MFMs, as a whole, are in a better liquidity position. While this is generally an indication of solvency, it should again be emphasized that this applies on a short-term basis only. This ratio may, however, result from less opportunity to obtain short-term, non-trade financing, thus keeping current liabilities lower.

4.4.3.2 Cash and Equivalents, and Accounts and Notes Receivable/Current Liabilities. The MFM composite median for this ratio, referred to as Quick Ratio, is also higher than the RMA composite median. This is a refinement of the current ratio and a more conservative test of a firm's

liquidity. The MFM quick ratio is 1.3 RMA median compared to 1.0 for the RMA index. This is 30 percent above the RMA median. Twenty-one of thirty MFMs had better or equivalent ratios. Again, note that MFMs are in a better position to meet short-term liabilities. As previously mentioned, care must, however, be taken to assure that receivables are actually collectible. In addition, this seemingly favorable position is short term, whereas longer-term considerations should also be taken into account.

This ratio reflects the conditions indicated in the common size percentage of Cash and Equivalent/Total Assets. It underlies the fact that an apparently favorable cash position may be indicative of some corner-cutting from what would be considered sound business practice (a failure to make the most efficient use of the firm's assets)..

4.4.3.3 Total Debt/Net Worth. The MFM median for this ratio is 0.8 compared to 1.8 for the RMA industry median. Using the RMA median as the base, the MFM median is 56 percent lower. Of thirty MFM firms, nineteen had a lower median than the industry. This ratio expresses the relationship between capital contributed by owners as compared to creditors. A lower ratio is generally more favorable, as the creditors are assuming less risk. The ratio could be lower for MFMs because of the lack of sources of short-term non-trade lines of credit, and other longer-term credit, which provides less opportunity for expansion of operations through external sources of financing. This type of credit becomes important in providing financial leverage which, when properly used, may help increase net profits. In turn, the reinvestment of profits in needed internal controls and systems for management information is indicative of stable business operations.

4.4.3.4 Net Sales/Total Assets. The MFM median for this ratio is 7.4, as compared to 4.1 for the RMA industry median. Of twenty-eight MFMs, nineteen medians were higher than the RMA norm. This ratio is a rough measure of the short-term effective employment of assets in relation to sales. A higher ratio is generally favorable.

4.4.3.5 Summing Up - Ratio Analyses. Each of the ratio indicators addressed indicates MFMs to be in more favorable short-term financial positions than the median firm in the TMS. For MFMs, the current asset position is good, they are in a good position to meet short term trade payables, total debt is comparatively low, and their net sales/total assets are generally favorable. In short, MFMs are basically solvent and in a fluid short-term financial position. This makes them good short-term credit risks associated with product purchases. Short-term financial solvency, however, cannot be equated with longer term business stability. This is undoubtedly an underlying factor in the apparent inability of MFMs to obtain short-term non-trade lines of credit and other longer-term credit. MFMs are apparently not utilizing financial leverage as well as the TMS average for this purpose. Financial institutions are reluctant to extend credit to firms which do not show evidence of investment in the management controls associated with mature business operations.

4.4.4 THE OUTLOOK - MFM RETAIL COMPOSITE

In summary, retail MFMs, as a composite, appear to be as strong as, if not stronger than the retail TMS as shown by RMA data, when compared from the standpoint of short-term financial risk. Certain problem areas however, seem to be consistent with the MFM profile covered in Section 4.2. These include:

- o Possible maintenance of inadequate inventory levels in relation to assets
- o Higher product costs in relation to sales
- o Significantly lower levels of short-term non-trade lines of credit and other longer-term credit presumably because of lack of reinvestment in business operations and lack of evidence of long-term financial stability.

The ratio analyses generally confirm the financial conditions for MFMs shown by the common size indicators. A significant factor revealed is that firms in the TMS have as much as 210 percent more long-term credit than MFMs.

The cash positions of MFMs are good compared to the TMS average, and operating efficiencies as well as profits are relatively good. These indicators are generally representative of typical small, new firms in this market sector. They are not necessarily conducive to the establishment of business stability or indicative of preparation for growth.

Analyses of the composite MFM retailers, as compared with the TMS, were subjected to further refinement on the basis of company size (according to total assets). While MFM indicators in the small, medium, and large categories were generally consistent with the trends shown in the composite, meaningful conclusions drawn from comparisons of company size are handicapped by limited numbers of firms in each size category.

4.5 COMPOSITE OF MFM WHOLESALERS - FINANCIAL PROFILE

Common size percentages and ratios were calculated for all the wholesale MFM firms on which financial data could be accumulated. Out of the 17 wholesale MFM firms identified in the study, seven were used in the composite financial analyses. (Four of the MFMs which had both retail and wholesale operations were included in the retail composite analyses.) The data base used in the composite wholesale analyses is contained in Appendix F-1. A summary of the results is shown in Table 4-3. The table also includes data developed by RMA covering firms representative of the TMS. The presentation affords a convenient means of comparison. The following subsections address each financial indicator in turn.

4.5.1 COMMON SIZE PERCENTAGES - BALANCE SHEET

4.5.1.1 Cash and Equivalents/Total Assets. The MFM mean for this indicator was higher than the RMA composite mean indicator. The MFM figure was 28.8 percent as compared to 10.2 percent for the industry mean. Using the RMA mean as the base, the MFM mean is 182 percent higher. Four out of five firms had means above the RMA base. The direction is favorable from a creditor's viewpoint, since it indicates a more liquid position for the company and less short-term risk. In addition, upon a forced liquidation, this asset class will not decline in value. This

Table 4-3. Comparisons of Financial Indicators from
MFM Study and RMA Data on Total Market Sector
(Wholesalers)

BALANCE SHEET COMMON SIZE PERCENTAGES - MEANS
(as compared to total assets)

	<u>CASH + EQUIVALENTS</u>	<u>RECEIVABLES</u>	<u>INVENTORY</u>	<u>CURRENT ASSETS</u>
MFM	28.8	37.3	7.2	73.7
RMA	10.2	34.0	19.3	65.6

Common Size %
(as compared to Liabilities & net worth)

	<u>PAYABLES</u>	<u>CURRENT LIABILITIES</u>	<u>NET WORTH</u>
MFM	26.1	47.2	38.2
RMA	28.6	51.4	32.9

INCOME STATEMENT COMMON SIZE PERCENTAGES - MEANS
(as compared to sales)

	<u>COST OF SALES</u>	<u>OPERATING EXPENSES</u>	<u>NET PROFIT</u>
MFM	N/A	N/A	N/A
RMA	86.7	11.2	1.9*

*Figure based upon Dun and Bradstreet industry average after taxes.

INDUSTRY RATIOS - MEDIANS

	<u>CURRENT RATIO</u>	<u>QUICK RATIO</u>
MFM	1.8	1.1
RMA	1.2	0.9

	<u>DEBT OVER NET WORTH</u>	<u>SALES OVER TOTAL ASSETS</u>
MFM	2.8	5.5
RMA	2.2	4.9

cash position must be considered in context of other assets such as inventory, which will be subsequently addressed.

A high cash position is generally maintained when there is a need for C.O.D. supply purchases. It also allows more flexibility in taking advantage of fast buys at favorable market prices. The more liquid position for MFMs may also be indicative of the use of casual labor rather than permanent staff, thus reducing employee carrying costs by converting fixed employee expenses into variable expenses. This gives a firm better cash flexibility. For example, casual (as opposed to official) employees may not pay income tax. In turn, employers using casual labor may save by not paying minimum wages and/or overtime, unemployment insurance, workmen's compensation, FICA, etc. along with saving on associated administrative costs.

4.5.1.2 Receivables/Total Assets. The MFM mean for this indicator is higher than the RMA industry composite mean indicator. The MFM figure is 37.3 percent compared to 34.0 percent for the RMA mean indicator. Using the RMA mean as the base, the MFM mean is 10 percent higher. Two out of five firms had means above the RMA base. From a creditor's viewpoint, this is usually favorable, since receivables is a relatively liquid asset, and it is easily converted to cash. As previously mentioned, however, it is necessary to note the quality of the receivables. This must be done on a case by case basis. In the case of MFMs, or any other company, the significance of this ratio must be determined on an individual basis after a detailed review of the underlying receivables on the particular company's books. However, for MFMs, there may be a tradeoff between cash and other assets such as inventory.

4.5.1.3 Inventory/Total Assets. The MFM mean for this indicator is significantly lower than the RMA wholesale mean indicator. The MFM figure is 7.2 percent as compared to 19.3 percent for the RMA wholesale mean indicator. Six of seven of the MFMs had means below the RMA mean. Using the RMA mean as the base, the MFM mean is 63 percent lower. This significantly lower percentage may be the result of lack of adequate storage facilities as shown by the MFM industry profile (Section 4.2). Thus, the amount of money an MFM wholesaler has tied up in inventory

compared to total assets may be lower by necessity (because of storage limitations) rather than by choice. This measure may indicate a relatively risky situation for MFM's in times of supply shortages or widely fluctuating variations in product demand.

4.5.1.4 Current Assets/Total Assets. The MFM wholesale mean for this measure is higher than the RMA mean. The MFM mean is 73.7 percent compared to 65.6 percent for the RMA mean. Using the RMA mean as the base, the MFM mean is 12 percent higher. Five out of seven MFM firms had higher means than the RMA mean. This figure tends to reflect the previously analyzed conditions of most wholesale MFM firms, which have a higher investment in cash and receivables rather than in equipment or other fixed assets.

4.5.1.5 Trade Accounts Payable/Total Liabilities and Net Worth. The MFM wholesalers mean for this indicator was slightly lower than the RMA mean. The MFM mean is 26.1 percent compared to 28.6 percent for the RMA mean. Three out of five MFM firms were found to be below the RMA mean. This tends to be consistent with the lower levels of inventory maintained. While this indicator for MFM wholesalers is lower and the composite MFM retailers mean was exactly the same as the RMA mean, the slight difference for wholesalers is not considered significant. In general, this shows that MFM wholesalers are able to secure trade credit consistent with TMS firms with similar capital structure.

4.5.1.6 Total Current Liabilities/Liabilities and Net Worth. The MFM mean for this measure is lower than the RMA wholesale mean indicator. The MFM figure is 47.2 percent as compared to 51.4 percent for the RMA whole-sale index. Using the RMA mean as the base, the MFM mean is 8 percent lower. This trend is consistent with the lower level of payables. Creditors may view this position of MFM wholesalers as involving less risk, since it implies relative ease in meeting current commitments. This probably holds true for short-term trade credit. It does not necessarily imply the same assurances for creditors when considering non-trade lines of credit and longer-term credit.

4.5.1.7 Net Worth/Total Liabilities and Net Worth. The MFM mean for this indicator is higher than the RMA mean. The MFM wholesale data averages to 38.2 percent as compared to 32.9 percent for the RMA mean. Using the RMA mean as the base, the MFM mean is 16 percent higher. This appears to be inconsistent with the high Debt/Equity ratio for MFMs discussed subsequently in Section 4.5.2.3. The MFM mean for this indicator, however, is influenced by the few individual firms included in the calculation. Only two of the seven firms actually had means higher than the RMA mean. Therefore, more credibility is given to the debt/equity median described later.

4.5.1.8 Summing Up - Balance Sheet Indicators. In considering the last two indicators based on current liabilities and net worth, MFM wholesalers follow almost the opposite pattern revealed in the composite MFM retail analysis. Long-term credit may be calculated from these indicators. By implication, long-term liabilities are 14.6 percent for MFM wholesalers compared to 15.7 percent for the TMS as reflected by RMA means. When the 14.6 percent is used as the base, firms in the TMS have about 7 percent more long-term credit than MFMs.

Although lower than the RMA indicator, it appears that MFM wholesalers have made some progress in obtaining long-term debt. This is also reflected in the leverage ratio which follows in Section 4.5.2.3.

Generally, MFMs have a high current position, a high percentage of receivables, low inventories, and adequate availability of trade credit associated with product purchases. These firms, however, are apparently not able to use financial leverage as a means of increasing profit margins.

The data that could be obtained from income statements covering the MFM wholesalers studied was insufficient for meaningful calculations of common size percentages covering cost of sales, operating expenses, and net profit. Because the data was unavailable, these indicators for MFM wholesalers are not addressed in the report.

4.5.2 RATIO COMPARISON AND ANALYSIS

4.5.2.1 Current Assets/Current Liabilities. The MFM median for the current ratio is higher than the RMA median for wholesalers. The MFM wholesale ratio is 1.8 compared to 1.2 for the industry norm. Using the RMA median as the base, the MFM median is 50 percent higher. This reflects the conditions shown by the common size indicators in terms of high amounts of cash and receivables in the MFM balance sheets. This implies that MFM wholesalers are in a better liquidity position than the industry norm. This is likely to be at the expense of much lower inventories. While this ratio is a rough measure of the ability of a firm to meet short-term financial obligations, with the higher ratios being more favorable, this measure does not necessarily extend to longer range conditions.

4.5.2.2 Cash and Equivalents, and Accounts and Notes Receivable/Current Liabilities. The MFM median for this ratio, referred to as Quick Ratio, is also higher than the RMA median. This is a refinement of the current ratio and a more conservative test of a firm's liquidity. The MFM quick ratio is 1.1 to 0.9 for the RMA median. This is 32 percent above the RMA median. Five out of 6 MFMs had higher or equivalent ratios. Again, note that MFMs are in a better position to meet short-term liabilities. As previously mentioned, care must be taken, however, to assure that receivables are actually collectible. In addition, this seemingly favorable position is short term, whereas longer term considerations should also be taken into account.

The quick ratio reflects the conditions indicated in the common size percentage of Cash and Equivalent/Total Assets. It underlines the fact that an apparently favorable cash position may be indicative of some corner-cutting from what would be considered sound business practice (less efficient use of firm's assets). For example, unless this cash position is properly utilized in business consolidation/growth, the longer range financial stability of a firm remains uncertain.

4.5.2.3 Total Debt/Net Worth. The MFM wholesale median for this ratio is 2.8 compared to 2.2 for the RMA industry median. Using the RMA

median as the base, the MFM median is 27 percent higher. Five out of seven MFM firms had a higher median than the industry median. This ratio expresses the relationship between capital contributed by owners as compared to creditors. A lower ratio is generally more favorable, as the creditors are assuming less risk. It appears, on the surface, that MFM creditors are assuming greater risks. This may be explained by the fact that some of the MFMs included in this ratio calculation were receiving considerable financial assistance from SBA in terms of advance payments and guaranteed loans.

4.5.2.4 Net Sales/Total Assets. The MFM median for this ratio is 5.5 as compared to 4.9 for the RMA industry norm. Three out of six MFM medians were higher than the RMA median. This ratio is a rough measure of the short-term effective employment of assets in relation to sales. A higher ratio is generally favorable.

4.5.2.5 Summing Up - Ratio Analyses. Based on the categories analyzed, it appears that the MFM wholesalers reflect the same basic financial conditions as do the MFM retail composite in terms of liquidity only.

For MFMs, the current asset position is good, they are in a good position to meet short term trade payables. Their net sales total assets are generally favorable. In short, MFMs are basically solvent and in a fluid short-term financial position. This makes them good short-term credit risks associated with product purchases.

From a long-term perspective, MFM wholesalers appear to be able to take advantage of more financial leverage through participation in SBA financial programs and increased availability of bank lines of credit. Based on data collected during site visits, at least three of the wholesalers interviewed had received SBA loans. This would partially account for the high Total Debt/Net Worth ratio for MFM wholesalers.

4.5.3 THE OUTLOOK - MFM WHOLESALERS

In summary, wholesale MFMs, as a composite, appear to be as strong as, if not stronger than, the comparable firms in the TMS as shown by RMA data. One problem area, however, that seemed to be consistent with the

MFM profile covered in Section 4.2 was inadequate inventory levels in relations to sales.

4.6 PROBLEM AREAS

4.6.1 OVERVIEW

Most of the problems discussed in this subsection are commonly found throughout the retail fuel oil total market sector (TMS) and have been covered in previous reports. Minority Fuel Oil Marketers (MFMs) are, of course, subjected to the basic problems indigenous to the TMS. While, at times, these problems appear to affect MFMs disproportionately, they require consideration in light of the typical profile of a minority firm in this business (i.e., a relatively new, very small firm, serving inner-city, low income clientele).

The problems described in the following subsections are presented in six general categories: (1) Federal set-aside contracts, (2) financing, (3) supplier-related problems, (4) product costs/competitive pricing, (5) regulatory constraints, and (6) the impact of alternative fuels.

These problem categories represent a composite of the problems reported during site visits and other contacts with the MFMs surveyed. For purposes of perspective, they are presented along with background information on the TMS, as appropriate. The problems reported, together with the insight gained through financial analyses of the MFMs, are then combined in presenting the conclusions.

4.6.2 FEDERAL SET ASIDE CONTRACTS

Under Section 8(a) of the Small Business Act of 1972, as amended by Public Law 95-507, the Federal government has set aside certain amounts of contracting services for certified small and disadvantaged businesses. Under this set-aside program, the Government contracts out approximately 10 percent of its fuel deliveries to 8(a) certified firms. Two firms (one in New England and one in New York) visited during this study (both of which preferred to remain anonymous) reported major problems as the result of receiving contracts under this program and are

used as good examples of the overall MFM picture. The problems as reported by these MFMs are cited not because they reflect discrimination or impact on the competitive viability of MFMs, but because they tend to substantiate the potential problems pointed up by the MFM industry profile and some of the financial indicators.

The basis for complaints from both MFMs centers around the pricing mechanism used by the Department of Defense (DOD) in the final delivery terms of the contracts. Basically, the fuel oil was to be delivered at a fixed price plus a possible "adjustment" based on a complex formula unrelated to the firm's actual costs of product. An independent CPA report done on the New England minority firm under an SBA assistance contract made the following statement:

"In carrying out the 8(a) contract, XYZ Fuel Co. incurred a loss due to the billing price allowed which was fixed and could only be adjusted after receiving modified price lists from the Defense Fuel Supply Command (DFSC) which were normally two to three months after the delivery of oil. Sales to non-8(a) customers are at a unit price of at least .10 cents above cost. However, the modified price was considerably less than this amount. For example, for the last deliveries made under the contract on June 27, 1979, the modified price was .62973 and the unit cost was .6200, a difference of .00973 per gallon. Such a slim gross margin is not sufficient to cover other operating expenses, thus the 8(a) contract resulted in a net loss to the company. The accountant for XYZ Fuel Co. prepared an escalated billing worksheet for the contract period using a mark-up on only .0525 which would have grossed an additional \$36,431, however, this increase in billing was not allowed under the contract. A profit and loss statement, prepared by management for the contract year ended August 31, 1979 indicated a total net loss of \$(90,456) of which \$(56,042) of the net loss was attributed to the 8(a) contract."

During the period of the contract, the firm reported that it dropped certain profitable commercial customers in order to supply the large volumes required by the Government. The company has since lost some of this business, which it blames on the fulfillment of the 8(a) contract.

A similar situation was reported by a New York minority retailer. This firm claims the formula used by DOD in its 8(a) set-aside involved a fixed amount per gallon with adjustments based on the CPI. With petroleum prices rising at a much more rapid rate than the CPI, this index proved to be disastrous for the firms under the contract. This dealer has presently filed for bankruptcy under Chapter 11 of the Internal Revenue Code of 1954, and has initiated action to sue DOD.

In both the problem cases cited, the MFMs suggested that SBA and DOD were at fault in stipulating unfair contract terms. In reality, however, SBA has no mandatory involvement in negotiating the contract terms. Acceptance of the contract terms is the responsibility of the MFM involved. In the event that an MFM has difficulty in interpreting the significance of any contractual arrangements, the firm may request SBA assistance under the 7-J-10 Program, which provides management and technical assistance.

Without attempting to judge the merits of the MFM claims in this particular problem reported, it is apparent that both MFMs involved lacked sufficient information required to arrive at sound judgment on the contractual terms. This is consistent with some of the MFM indicators, which suggest a lack of management information controls and the tendency to overemphasize possible short-range profits over longer-range business stability.

Other newer minority firms have expressed interest in the 8(a) program but report that they have been unable to become certified due to the present ceiling on new entrants. Therefore, it appears that the relatively new and small firms that are in the greatest need of contractual assistance have been excluded under present SBA policy.

Numerous statements were also received from MFMs that SBA was not taking a strong enough advocacy role in support of small retailers in regard to contractual negotiations, capital financing, supply, and credit terms. The larger MFM firms also complained that new proposed legislation to eliminate "older" firms from the 8(a) program would make them noncom-

petitive in bidding on fuel oil supply contracts due to unfavorable supplier terms and their relative immaturity in the industry.

In considering these complaints, it is important to note that it is not within SBA's charter to assume an advocacy role in contract negotiations. SBA will, however, arrange for consulting assistance upon request from MFMs under the 7-J-10 Program. The MFMs should also be aware of the fact that SBA is in a position to provide financial support to small businesses under prescribed conditions. SBA cannot, however, dictate supply and credit terms to MFM suppliers.

With regard to phasing out certification status for "older" firms in the 8(a) program, this problem underlines the lack of maturity indicated for even the larger MFM firms within the TMS.

4.6.3 FINANCING

During the study, numerous complaints were voiced by MFMs concerning the lack of financing within their sector for such purposes as new equipment purchases, inventory, working capital needs, and for business expansion.

These complaints again emphasize what certain MFM financial indicators point out--that there is an obvious lack of short-term credit not associated with product purchases and that MFMs have definitely less longer-term credit availability than the TMS norm. This condition cannot be reasonably attributed to discrimination against minority firms. Rather, it may be concluded that MFMs are generally less mature in their business development than the TMS norm. This is supported by the financial indicators for MFMs previously discussed which suggest that MFMs are not utilizing financial leverage to establish long-term credit, and apparently not investing in the management control systems required for business stability.

From the financial profile developed, it appears that MFMs basically have short-term financial positions similar to the TMS and better in some cases. In the area of cash and liquidity, the indications consistently appear to be more favorable for the MFMs than for the TMS. In fact, it appears that the industry itself may have more cash flow

problems than the MFMs when viewed from the standpoint of liquidity ratios and common size percentages.

Debt/Equity ratios, however, were generally lower for retail MFMs, indicating the possibility of less available short-term non-trade lines of credit and longer-term credit. However, this appears to be due more to the process banks use in assessing financial risk than to the fact that a loan applicant is a minority. For instance, banks will generally not make unsecured loans. The amount loaned must be collateralized by tangible assets which are unencumbered by present debt. Since most MFMs are small in size and have relatively small absolute net worth positions, the external funds available are necessarily more limited. Banks also make qualitative judgments regarding financial risk when reviewing loan applicants. These involve the prospects of future earnings and industry consideration in general.

Presently, uncertainties in the fuel oil industry concerning shrinking profit margins, declining market, intense competition, and supply uncertainties have most likely caused difficulties in obtaining credit within the TMS in general. It is axiomatic that in a declining market only the more experienced, well managed firms are viewed as likely to survive.

4.6.4 SUPPLIER-RELATED PROBLEMS

Numerous problems have been reported concerning relationships between MFMs and their suppliers, or in some cases, lack of any relationship. The focus of attention has been on supply commitments/contracts, terms of sale, and product availability/storage.

Many MFMs are operating their businesses without any formal supply contracts (49 percent). This should be considered in the context of trends within the TMS. The nature of the industry has changed dramatically since the first oil embargo of 1973. Prior to this time, the fuel oil marketing sector of the petroleum industry basically experienced plentiful supplies and relatively low product costs, and the main effort was to find enough buyers to absorb available supplies. Under these market conditions, refiners and large wholesalers were actively seeking new business (contracts) by offering price incentives, liberal credit terms,

summerfill programs, and other marketing incentives. After 1973, long-term supply uncertainties, sporadic shortages, spiralling costs, and government control changed the course of the refiner and larger wholesaler effort to equitably supply the available product in the most profitable manner possible. Under these circumstances, new business has been avoided, credit terms have tightened, and cooperative (refiner-retailer) marketing efforts have been abandoned.

The impact of this change is obviously more severe on new entrants. Since most minorities are less than 10 years old, and many entered the industry after 1973 (49 percent), it is not surprising that they have been affected by supply problems and lack of contracts. In fact, the percentage of new entrants is the same as the percentage that are operating without contracts (49 percent). Therefore, many must buy products from a number of bulk terminal operators (wholesalers) and secondary suppliers as supply becomes available and at the prevailing market price. This has led to uncertainty in supply and, in some cases, the possibility of more volatile costs over a period of time.

The problem becomes more severe due to a general lack of storage (other than delivery equipment) in the minority sector, since only 28 percent of the firms claim any bulkplant storage facilities. Therefore, there is less opportunity to take advantage of periodic "glut" situations to assure future supplies or to obtain products at non-seasonal prices, creating future inventory profits during the peak season. In addition, current interest rates appear to have deterred the maintenance of heavy inventories. This has, in turn, affected the market practices of minority marketers. Based on these uncertainties in the industry, it is not surprising that relatively new, small dealers have difficulties in obtaining external financing. Again, it appears that the present circumstances in the industry are likely to cause the same problems for any new entrant in the marketplace.

4.6.5 COST OF PRODUCT/COMPETITIVE PRICING

Another frequently stated problem during site visits was that MFMs generally pay more for No. 2 fuel oil than their larger competitors. This causes them to be less competitive in bidding on large delivery contracts. Larger more established firms are able to buy from suppliers at a lower

price because of their use of quantity discounts (a contractual arrangement between supplier and retailer/wholesaler marketer whereby after a minimum amount of fuel is purchased, any excess will be discounted) and prompt payment discounts (normally in terms of 1% discount after 10 days; net due by 30 days). No evidence could be obtained during the study, however, which would document any price discrimination against MFMs per se by refiners or wholesalers.

It is reasonable to assume that retailers buying from a secondary supply source (as compared to a refiner) would incur the normal middleman costs associated with this method of distribution. From the MFM industry profile, this sector shows a heavy dependence on secondary suppliers (large independents) as compared to primary suppliers.

From the financial profile, it appears that gross margins are lower for MFMs compared to the RMA composite. However, the sample size was considerably smaller for this indicator due to lack of data in the financial statements and credit reports available for analyses.

From site visits, data was gathered on current gross margins of the retailers involved and retail prices charged to residential customers. It was requested that data be kept confidential as to name of companies. This problem was confirmed during the MFM financial analyses, which indicated lower gross profits for MFMs compared to the industry norm. Higher product costs, together with information from MFMs that they may have to shave selling prices to compete with other minority firms in certain areas, may account for the lower gross profits. The higher net profits for MFMs compared with the TMS, however, also suggests the tendency for MFMs to shave operating costs at the expense of investments in business control systems. This is characteristic of a relatively young and immature firm in the TMS.

4.6.6 REGULATORY CONSTRAINTS

Federal controls that historically have had a major impact on the heating oil market have been discussed in detail in other reports (see Appendix A). The programs that have had impact are price controls on

crude oil, price controls and subsequent decontrol on refined products (including No. 2 fuel oil), and the Entitlements Programs. These programs have affected the profitability of refiners and thus the availability and price of No. 2 home heating oil. It is expected that decontrol of crude oil will gradually increase the price of petroleum and the resulting price of refined products. Most likely, foreign and American markets will become more closely linked, and competition will be more directly decided by real economic costs.

The net result on the home heating oil market can only be surmised, and is even less apparent for the MFM segment of this market. It is most probable that the effects will vary by individual firm on the basis of supplier sources and geographical market area of concentration.

State and local controls also have an impact on the No. 2 fuel oil industry. Again, these controls are designed to impact on the industry as a whole, rather than as one specific segment. However, controls in urban areas are generally more stringent in terms of environmental factors. These influence the industry and, because MFMs handle primarily urban customers, the controls may have an inadvertently disproportionate effect on MFMs. Examples of controls which impact on fuel oil marketers are city sales taxes, limitation on truck load volumes, sulfur content regulations, and limitations on new underground tank installations. New York City, for instance, requires a 4 percent sales tax on all deliveries of No. 2 fuel oil. This can increase the price of the product in the city as compared to surrounding suburban areas. New York City and other urban areas limit to varying degrees the amount of sulfur used in residual fuel oils, No. 6 oil particularly. Usually, lower sulfur content distillates are more expensive. Volume hauling limitations are also locally controlled regarding maximum truckloads of fuel oil product (4,400 is the maximum on No. 2 fuel oil in New York City). This may limit most economical delivery amounts. Finally, difficulty can be encountered in installing new underground storage tanks, as local authorities may refuse permits based on local zoning ordinances.

4.6.7 IMPACT OF ALTERNATIVE FUELS

A combination of accelerating fuel oil prices, increased use of alternative fuels, and stepped-up conservation accounted for a declining fuel oil market in terms of volume. According to the Mantho Report, average consumption in the 1979-80 season dropped 10 percent below the previous year for residential customers. The report characterized the 1979-80 season as "one when the industry suffered heavy losses to natural gas."

The report indicated that oil heating got 22 percent of all new heat installation where the fuel oil industry is a factor. That was a drop from 31 percent of market recorded in the previous year. Natural gas accounted for 60 percent of new installations as compared to 44 percent in the previous year. Electricity accounted for the other 18 percent in 1979-80 as compared to 25 percent in the previous year. This trend obviously affects all fuel oil marketers. The effects, however, appeared to be more severe in the large and medium-sized cities, indicating that competition from other sources affected the urban dealers to a greater extent. In large cities (over 250,000), gas and electric accounted for 80 percent of the new heating installations in 1979-80. In medium-size cities (25,000 -250,000), these alternative sources accounted for 81 percent of the new installation. This is compared to a 71 percent market share by gas and electricity in the smaller cities (25,000 or under).

The fact that conversions from fuel oil to gas heating are more pronounced in larger cities may have a disproportionate affect on MFMs. The decreasing market for heating oil, according to some of the MFMs surveyed, results in more competition among MFMs in inner city areas served largely by MFMs. This condition, of course, further aggravates the basic problem of competition between large and small firms in any business area.

SECTION 5. SUMMARY AND CONCLUSIONS

SECTION 5. SUMMARY AND CONCLUSIONS

5.1 OVERVIEW

Previous studies on the competitive viability of the fuel oil heating market had addressed some of the unique problems facing minority fuel oil marketers (MFMs) within the total market sector (TMS). None of these studies, however, had attempted to identify all of the minority firms comprising this segment of the market. Consequently, quantitative analyses of the operational and financial characteristics of MFMs had not previously been documented.

This study focused on identifying and developing quantitative information on MFMs in the TMS. The specific objective was to determine whether the business problems experienced by MFMs were directly related to their minority status or were characteristic of any firm in the TMS operating under comparable conditions.

As an overall conclusion, thorough investigation of the MFMs considered to constitute the "universe" of minority firms within the TMS did not reveal any evidence of overt discrimination affecting the competitive viability of MFMs. Upon analysis, the problems reported by MFMs could not be reasonably ascribed to discrimination on the basis of their minority business status. The study, however, did point up problems unique to MFMs as the result of typical operational and financial characteristics. For example, MFMs, compared to the TMS norm, have not been in the market as long and are smaller in terms of total assets, number of employees, number of trucks, number of accounts and annual volume of oil delivered. Their primary customers are low-income families in urban areas. Financial indicators suggest that the average MFM does not have long-term financial stability. The basis for this overall conclusion, derived by analyses of information from MFMs, as well as many independent sources, is summarized in three parts: (1) MFM industry profile, (2) financial analyses, and (3) problem analyses.

5.2 MFM INDUSTRY PROFILE

The competitive viability of the fuel oil market in the U.S. has been addressed in a number of studies. A few of these are reviewed in Section 2 of this report. In addition, the characteristics of the firms comprising this market sector have been identified, and industry statistics are monitored regularly. The resulting information was used as the basis for comparing information derived on MFMs during the course of the study.

Some 136 MFM firms were initially identified as engaged in operations within the TMS. Subsequently, 29 of these firms were found to have recently gone out of business, and an additional seven refused to contribute information to the study. Of the remaining 100 MFMs, 98 provided sufficient data for use in developing an operational profile for MFMs.

The study showed that about half of the MFMs in the TMS began operations after the beginning of the oil embargo in 1973. The typical MFM is smaller than the TMS average in terms of total assets, number of employees, number of accounts, annual volume of oil delivered, and number of trucks. This comparison is based on published statistics for the TMS. Over 78 percent of the MFMs are involved exclusively with retail sales, 18 percent act exclusively as wholesalers, and 4 percent deal in both retail and wholesale trade.

The primary customers for MFM's are low-income families in urban areas. The ratio of urban to suburban deliveries was 79 to 40, with 26 covering both areas. The ratio of deliveries to low-income residences versus commercial establishments was 61 to 33, with only two firms serving both types of customers. A reasonable conclusion which may be drawn from the data is that a typical MFM serves the poorer or poverty areas of the inner city. Most MFMs offer 30-day credit terms to their customers.

The study showed that 72 percent of the MFMs reporting had no facilities other than trucks for oil storage. Of the 23 reporting storage facilities, 10 lease their tanks and 13 own them. Most MFMs operate three or fewer small-sized trucks, lower than the TMS average.

Most MFMs rely on independent suppliers for their oil, and only about half have contractual arrangements with their suppliers. Most of the MFMs contacted during the study received some credit terms from their suppliers.

Many MFMs reported having established bank credit, but inquiries revealed that in most cases this was basically for financing truck purchases. A significant number of MFMs (23) reported receiving some financial assistance from SBA.

The operational profile for MFMs, briefly summarized here, contributed information requiring further evaluation in light of the financial profile of MFMs.

5.3 MFM FINANCIAL PROFILES

During the study, repeated attempts were made to gather as much financial data as possible from the MFMs contacted. While most were cooperative, the information requested was either unavailable or of such a proprietary nature that only partial data was contributed. Whenever possible, the financial data received was supplemented and cross-checked with information from independent sources. Only that data considered reliable was used in the financial analysis. As a result, only 30 of the MFM retailers and seven of the MFM wholesalers could be used in the detailed financial studies.

Preliminary analyses were made on the composite of the retail firms, on retail firms broken down into three size categories, and on a composite of the wholesale firms. In each grouping, data was subjected to testing against a wide variety of financial indicators. Each indicator in turn was compared to equivalent data derived by Robert Morris Associates (RMA) on firms representative of the TMS. Based on the evaluations, it was determined that:

- o Analysis of retail firms in three retail size categories was not practical because of the small sample size in each category, and

- o Only 14 financial indicators (10 common size percentages and 4 industry ratios) could be considered reliable based on the quantity and quality of the MFM data available and/or the availability of comparable data on the TMS.

As a result, the statistics reported were limited to financial analyses of the retail and wholesale MFM composites, using a maximum of 14 indicators. Since, with few exceptions, the basic trends for indicators covering retailers and wholesalers were the same, the results obtained will be summarized here for both groupings together; an explanation for the exceptions will then be addressed. In light of the foregoing considerations, a general financial profile for a typical MFM can be drawn against the background of a typical firm representative of the TMS.

A typical MFM has a higher cash position, more receivables, and a lower inventory than the TMS norm. MFMs have adequate availability of trade credit associated with product purchases. These are favorable indicators and reflect good solvency positions for MFMs in the short term. While retail MFMs generally have lower percentage gross profit margins than the TMS norm (wholesalers' profits were not available), their operating expenses are lower, and their net profits higher, than the average.

In considering the implications of the retail MFM financial indicators by comparisons among them, it becomes apparent that what might be considered a healthy position in the short term carries danger signs when considered from a longer-term standpoint. For example, it is apparent that retail MFMs lack adequate longer-term credit, which puts them in a poor position to use financial leverage as a means of increasing profit margins. One of the danger signs is that, despite this lack of financial leverage, retail MFMs are showing higher net profits than the TMS norm. While this may be interpreted as indicating higher operating efficiencies for MFMs, it also strongly suggests a lack of investment in internal controls and systems for the production of needed management information. The higher net profits may also be indicative

of a lack of accounting sophistication and/or lack of reinvestment of profits in the business for tax credit purposes.

When the MFM financial indicators are considered together with the MFM operational profile, certain unfavorable characteristics, not uncommon in small business operations, are suggested. These are that MFMs (especially retailers) are operating on a short-term business concept, cutting financial corners either for survival or to maximize profits, and not gearing up for business stability and/or growth. In a declining fuel oil market, only those firms which are sufficiently stable and financially mature are likely to survive. The study showed that the average MFM operation was not indicative of long-term business stability and/or financial maturity.

The financial analyses brought out a few key differences between the wholesale and retail MFM sectors.

While both MFM sectors have more secure current positions than their respective TMS, the wholesalers were slightly more liquid and had a slightly better current ratio.

In addition, wholesale MFMs appeared to have improved access to trade and longer-term credit, enabling them to take advantage of increased financial leverage. A possible explanation is implied by their total asset turnover ratio, which is more in line with the industry. This ratio indicates a higher asset base in relation to sales volume which would justify larger amounts of external credit extension.

However, it must be noted that profitability data was not available in the wholesalers MFM sector to compare to the TMS. Therefore, no calculations could be made concerning gross margins, net margins, or operating margins.

The foregoing interpretations are underlined in considering some basic problem areas reported by MFMs.

5.4 PROBLEM ANALYSIS

There are a number of basic problems indigenous to the fuel oil market sector. They relate, in part, to the oil embargo, regulatory controls and subsequent decontrols, progressive inflation, increasing interest rates, and escalating fuel oil costs. Some of the specific problems, for example, reported over the years by retailers in the TMS include:

- o Difficulties in obtaining long-term supply contracts at higher costs
- o Increasingly stringent credit controls by suppliers
- o Difficulties in obtaining short-term, low interest credit
- o In a tight market, costs of fuel oil on the spot market are normally inflated.

These same problems were cited by the MFMs contacted during the course of the study. The problems, are not in the exclusive province of MFMs. They may be aggravated, however, in the case of some MFMs because of the operational and financial positions of these firms vis-a-vis the TMS.

Some of the problems reported by MFMs during the study are summarized in Section 4.6, in some cases in terms of composite reports. The MFM problem areas most germane to the objectives of the study may be isolated as follows:

- o Some financial losses encountered by MFMs through 8(a) set-aside contracts with the Federal Government suggest a lack of MFM management information on contractual matters and/or understanding of SBA functions. As pointed out in Section 4.6.2, problems reported by MFMs in this area were traceable to lack of sophistication in accepting unreasonable contract terms. Certification in the 8(a) program, while affecting competition among MFMs, does not reflect discrimination against MFMs in the TMS.
- o Supplier-related problems reported by MFMs are common to small, new retailers in the TMS but may be aggravated for MFMs because of their lower than average storage facilities and inventories

and consequent inability to take advantage of more favorable supplier selling terms. For example, MFMs without storage facilities are unable to take advantage of summerfill programs offered by suppliers.

- o Difficulties reported by retail MFMs in obtaining non-trade credit are directly related to the risk assessments made by creditors and are based on some of the financial indicators previously discussed. The indicators suggested that the average MFM was less likely to reinvest profits in needed internal controls and systems for management information than the TMS norm. Lending institutions, therefore, are reluctant to extend credit to those firms who do not show evidence of financial policies associated with mature business operations.
- o The higher cost of product versus need for competitive selling prices reported by MFMs prompts several logical explanations: (1) higher product cost reflects back to supplier relationships previously addressed, (2) competitive pricing is often a problem of MFM versus MFM in a given service area, and (3) the competitive price advantage of a large retailer over a small one is inherent in a competitive market and must be offset through extra service/client attention, etc.

In general, the basic problems reported by MFMs and evaluated during the study could not be attributed to competitive disadvantages of all minority firms, per se. Rather, they are problems which would be encountered by any firm in a comparable maturity cycle, having comparable financial and management structures, in a highly competitive, declining marketplace. On the whole, MFM operational problems could be directly attributable to their operational characteristics vis-a-vis the TMS and to key financial indicators which suggest that the average MFM is less mature than the TMS norm in terms of long-range business stability. No evidence of discrimination against MFMs in the TMS was found during the study.

APPENDIX A
LITERATURE REVIEWED

APPENDIX A

LITERATURE REVIEWED

Firms in the 8(a) Business Development Program, U.S. Small Business Administration, March 1980.

Guide to Legislation Affecting Small & Minority Business in the Fifty States 1977, Texas Office of Minority Business Enterprise, June 1977.

Analysis of the Competitive Viability of Independent Middle Distillate Marketers, DOE/ERA/63/9-2, U.S. Department of Energy, November 1979.

White Paper on the Competitive Viability of the Independent Fuel Oil Marketer, Prepared by the Fuel Oil Marketing Advisory Committee, U.S. Department of Energy, December 5, 1977.

Minority Business Directory of Contractors & Vendors of Goods and Services, City of Austin, Texas, Office of Minority Business Affairs, December 1980.

Directory of Certified Minority Business Enterprises 1980, Minority Business Opportunity Commission, Government of the District of Columbia, October 1980.

Illinois Minority Vendors Directory 1980, Illinois Office of Minority Business Enterprise, Department of Commerce and Community Affairs (Undated).

Minority Purchasing Guide, Indiana State Office of Minority Business Enterprise (Undated).

Minority Business Enterprise Construction and Related Trades Directory, The State of Maryland, July 1980.

Directory of Minority Businesses, Massachusetts Department of Commerce and Development, State Office of Minority Business Assistance, revised January 1980.

Directory of Minority Business Enterprise, Complete Listing of Firms, Minority Business Development Bureau, State of New York (Undated).

Minority Business Directory, Minority Business Development Office of Utah, Economic and Industrial Development Division (Undated).

Virginia Directory of Minority-Owned Business 1980, Virginia State Office of Minority Business Enterprise (Undated).

Minority Business Enterprises in Washington State, Washington State Department of Commerce and Economic Development, January 1980.

"Sales of Fuel Oil and Kerosene in 1978," Order No. 762, DOE/EIA-0113(78), Energy Data Reports, Department of Energy, November 6, 1979.

"Heating Oil Prices and Margins (Preliminary)," DOE/EIA-0013(80/10), Energy Data Report, U.S. Department of Energy, December 23, 1980.

Energy Information Administration Weekly Petroleum Status Report, DOE/EIA-0208(81/04), U.S. Department of Energy, January 23, 1981.

Monthly Petroleum Product Price Report, September 1980, DOE/EIA-0032(80/09), U.S. Department of Energy, January 2, 1981.

"National Economic Growth Through Minority Business," Tenth Anniversary National Business Symposium, National Economic Development Association, Washington Hilton Hotel, Washington, D.C., June 4-5, 1980.

"Summary of Findings," Determining the Price of Imported No. 6 Fuel Oil on the Day of Enactment of the Energy Security Act (Undated).

SBA Publications, U.S. Small Business Administration, SBA 115B, April 1980.

Winter Energy Data Bulletin, DOE/EIA-0148/04(79), U.S. Department of Energy, March 30, 1979.

Principal Publications and Services of the Energy Information Administration, DOE/EIA-0258, U.S. Department of Energy, January 1981.

Selected DOE Headquarters Publications, Final Issue for October 1977-September 1979, DOE/AD-0010/6, U.S. Department of Energy, November 1979.

EIA Publications Directory Supplement, DOE/EIA-0149/2, U.S. Department of Energy, July 1979.

Energy Information Administration Organization, DOE/EIA-0025 (Undated).

"The Top 100" (eighth annual list), Black Enterprise, June 1980.

"The Top 100" (ninth annual list), Black Enterprise, December 1980.

EIA Publications, U.S. Department of Energy, 1979.

Fuel & Power (Each 1981 issue was consulted for price quotations on no. 2 fuel oil.)

Inventories and Sales of Fuel Oil and Motor Gasoline: Wholesale Distributors, DOE/EIA-019/(81-03), U.S. Department of Commerce/U.S. Department of Energy, March 1981.

"Prices and Margins of No. 2 Distillate Fuel Oil," Energy Data Report, DOE/EIA-0013(81/03), U.S. Department of Energy, May 20, 1981.

Weekly Petroleum Status Report, DOE/EIA-0208(81/32), U.S. Department of Energy, August 7, 1981.

A Distributional Analysis of Trends in Energy Expenditures by Black Households, DOE/EIA-0184/30, U.S. Department of Energy, January 1979.

Mantho, Margaret, "Fuel Oil & Oil Heat Management Study -- 1979-1980 Season," Fuel Oil & Oil Heat & Solar Systems, September 1980.

Kalt, Joseph P., and Henry Lee, Problems of Minority Fuel Oil Dealers, Unpublished Harvard Study.

"Retail Fuel Oil Dealers," Public Hearing before the U.S. Government Small Business Administration, Boston, Massachusetts, March 14, 1979.

Steps to Ensure the Viability of the Residential Fuel Oil Distribution System, RPA RA-80-0231, Resource Planning Associates, Inc., Cambridge, Massachusetts, October 1980.

APPENDIX B
POINTS OF CONTACT

APPENDIX B
POINTS OF CONTACT

INDUSTRY ASSOCIATIONS

American Petroleum Institute
2101 L Street, N.W. 5th Floor
Washington, D.C. 20037
(202) 457-7000

The National Council of Petroleum Jobbers
1701 11th Street, N.W.
Washington, D.C. 20006
(202) 331-1078

CONTRACTORS ASSOCIATIONS

American Association of Minority Enterprise
Small Business Investment Companies
1413 K Street, N.W.
Washington, D.C. 20005
President, Walter M. McMurtry
Chief Administrative Officer, Patricia D. Jacobs
(202) 347-8600

Center for Small Business
Chamber of Commerce of the United States
1615 H Street, N.W.
Washington, D.C. 20062
Director, Ivan Elmer
(202) 659-6180

Minority Contractors Association
Judy Knight
(202) 833-1840

National Association of Women Business Owners
2000 P Street, N.W.
Washington, D. C. 20036
President, Susan Cavanaugh
(202) 338-8966

National Economic Development Association
1730 M Street, N.W.
Washington, D.C. 20009
President, Jose C. Gomez
(202) 296-7000

DEPARTMENT OF COMMERCE

United States Department of Commerce
Bureau of the Census
Federal Office Building 3
Silver Hill & Suitland Roads
Suitland, Maryland 20233
Tyler R. Sturdevant, Chief,
Business Division
(301) 763-7564

United States Department of Commerce
Bureau of the Census
Federal Office Building 3
Silver Hill & Suitland Roads
Suitland, Maryland 20233
Dorothy J. Reynolds, Assistant Chief,
Current Business Survey's

United States Department of Commerce
Minority Business Development Agency
Room 5708
14th and Constitution Avenue, N.W.
Washington, D.C. 20230
John J. Wilson, Chief Information Management Division
(202) 377-5997

DEPARTMENT OF ENERGY

Department of Energy
Energy Information Administration
Federal Building
12th Street and Pennsylvania Ave., N.W.
Washington, D.C. 20461
R. Warren Langley, Director, Office of
Energy Market Analysis and Forecasting
(202) 633-8540

Department of Energy
Energy Information Administration
Federal Building
12th Street and Pennsylvania Ave., N.W.
Washington, D.C. 20461
John S. Cook, Division Director, Office
Of Petroleum Market and Pricing Statistics
(202) 252-6614

Department of Energy
Energy Information Administration
Federal Building
12th Street and Pennsylvania Ave., N.W.
Washington, D.C. 20461
Wallace O'Keene, Director, Office of
the Oil and Gas Information System

Department of Energy
Office of Minority Economic Impact
1000 Independence Avenue, S.W.
Washington, D.C. 20585
Barry Haley, Director, Research and Information
(202) 252-8383

FINANCIAL ORGANIZATIONS

Robert Morris Associates
1616 Philadelphia National Bank Building
Philadelphia, PA 19107
Chairman - National Statement & Studies Committee
Ronald E. Schweiser
(215) 665-2850

Dun & Bradstreet, Inc..
1901 North Fort Myer Drive
Arlington, VA 22209
Representative: Michael MacLufflin
(703) 320-4500

FUEL DEALERS ASSOCIATIONS

The Connecticut Minority Fuel Dealers Association
P.O. Box 20080
Hartford, Connecticut 06120
Mr. Jim Monroe, President

The Massachusetts Minority Fuel Dealers Association
P.O. Box 20080
Hartford, Connecticut 06120
Mr. Jim Monroe, President

The New England Minority Fuel Dealers Association
P.O. Box 20080
Hartford, Connecticut 06120
Mr. Jim Monroe, President

MINORITY ASSOCIATIONS

Latin American Manufacturers Association
(LAMA)
311 Massachusetts Avenue, N.E.
Washington, D.C. 20002
President, Steven Denlinger
(202) 546-3804

National Association of Black Manufacturers
1625 I Street, N.W.
Washington, D.C. 20036
President, Eugene Baker
(202) 785-5133

MINORITY PURCHASING COUNCILS

ARIZONA

Mr. James E. Salmon
4227 North 16th Street
Phoenix, AZ 85016

ATLANTA

Mr. William Miller
1300 North Omni International
Atlanta, GA 30303

BALTIMORE

Mr. Robert Blount
22 Light Street
Baltimore, MD 21202

BAY AREA

Mr. Al Block
215 Market Street
Suite 910
San Francisco, CA 95105

CAROLINA ASSOCIATION OF RMPC'S

*(Charlotte - Metrolina)
*(Durham/Raleigh - Piedmont)
*(Greensboro/High Point/
Winston-Salem - Triad)

*Mr. Ted Hunter
P.O. Box 16458
Greensboro, NC 27406

CHICAGO

Mr. Stephen Christie
6 North Michigan Avenue
Suite 1308
Chicago, IL 60602

CINCINNATI

Mr. Rodney Dobbins
120 W. Fifth Street
3rd Floor
Cincinnati, OH 45202

CLEVELAND

Mr. James Strotter
690 Union Commerce Building
Cleveland, OH 44115

COLUMBUS

Mr. Stephen D. Cheek
c/o Department of Development
140 Marconi Blvd.
8th Floor
Columbus, OH 43215

CONNECTICUT

Mr. Randy Caballero
10 Middle Street
8th Floor
Park City Plaza
Bridgeport, CT 06604

DALLAS

Mr. Luis Ramirez
3737 Noble
Suite 450
Dallas, TX 75204

DAYTON

Mr. John Cordrey
1980 Winters Tower
Dayton, OH 45402

FLORIDA

Ms. Robin Solomon
Regal Wood Products Building
8600 NW South River Drive
Miami, FL 33166

GULF SOUTH

Ms. Edrena J. Ritchey
301 Camp Street
2nd Floor
New Orleans, LA 70130

HOUSTON

Ms. Trudy Berger
6300 Westpark
Suite 415
Houston, TX 77057

INDIANA

Mr. Donald E. Jones
P.O. Box 44801
Indianapolis, IN 46244

LOS ANGELES

Mr. Hollis Smith
650 South Spring Street
Suite 1209
Los Angeles, CA 90014

LOUISVILLE

Mr. Lawrence M. Dellinger
300 West Libert Street
Louisville, KY 40202

MEMPHIS

Mr. Minous Powell
P.O. Box 224
Memphis, TN 38103

METROPOLITAN WASHINGTON

Mr. Harry Bass
1705 DeSales Street, N.W.
3rd Floor
Washington, D.C. 20036

MICHIGAN

Mr. Donald H. Carros
6560 Cass Avenue
9th Floor
Detroit, MI 48202

MIDDLE TENNESSEE

Ms. Cheri K. Henderson
112 21st Avenue South
Suite 201
Nashville, TN 37203

MINNESOTA

Mr. Al Kelly, Jr.
2021 East Hennepin Avenue
Suite 370
Minneapolis, MN 55413

MISSOURI-SOUTHERN ILLINOIS

Mr. Stephen Clark
Missouri State Bank Building
1139 Olive Street
Suite 500
St. Louis, MO 63101

NEVADA

Mr. Epifanio I. Welch
2765 South Highland Drive
Suite 212
Las Vegas, Nevada 89109

NEW ENGLAND

Mr. Walter Lind
60 Brattle Street
Suite 102
Cambridge, MA 02138

NEW MEXICO

Ms. Joanna DeBlassie Boothe
5000 Marble, N.E.
Suite 106
Albuquerque, NM 87110

NEW YORK/NEW JERSEY

Mr. AT W. Dawson
1500 Broadway
Suite 3001
New York, NY 10036

NEW YORK/PENN/DEL

Ms. Anne Senior
1616 Walnut Street
Suite 2106
Philadelphia, PA 19106

UPSTATE NEW YORK

Mr. DeWitt Lee, Jr.
Genessee Building
Suite 702
Buffalo, NY 14202

OKLAHOMA

Ms. Jean Ames
P.O. Box 1152
Stillwater, OK 74074

OMAHA

Mr. Larry Gomez
1620 Dodge
Suite 2100
Omaha, NB 68102

PITTSBURGH

Mr. John Ames
One Oliver Plaza
Suite 3004
Pittsburgh, PA 15222

ROCKY MOUNTAIN

Mr. E.E. Van Stee
Minority Enterprise, Inc.
1005 17th Street
Room 1190-1
Denver, CO 80202

SAN ANTONIO

Mr. Robert Garcia
505 East Travis Street
Suite 301
San Antonio, TX 78205

SAN DIEGO

Mr. Nelson B. Robinson
3620 30th Street
Suite E
San Diego, CA 92104

TIDEWATER

Mr. D.J. Capinas
142 York Street
Suite 308
Norfolk, VA 23510

VIRGINIA

Dr. Willy C. Achebe
P.O. Box 13967
Roanoke, VA 24034

SMALL BUSINESS ADMINISTRATION (SBA)

DISTRICT OFFICES

Atlanta
1375 Peachtree Street, N.E., 5th floor
Atlanta, Georgia 30309
(404) 881-4943

Boston
60 Batterymarch Street, 10th floor
Boston, Massachusetts 02110
(617) 223-2100

Chicago
219 South Dearborn Street, Room 838
Chicago, Illinois 60604
(312) 353-0355

Dallas
1720 Regal Row, Room 230
Dallas, Texas 75235
(214) 767-7643

Denver
1405 Curtis Street, 22nd Floor
Denver, Colorado 80202
(303) 837-5763

Kansas City
911 Walnut Street, 23rd Floor
Kansas City, Missouri 64106
(816) 374-5288

New York
26 Federal Plaza, Room 29-118
New York, New York 10007
(212) 264-7772

Philadelphia
231 St. Asaphs Road, Suite 646-- West Lobby
Bala Cynwyd, Pennsylvania 19004
(215) 597-3311

San Francisco
450 Golden Gate Avenue
P.O. Box 36044
San Francisco, California 94102
(415) 556-7487

Seattle
710 2nd Avenue, 5th Floor
Seattle, Washington 98104
(206) 442-5676

STATE MINORITY BUSINESS OFFICES
(contacted by letter)

Ervin E. Madison, Coordinator
Office of Minority Business Affairs
City of Austin
Municipal Building
Eighth at Colorado
P.O. Box 1088
Austin, Texas 78767

Lisa V. Morrison
Procurement Specialist
Indiana State Office of
Minority Business Enterprise
440 North Meridian Street
Indianapolis, Indiana 46204

Charles J. Shanklin
Business Development Consultant
Office of Minority Business Enterprise
222 South College
Springfield, Illinois 62706

Samuel R. Johnson
Senior Business Consultant
Minority Business Development Bureau
State of New York
Department of Commerce
99 Washington Avenue
Albany, New York 12245

Clarence A. Robertson
Director of Minority Business Development Bureau
State of New York
Department of Commerce
230 Park Avenue
New York, New York 10169

William Espinoza
Minority Business Consultant
Business Development Office
State of Utah
No. 2 Arrow Press Square
Salt Lake City, Utah 84101

Charlotte G. Chapman
The Minority Business Opportunity Commission
City of Washington, D.C.

STATE MINORITY BUSINESS OFFICES
(contacted by phone)

Alabama
James Harrell
(205) 832-5633

California
Jennifer Stanley
(916) 322-3420

Delaware
Edward Minus
(302) 571-3496

Illinois
Kristine Lewis
(217) 782-4999

Indiana
Clematine Jones
(317) 232-8820

Kentucky
John Frasee
(502) 588-4020

Maryland
Ebon Evans
(301) 383-7727

Massachusetts
Michelle Brunson
(617) 727-8692

Michigan
Ron Evans
(517) 373-8430

New York (Albany)
Sam Johnson
(512) 474-5027

New York (New York City)
Yvonne Santos
(212) 949-9288

Pennsylvania
Carol Wilson
(717) 783-8893

Texas
Laverne Speen
(512) 477-6511

Utah
Dale Espinoza
(801) 533-4000

Virginia
Julia Guillen
(804) 520-5413

Washington
Maurice Alexander
(206) 464-7129

West Virginia
Jane Dott
(304) 348-2960

Wisconsin
Dale Beckett
(608) 266-8380

APPENDIX C
DIRECTORY OF MINORITY FUEL
OIL MARKETERS - U.S.

APPENDIX C
DIRECTORY OF MINORITY FUEL
OIL MARKETERS - U.S.

* - Out of Business

N - Nonresponsive (of the nine total nonresponsive firms identified on this list, seven refused to give information, while two could not be contacted, nor was information obtainable.)

ALABAMA

Fair Park East, Incorporated N
600 Farley Building
Birmingham, Alabama 35203

Attention: Mr. L. Bethune
(205) 252-5197

CALIFORNIA

AROMCO Industries
160 Franklin, Suite 101
Oakland, California 94607

Attention: Mr. Milton Wright
(415) 465-9498

Mikem Chemical Co., Inc. *
4401 Crenshaw Boulevard
Los Angeles, California 90043

Attention: Mr. Frank Davie
(213) 293-6137

Teleport Oil Company
660 Sacramento Street
Suite 303
San Francisco, California 94111

Attention: Mr. Carl Washington
(415) 781-4864

COLORADO

J-K Alpha Corporation
5366 Garfield Street
Denver, Colorado 80216

Attention: Mr. Orville Slaughter
(303) 893-0118

CONNECTICUT

Al Branch Fuel Oil Service
14 Ryan Avenue
South Norwalk, Connecticut 06854

Attention: Mr. Al Branch
(203) 838-8989

Archibald Fuel Company
128 Sheldon Terrace
New Haven, Connecticut 06515

Attention: Mr. Robert Archibald
(203) 865-6928

Burns Fuel Delivery
432 Newhall Street
Hamden, Connecticut 06517

Attention: Mr. Henry Burns
(203) 865-3310

C. H. Blanks and Sons
175 Mather Street
Hartford, Connecticut 06120

Attention: Mr. C. H. Blanks, Sr.
(203) 527-2611

Clemmon Oil
223 Long Hill Road
Waterbury, Connecticut 06704

Attention: Mr. Kelly Clemmon
(203) 574-4099

Customers Oil Service *
29 Pomfret Street
Hartford, Connecticut 06112

Attention: Mr. Fermon Smith
(203) 525-1201

Dick's Fuel Oil
150 Logan Street
Bridgeport, Connecticut 06607

Attention: Mr. Daniels Dick
(203) 366-2317/333-8317

Discount Oil Company
200 Plainfield Street
Hartford, Connecticut 06112

Attention: Mr. Prince Brown
(203) 522-9283

Evelyn Fuel Oil *
306 Vine Street
Hartford, Connecticut 06120
(203) 522-8581

Fairville Oil Company
506 Dixwell Avenue
New Haven, Connecticut 06515

Attention: Mr. McFarlane
(203) 624-0669

Mayo Fuel Service, Inc.
843 Blue Hills Avenue
Bloomfield, Connecticut 06002

Attention: Mr. Charles L. Pope
(203) 242-0266

Mazal Fuel
29 Bryer Avenue
Bridgeport, Connecticut 06604

Attention: Mr. Ralph Mazal
(203) 374-8747

Menefee Oil Service
655 Park Avenue
Bloomfield, Connecticut 06002

Attention: Mr. Timothy Menefee
(203) 243-2857

Nick's Oil Service
135 Barbour Street
Hartford, Connecticut 06120

Attention: Mr. Nick McCullough
(203) 527-3952

Oasis Oil Company
P.O. Box 20080
Hartford, Connecticut 06120

Attention: Mr. James H. Monroe
(203) 527-5052

O. Elliot Fuel Oil
224 Starr Street
New Haven, Connecticut 06511

Attention: Mr. O. Elliott
(203) 787-3698

O'Sullivan's Fuel Oil, Inc.
P.O. Box 7205
New Haven, Connecticut 06517

Attention: Mr. Kenneth C. Barboza
(203) 787-5828

Patton Fuel Oil
42 Truman Street
New Haven, Connecticut 06515

Attention: Mr. Masco Patton
(203) 776-9095

Rupert's Oil Service
550 Albany Avenue
Hartford, Connecticut 06112

Attention: Mr. Rupert Townsend
(203) 525-1478

Superior Fuel Oil Co., Inc. *
80 Kings Highway Cut-Off
Fairfield, Connecticut 06430

Attention: Mr. James Horahan
(203) 334-4161

Superior Heating Oil Co.
3430 Main Street
Hartford, Connecticut 06120

Attention: Mr. Rick Fay
(203) 247-6024

Vend's Fuel Oil
20 Kent Street
Hartford, Connecticut 06112

Attention: Mr. Winston E. Hayes
(203) 522-3235

Wardoco Inc.
100 Crown Street
New Haven, Connecticut 06510

Attention: Mr. Larry Warden
(203) 624-8800

Wheeler's Inc.
164 So. Main Street
So. Norwalk, Connecticut 06854

Attention: Mr. James Wheeler
(203) 839-9335

DISTRICT OF COLUMBIA

Andergo Oil Corp., Inc.
7826 Eastern Avenue, N.W.
Washington, D.C. 20012

Attention: Mr. D.C. Goins
(202) 723-5644

District Line Fuel Company
5717 Dix Street, N.E.
Washington, D.C. 20019

Attention: Mr. Adam Thomas
(202) 396-3200

Rudolph Reese & Sons
926 Shepherd Street, N.W.
Washington, D.C. 20011

Attention: Mr. Gary Reese
(202) 882-8953

Time Oil Company
4214 Hunt Place, N.E.
Washington, D.C. 20019

Attention: Mr. Ed Johnson
(202) 396-3900

T. Washington Fuel Oil & Coal
302 12th Street, S.E.
Washington, D.C. 20003

Attention: Mr. Garriett Washington
(202) 544-0246

Tricentennial Energy Corp.
927 15th Street, N.W.
Washington, D.C.

Attention: Mr. George Stacke
(202) 638-5284

GEORGIA

Captain Stevens Energy Corp.
P.O. Box 1131
Savannah, Georgia 31402

Attention: Mr. Samuel Stevens
(912) 232-2064

Pryor Enterprises Inc.
P.O. Box 903
Griffin, Georgia 30224

Attention: Mr. Wallace Pryor
(404) 228-4548

ILLINOIS

Casey Fuel Oil Corporation
1534 E. 75th Street
Chicago, Illinois 60619

Attention: Mr. Clarence Casey
(312) 363-8961

Minoco Oil Company
11 South LaSalle
Chicago, Illinois 60602

Attention: Mr. Jim Hutchison
(312) 568-4887

Quimex Inc. N
P.O. Box 338
Lemont, Illinois 60439

Attention: Mr. Felipe Estrada
(312) 257-9200

Universal Energy Corporation *
200 W. Monroe Street, Suite 1607
Chicago, Illinois 60606

Attention: Mr. Herb Jones
(312) 236-0493

INDIANA

Congress Enterprises, Inc.
301 Virginia Street
Gary, Indiana 46402

Attention: Mr. Frederick Congress
(219) 855-1541

L.H. Smith Oil Corporation
1802 Northwestern Avenue
Indianapolis, Indiana 46202

Attention: Mr. Lenny Smith
(317) 924-3221

Ottie Marie Oil Co.
3767 Central Avenue
Indianapolis, Indiana 46205

Attention: Mr. Walter Peacock
(317) 925-5635

MARYLAND

BE&H Fuel Oil Company *

815 East 25th Street
Baltimore, Maryland 21218

Attention: Mr. C.O. Boles
(301) 889-4900

G&M Oil Company, Inc.
1549 North Warwick Avenue
Baltimore, Maryland 21216

Attention: Mr. Rudi Gustus
(301) 728-0333

Green Fuel Oil Company
901 Glenn Willow Drive
Seat Pleasant, Maryland 20027

Attention: Mr. Joseph Green
(301) 952-4343

Jackson Oil Company
1119 St. Paul Street
Baltimore, Maryland 21218

Attention: Mr. Will Jackson
(301) 727-0026

Jet Fuel Oil Co.
2613 Huron Street
Baltimore, Maryland 21230
(301) 837-8626

MASSACHUSETTS

Andy's Independent Trucking N
Loading Co.
5 Claflin Street
Boston, Massachusetts 02119

Attention: Mr. Bruce K. Anderson
(617) 482-6043

Cosmopolitan Fuel
Lester Street
Matapon, Massachusetts

Attention: Mr. Sam Carter
(617) 298-6503

Dennis K. Burke, Incorporated
410 Beacham Street
Chelsea, Massachusetts 02150

Attention: Ms. Mauree C. Burke
(617) 884-7800

Gray Fuel Company
16 Kerwin
Dorchester, Massachusetts 02128

Grimes Oil Company, Inc.
165 Norfolk Street
Dorchester, Massachusetts 02124

Attention: Mr. Calvin Grimes
(617) 825-1200

Handford Oil and Asphalt Co.
154 Bacon Road
Springfield, Massachusetts 01119

Attention: Mr. Leo Handford
(413) 733-7703

Henry's Oil Service
148 Walnut Street
Springfield, Massachusetts

Attention: Mr. Nathaniel Henry
(413) 732-6841

Howard Oil Company
89 Bay Street
Springfield, Massachusetts

Attention: Mr. Dick Howard
(413) 736-8886/733-3570

Jefferson Fuel *

Roxbury, Massachusetts

J.E. Jackson
736 Dudley
Dorchester, Massachusetts 02124

Attention: Mr. J.E. Jackson
(617) 282-4237

Lawson Fuel Company
1975 Columbus
Roxbury, Massachusetts 02124
(617) 265-6800

Long *

222 Columbia Road
Dorchester, Massachusetts 02124

Oru Rowles
Blue Hill & Matonan
Roxbury, Massachusetts

Pyramid Fuel Oil Company *

270 Roxbury Street
Roxbury, Massachusetts 02119

Ray Fuel Oil
279 Norfolk Street
Dorchester, Massachusetts 02124

Attention: Mr. John Gross, Jr.
(617) 825-4084

Taylor Oil Company *
60 Oak Grove Avenue
Springfield, Massachusetts 01109

Attention: Mr. George Beckford
(413) 737-7097/783-4006

Watkins Fuel N
5 Hartford Court
Dorchester, Massachusetts 02124

Attention: Mr. Ed Watkins
(617) 427-6725

Wormor's Oil
666 Washington Street
Dorchester, Massachusetts 02124
(617) 427-2708

MONTANA

Sherburne Merchantile Company N
P.O. Box 700
Browning, Montana 59417

Attention: Mr. Carl Kipp
(406) 338-2260

NEW JERSEY

Frisbey Fuel Oil Inc. N
411 S. Barber Avenue
Woodbury, New Jersey 08096

Attention: Mr. Walter Frisbey
(609) 845-3743

Riverside Fuel Oil Co., Inc. N
Box 405, Salem Park 2122F
Whitehouse, New Jersey 08888

Attention: Mr. Stephan Rivera
(201) 534-9038

Thomas B. Coleman Fuel
Service Inc.
P.O. Box 276
Allentown, New Jersey 08501

Attention: Mr. Thomas B. Coleman
(609) 259-9806

NEW MEXICO

Berridge Distributing Company, Inc.
1225 Cerrillas Road
Sante Fe, New Mexico 87501

Attention: Mr. Chester Berridge
(505) 983-7821

NEW YORK

A & A Consumer Fuel Company
54 Westfield Avenue
Roosevelt, New York 11575
(516) 546-2226

Alpha Petroleum Trading Co.
501 Madison Avenue
New York, New York 10022

Attention: Mr. Paul J. Barnes
(212) 750-9370

Al J. Fuel Oil Company, Inc.
P.O. Box 814
Linden Hill Station
Flushing, New York 11354

Attention: Mr. Al Simmons
(212) 866-2795

Al Jones Oil Corporation *
11014 Merrick Boulevard
Jamaica, New York 11433

Attention: Mr. Alfred Jones
(212) 657-5012

Arthur J. Choice Fuel
Oil Corporation
128 Babylon Turnpike
Roosevelt, New York 11575
(516) 868-1422

Covington Fuel Oil Company, Inc.
314 Babylon Turnpike
Roosevelt, New York 11575
(516) 379-1091

East 51 Street Peoples Fuel Inc.
353 Utica Avenue
Brooklyn, New York 11213
(212) 467-2100

Eastville Oil Company, Inc. *
630 Commander Avenue
West Babylon, New York 11704

Attention: Mr. Charles E. Williams
(516) 643-9674

Ebony Oil Corporation
107-35 Merrick Boulevard
Jamaica, New York 11433

Attention: Mr. Lawrence J. Cormier
(212) 657-2544

Emmanuel Fuel Oil Company, Inc.
1521 Straight Path
Wyandanch, New York 11798

Attention: Mr. Jerry B. Young
(516) 643-5118

GJG Oil Enterprises *
117-43 142nd Place
Jamaica, New York 11436

Attention: Mr. Gene Arnold
(212) 225-1506

Greenfield's Fuel Oil Co.
1276 46th Street
Brooklyn, New York 11211

Attention: Mr. Chaim Greenfield
(212) 871-3500

Humbolt, Inc.
259 Flatbush Avenue
Brooklyn, New York 11211

Attention: Mr. Dudley H. McLachlan
(212) 783-9030

J&J Oil Company *
543 Pine Street
Brooklyn, New York 11208

Attention: Mr. James Schuler

Jennings & Hartwell
119-02 Merrick Boulevard
Jamaica, New York 11436

Attention: Mr. Willie Hartwell
(212) 527-4697

KNR Fuel Transportation Inc.
1241 Vicle Avenue
Bronx, New York 10474
(212) 328-8667

Lawrence Fuel Oil Service of Rochester *
97 Clifton Street
Rochester, New York 14611

Attention: Mr. Donald E. Lawrence
(717) 235-3780

Miller Company AMS/Oil Dealer *
2075 2nd Avenue, Suite 120
New York, New York 10029
(212) 722-2265

Nice Fuel Oil Company, Inc.
88-11 169th Street
Jamaica, New York 11432

Attention: Mr. Leroy S. Baldwin
(212) 658-5400

NTJ Fuel Oil Inc.
1008 Prospect Avenue
Westbury, New York 11590
(516) 333-6667

Port Fuel Oil Company *
1467 39th Street
Brooklyn, New York 11218
(212) 435-8820

R. Fernandez Oil *
260 Chesterton Avenue
Staten Island, New York 10306

Attention: Mr. Richard Fernandez
(212) 979-1293

R.J. Washington Fuel Oil Corp.
220-20 Merrick Boulevard
Laurelton, New York

Attention: Mr. Rudy Washington
(212) 528-5740

Rome Industrial Supplies *
225 Adams Street, Suite 10-H
New York, New York 11201

Attention: Mr. Rudy Walker
(212) 643-1840

Sinai Oil Distributors, Inc. N
1505 50th Street
Brooklyn, New York 11219
(212) 851-7150

SOHO Fuel Company
134-04 Farmers Boulevard
Jamaica, New York 11435

Attention: Mr. July Couley
(212) 525-5113

Spunky Fuel Oil Company *
(Now is T.J. Fuel Oil Company)
106-24 Pine Grove Street
Jamaica, New York 11435

Attention: Mr. John Tillman
(212) 291-4380

Superb Fuel Oil Service
1463 Castleton Avenue
Staten Island, New York 10302
(212) 727-4162

Tri-Par Combustion Corp.
448 East 173rd Street or
3954 Park Avenue
Bronx, New York 10457

Attention: Mr. Earnest Murphy
(212) 294-8660

Tunyang Fuel Oil Corporation
217 Park Row, Room 4B
New York, New York 10038

Attention: Mr. John Quock
(212) 947-1355

Vanguard Oil & Service
Company, Inc.
1255 Atlantic Avenue
Brooklyn, New York 11216

Attention: Mr. Carl Willacy
(212) 636-1050

Venable Fuel Corporation *
1405 Fulton Street
Brooklyn, New York 11216

Attention: Ms. Cordelia Vaneble
(212) 638-9300

Victory Fuel Corporation
333 East 55th Street
New York, New York 10022
(212) 581-1810

Wallace & Wallace Fuel Oil
Company, Inc.
200-33 Linden Boulevard
St. Albans, New York 11412

Attention: Mr. Charlie Wallace
(212) 464-3737

NORTH CAROLINA

Fuller Oil Company
867 Amye Street
Fayetteville, North Carolina 28301

Attention: Mr. Charles C. Fuller
(919) 488-2815

Gold-Wayne Energy
P.O. Box 1481
Goldsboro, North Carolina 27430

Attention: Mr. Earl Glenn
(919) 735-2810

H and H Sales *
2904 Neward Drive
Raleigh, North Carolina 27610

Young Yu Oil Co. N
3015 Spring Garden Street
Greensboro, North Carolina 27403

Attention: Mr. Young Yu
(919) 852-3501

OHIO

Total Fuels Inc.
980 Senate Drive
Dayton, Ohio 45459

Attention: Mr. Nestor Fernandez
(513) 434-1378

OKLAHOMA

Minor-Trans. Transportation
& Oil Co.
401 Main Street
Suite 370
Norman, Oklahoma 73069

Attention: Mr. Joseph O. Moore
(405) 321-5836

McSpadden Petroleum Inc. *
P.O. Box 1727
Muskogee, Oklahoma 74401

Attention: Mr. Vance McSpadden
(918) 682-8591

Prime Oil, Inc.
P.O. Box 24103
Oklahoma City, Oklahoma 73124

Attention: Mr. Deyo Paddyaker
(405) 235-2506

OREGON

Reese's Oil Company
3904 North East Union Avenue
Portland, Oregon 97212

Attention: Mr. Joe L. Reese
(503) 287-2121

PENNSYLVANIA

Centurion, Inc.
45 North Duke Street
Lancaster, Pennsylvania 17602

Attention: Mr. Carol Cooper
(717) 392-6973

Teddy Jackson Fuel Oil Co.
5758 North 12th Street
Philadelphia, Pennsylvania 19141

Attention: Mr. Theodore Jackson
(215) 549-1957

RHODE ISLAND

Ebony Oil Company
41 Moore Street
Providence, Rhode Island 02907

Attention: Mr. Richard Maynard
(401) 331-1745

Silva & Son Oil Company
46 Mountain Avenue
East Providence, Rhode Island 02914

Attention: Mr. George Silva
(401) 434-9106

TEXAS

Del Rey Chemical International, Inc. *
14818 Hooper Road
Houston, Texas 77047

Attention: Mr. George S. Hernandez
(713) 434-2737

Mathews International Co. *
50 Briar Hollow, Suite 520 East
Houston, Texas 77027

Attention: Mr. D. B. Mathews
(713) 741-7290

S & P Discount Oil Co.
2121 Little York
Houston, Texas 77092

Attention: Mr. Floyd P. Smith
(713) 688-1418

Savoy Trading Corporation *
6330 Windswept, Suite 92
Houston, Texas 77057

Attention: Mr. Orby Grumfield
(713) 780-2135

VIRGINIA

Caviness Oil & Hauling
309 Dixie Avenue
Portsmouth, Virginia 23707

Attention: Mr. James M. Caviness
(804) 393-6242

Coastal Petroleum Company
946 Virginia Beach Boulevard
Virginia Beach, Virginia 23451
(804) 428-0336

Community Oil Company, Inc.
108 South Birdneck Road
Virginia Beach, Virginia 23453

Attention: Mr. Paul Sparrow
(804) 428-4917

East End Fuel Company *
4431 East Main Street
Richmond, Virginia 23231

Hayes Oil Company *
1510 Grayson Avenue
Roanoke, Virginia 24017

H.G. Munden Fuel Oil Service
3032 Westminster Avenue
Norfolk, Virginia 23504

Attention: Mr. Herbert Munden
(804) 625-5975

Lindsey Brothers Oil
865 Newtown Road
Virginia Beach, Virginia 23462

Attention: Mr. James Lindsey
(804) 497-4633

Little's Fuel Oil Service *

2519 Dexter Street
Chesapeake, Virginia 23324
(804) 545-2182

Smith's Fuel Oil
2911 Portsmouth Boulevard
Portsmouth, Virginia 23704

Attention: Mr. John L. Smith
(804) 399-1912

Thomas Oil Company
2900 Nine Mile Road
Richmond, Virginia 23223

Attention: Mr. Harry R. Thomas
(804) 648-4171

Wiggins Service Center & Heating Oil
2517 Granby Street
Norfolk, Virginia 23517

Attention: Mr. Cecil R. Wiggins
(804) 627-8024

Williams Fuel Oil Company
1620 Atlantic Avenue
Chesapeake, Virginia 23324

Attention: Mr. Alexander Williams
(804) 545-9225

WYOMING

Sioux Oil Company
P.O. Box 605
Cheyenne, Wyoming 82001

APPENDIX D

MINORITY FUEL OIL MARKETERS SITE VISIT GUIDELINES

APPENDIX D
MINORITY FUEL OIL MARKETERS
SITE VISIT GUIDELINES

GENERAL

Site visits are being made to Minority Fuel Oil Marketers (MFMs) based on needs expressed by individual firms during the initial questionnaire and survey stage. The purpose of site visits is to discuss overall problems being faced by this segment of the petroleum industry and to assure completion of the questionnaires where nonresponse presently exists.

Site visits should also be valuable by providing "hands-on" experience with the marketers. The factual data obtained will provide input to developing profiles for the MFM market sector.

Project site visits will include analyses and evaluation of:

- o A general overview of the firm involved and its market
- o Past history of the firm and future prospects
- o Specific problems or difficulties the firm is facing with documented evidence
- o The firm's views on specific types of assistance it needs to be competitive
- o Data required to verify and complete the firm's profile questionnaire

SITE VISIT PROCEDURES

SCHEDULING/PREPARATION

It is anticipated that approximately one full day will be required at each firm to successfully complete an MFM site visit.

To assure that a comprehensive analysis can be completed, it will be necessary to provide each MFM with advance notice of the visit. The notice

will include date and time of visit. In addition, details of data which should be available for review by the study team can be transmitted to the MFM as determined by the senior in charge of the investigation team. This data may include:

- o Histories of gallonage sales and prices by product line
- o Any competitive information
 - oo Competitive invoices and bills
 - oo Supplier invoices
 - oo Competitive contracts and agreements
- o Supply and delivery contracts
 - oo Old contracts
 - oo Present contracts
- o Market area maps and customer lists
- o Financial information
 - oo Income statements
 - oo Balance sheets

DATA DEVELOPMENT GUIDELINES

The attached checklist should be used by the study-team participants. Each item must be "checked" as it is completed. In addition, a copy of the original questionnaire completed by the firm will be a part of the site visit data base. Because teams consist of two or more industry experts, the workload may be divided when organizational parameters of the firm allow. For instance, customer profile and plant resources may be covered by operations personnel, while financial data and contractual information may be obtained simultaneously from the firm's controller, if appropriate. Upon site visit completion, the checklist will be reviewed to assure that all items are covered. Some items of information may require additional research and follow-up for documentation. When this is necessary, follow-up phone calls should be made within a week after the site visit. The firm should be assured that confidential data will remain so and that the objective is to develop an overall industry profile and not to disclose individual company information.

MFM SITE VISIT CHECKLIST

FIRM NAME _____

Phone: _____

Date _____

Company Analysis

Completed

1. Discuss General Information

- o Purpose of study
- o Introduction to OAO
- o Confidentiality

2. Overview of the Firm

- o Review organization
- o Define market served
 - oo Customer type
 - oo Products delivered
 - oo Volumes by product
 - oo Competitive firms
 - oo Geographical market area
 - oo Terms of delivery
- o Review resources of firm
 - oo Storage facilities
 - oo Trucks and capacity
 - oo Building and other facilities
 - oo Owned or leased
 - oo Age of equipment
- o Supplier Characteristics
 - oo Names of suppliers
 - oo Contractual arrangements
 - oo Volumes
 - oo Price
 - oo Credit terms
 - oo Length of contract
 - oo Other sources (spot market, s

3. Past History and Future Prospects

- o Review overall evolution of firm _____
- o Review past financial statements (five years, if possible) _____
 - oo Volumes supplied by product _____
 - oo Retail prices _____
 - oo Product Cost _____
- o Assess current contractual delivery arrangements or customer base _____

4. Specific Problems

- o Knowledge of attrition rate in area _____
- o Storage problems _____
 - oo Inventory turnover _____
- o Supply sources _____
 - oo Contracts _____
 - oo Delivery time _____
 - oo Allocations _____
 - oo Credit terms _____
 - oo Brand name _____
- o Consumer impacts _____
 - oo Market trend _____
 - oo Alternative fuels _____
 - oo Receivables turnover _____
- o Competitive impacts _____
 - oo Price competitive _____
 - oo Cost vs. competitors' costs _____
 - oo Service provided _____
 - oo Competitive evidence (purchase invoices, delivery invoices, etc.) _____
- o Other _____
 - oo Government controls _____
 - oo State and local policies _____
 - oo Overhead costs _____

5. Assistance Requirements

- o Remedies required _____
 - oo Supplier contracts _____
 - oo Delivery contracts (8a) _____
 - oo Legislation _____
 - oo Customer assistance _____
 - oo Management - technical assistance _____
 - oo Financial assistance _____
 - oo Other _____

6. Questionnaire Completion

- o Reviews questionnaire
 - oo All items complete
 - oo Verify accuracy

APPENDIX E

DEFINITION OF RATIOS USED IN FINANCIAL ANALYSES

APPENDIX E

DEFINITION OF RATIOS USED IN FINANCIAL ANALYSES

LIQUIDITY RATIOS

Liquidity is a measure of the quality and adequacy of current assets to meet current obligations as they come due.

Current Ratio

Computation: Total current assets divided by total current liabilities.

$$\frac{\text{total current assets}}{\text{total current liabilities}}$$

Interpretation: This ratio is a rough indication of a firm's ability to service its current obligations. Generally, the higher the current ratio, the greater the "cushion" between current obligations and a firm's ability to pay them. The stronger ratio reflects a numerical superiority of current assets over current liabilities. However, the composition and quality of current assets is a critical factor in the analysis of an individual firm's liquidity.

The ratio values are arrayed from the highest positive to the lowest positive.

Quick Ratio

Computation: Cash and equivalents plus accounts and notes receivable (trade) divided by total current liabilities.

$$\frac{\text{cash \& equivalents + accounts \& notes receivable (trade)}}{\text{total current liabilities}}$$

Interpretation: Also known as the "ACID TEST" ratio, it is a refinement of the current ratio and is a more conservative measure of liquidity. The ratio expresses the degree to which a company's current liabilities are covered by the most liquid current assets. Generally, any value of less than 1 to 1 implies a reciprocal "dependency" on inventory or other current assets to liquidate short-term debt.

The ratio values are arrayed from the highest positive to the lowest positive.

If the number of statements used in the calculation of this ratio differs from the sample size used in the asset category column, the sample size for each ratio will be printed in parentheses to the left of the array.

LEVERAGE RATIOS

Highly leveraged firms (those with heavy debt in relation to net worth) are more vulnerable to business downturns than those with lower debt to worth positions. While leverage ratios help to measure this vulnerability, it must be remembered that they vary greatly depending on the requirements of particular industry groups.

Debt/Worth

Computation: Total liabilities divided by tangible net worth.

$$\frac{\text{Total Liabilities}}{\text{Tangible Net Worth}}$$

Interpretation: This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. It expresses the degree of protection provided by the owners for the creditors. The higher the ratio, the greater the risk being assumed by creditors. A lower ratio generally indicates greater long-term financial safety. A firm with a low debt/worth ratio usually has greater flexibility to borrow in the future. A more highly leveraged company has a more limited debt capacity.

Tangible net worth may be zero, in which case the ratio is infinity (INF). Tangible net worth may also be negative, which results in the quotient being negative. The ratio values are arrayed from the lowest to highest positive, infinity, and then from the highest to lowest negative.

The value $\pm$ INF may occasionally appear as a quartile or median. This is the result of interpolation between positive and negative values in the nonlinear array typical of this ratio.

OPERATING RATIOS

Operating ratios are designed to assist in the evaluation of management performance.

Sales/Total Assets

Computation: Net sales divided by total assets.

$$\frac{\text{Net Sales}}{\text{Total Assets}}$$

Interpretation: This ratio is a general measure of a firm's ability to generate sales in relation to total assets. It should be used only to compare firms within specific industry groups and in conjunction with other operating ratios to determine the effective employment of assets.

The only time a zero will appear in the array will be when the net sales figure is low and the quotient rounds off to zero. The ratio values cannot be negative. They are arrayed from the highest to the lowest positive values.

APPENDIX F

FINANCIAL PROFILE

INDUSTRY COMPOSITE
OF RETAILERS AND WHOLESALERS

APPENDIX F-1

FINANCIAL PROFILE
INDUSTRY COMPOSITE OF RETAILERS--COMMON SIZE PERCENT

	(Percent of Total Assets) from Balance Sheet)			(Percent of Total Liability and Net Worth from Balance Sheet)				(Percent of Net Sales) from Income Statement)		
	CASH + EQUIV.	RECEIVABLES	INVEN- TORY	CURR. ASSETS	ACC'TS PAYABLE	CURR. LIABIL- ITIES	NET WORTH	COST OF SALES	OPERATING EXPENSES	NET PROFIT
Percent and Ratios	72.3	78.5	33.1	99.8	68.5	86.0	99.7	93.6	12.9	4.0
	51.2	68.1	24.3	93.9	47.3	85.6	96.8	91.4	6.6	2.0
	48.8	66.7	16.5	86.1	46.4	82.9	95.1	90.0	6.0	1.8
MFM Retailers	43.0	63.8	11.8	85.0	42.8	81.5	91.6	86.6	4.6	0.5
Composite in	38.5	57.4	11.5	84.4	41.8	79.8	90.9	N/A	N/A	N/A
Descending Order	37.0	56.9	7.8	84.3	38.5	78.0	85.7	N/A	N/A	N/A
by Firm	35.7	52.4	7.7	83.8	32.5	67.0	80.7	N/A	N/A	N/A
	35.0	47.6	6.9	81.4	31.9	59.0	80.0	N/A	N/A	N/A
	29.6	47.3	5.3	75.8	31.8	53.7	79.1	N/A	N/A	N/A
	24.0	46.9	4.9	75.0	30.5	49.8	71.7	N/A	N/A	N/A
	20.9	45.5	4.5	71.0	29.3	48.0	68.4	N/A	N/A	N/A
	18.2	39.7	3.5	69.1	24.2	47.3	67.3	N/A	N/A	N/A
	17.2	39.2	3.0	67.5	21.1	46.4	65.9	N/A	N/A	N/A
	16.8	36.1	3.0	64.3	20.8	38.5	65.4	N/A	N/A	N/A
	14.1	35.9	2.4	63.6	19.3	34.6	61.6	N/A	N/A	N/A
	13.3	35.3	1.7	63.3	19.3	33.4	59.5	N/A	N/A	N/A
	12.2	34.9	0.4	62.9	18.4	32.7	53.6	N/A	N/A	N/A
	12.1	31.9	N/A	62.1	14.3	31.4	53.1	N/A	N/A	N/A
	12.0	28.6	N/A	60.5	10.4	31.1	52.7	N/A	N/A	N/A
	11.0	26.9	N/A	59.6	9.1	23.2	28.0	N/A	N/A	N/A
	10.7	25.1	N/A	53.5	8.4	20.8	22.0	N/A	N/A	N/A
	9.2	23.1	N/A	51.7	5.5	20.0	18.5	N/A	N/A	N/A
	9.1	18.2	N/A	50.6	4.9	19.3	17.1	N/A	N/A	N/A
	8.3	10.7	N/A	47.9	2.4	18.4	16.8	N/A	N/A	N/A
	8.1	9.7	N/A	45.4	1.8	15.6	15.4	N/A	N/A	N/A
	3.7	7.7	N/A	37.2	1.3	14.3	14.4	N/A	N/A	N/A
	1.9	6.5	N/A	27.3	0.3	9.1	13.2	N/A	N/A	N/A
	1.0	1.8	N/A	23.1	N/A	8.4	11.7	N/A	N/A	N/A
	0.7	N/A	N/A	11.2	N/A	4.9	5.4	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	0.3	1.0	N/A	N/A	N/A
Group	21.2	37.2	8.7	63.5	23.1	40.0	52.7	90.4	7.8	2.1
MFM	-0.2	or -0.5	or -2.9	or						
Adjusted	(21.0)	(36.7)	(5.8)							
RMA	10.8	33.5	17.0	62.3	23.1	46.0	38.6	81.7	15.6	1.9*

NOTE: The percentages above were arranged in an order of highest to lowest percentages or ratios. The numbers may represent different firms in different columns (i.e., The highest firm by percentage in the first column, CASH & EQUIVALENTS, is not necessarily the highest in the second column, RECEIVABLES, and so on). In addition, surrogates were used in the first three columns and are shown above as adjusted. An explanation of these surrogate adjustments can be found in subsection 4.1 of the text.

*Figure based upon D&B industry average after taxes.

APPENDIX F-1 (Continued)

FINANCIAL PROFILE
INDUSTRY COMPOSITE OF RETAILERS--INDUSTRY RATIOS
(BALANCE SHEET AND INCOME STATEMENT)

	CURRENT RATIO	QUICK RATIO	DEBT OVER NET WORTH	SALES OVER TOTAL ASSETS
Percent and Ratios	243.3	238.3	94.3	16.3
	13.8	13.3	14.8	14.9
	7.1	5.7	7.3	14.3
MFM Retailers	7.0	3.6	6.6	13.7
Composite in	3.9	3.3	6.0	13.1
Descending Order	3.6	3.2	6.0	13.1
by Firm	3.2	3.0	5.5	11.8
	3.1	3.0	4.8	11.4
	3.0	2.9	4.4	11.1
	3.0	2.7	3.5	9.3
	3.0	2.3	2.6	9.1
	2.6	2.0	1.5	8.8
	1.9	1.9	0.9	8.6
	1.8	1.4	0.9	8.6
	1.6	1.3	0.9	6.2
	1.6	1.2	0.7	5.4
	1.5	1.2	0.6	5.4
	1.3	1.1	0.5	4.9
	1.2	1.0	0.5	4.3
	1.1	1.0	0.5	3.6
	1.1	1.0	0.3	2.4
	1.1	0.8	0.3	2.2
	1.1	0.8	0.3	2.0
	1.0	0.7	0.2	1.8
	1.0	0.7	0.2	1.7
	0.9	0.7	0.1	1.6
	0.7	0.5	0.1	0.9
	0.7	0.5	0.1	0.8
	0.6	0.4	0.1	N/A
	0.4	0.3	0.0	N/A
MFM Median	1.6	1.3	0.8	7.4
RMA Median	1.4	1.0	1.8	4.1

NOTE: The percentages above were arranged in an order of highest to lowest percentages or ratios. The numbers may represent different firms in different columns (i.e., The highest firm by percentage in the first column is not necessarily the highest in the second column, and so on).

APPENDIX F-1A
FINANCIAL PROFILE
INDUSTRY COMPOSITE OF RETAILERS -- COMMON SIZE PERCENT

FIRM #	(Percent of Total Assets from Balance Sheet)			(Percent of Total Liability and Net Worth from Balance Sheet)				(Percent of Net Sales from Income Statement)		
	CASH + EQUIV.	RECEIVABLES	INVENTORY	CURR. ASSETS	ACC'TS PAYABLE	CURR. LIABILITIES	NET WORTH	COST OF SALES	OPERATING EXPENSES	NET PROFIT
3	18.2	45.5	N/A	63.6	5.5	20.0	14.4	N/A	N/A	N/A
4	9.1	18.2	N/A	27.3	9.1	9.1	90.9	N/A	N/A	N/A
8	12.2	47.3	24.3	83.8	47.3	47.3	52.7	N/A	N/A	N/A
12	12.1	47.6	1.7	84.4	0.3	0.3	99.7	N/A	N/A	N/A
13	24.0	35.9	3.0	62.9	1.0	85.6	80.0	N/A	N/A	N/A
14	11.0	23.1	16.5	50.6	41.8	48.0	15.4	N/A	N/A	N/A
18	48.8	1.8	3.5	81.4	19.3	86.0	11.7	N/A	N/A	N/A
20	13.3	39.7	33.1	86.1	46.4	46.4	53.6	N/A	N/A	N/A
26	43.0	6.5	0.4	11.2	1.3	31.4	68.4	N/A	N/A	N/A
32	29.6	52.4	4.9	62.1	42.8	59.0	16.8	N/A	N/A	N/A
33	35.0	36.1	N/A	71.0	18.4	18.4	71.7	N/A	N/A	N/A
39	N/A	N/A	N/A	N/A	N/A	82.9	17.1	N/A	N/A	N/A
44	72.3	N/A	N/A	75.8	N/A	78.0	22.0	N/A	N/A	N/A
45	8.1	56.9	2.4	67.5	4.9	4.9	95.1	N/A	N/A	N/A
54	1.0	46.9	N/A	47.9	10.4	15.6	53.1	N/A	N/A	N/A
55	51.2	31.9	7.7	93.9	29.3	31.1	65.9	90.0	6.0	4.0
56	3.7	34.9	N/A	45.4	30.5	49.8	1.0	N/A	N/A	N/A
60	17.2	39.2	6.9	63.3	31.9	38.5	61.6	N/A	N/A	N/A
63	38.5	7.7	11.5	23.1	38.5	34.6	65.4	N/A	N/A	N/A
64	37.0	9.7	7.8	60.5	N/A	23.2	96.8	86.6	12.9	0.5
68	16.8	78.5	4.5	99.8	32.5	32.7	67.3	N/A	N/A	N/A
69	14.1	28.6	3.0	51.7	2.4	81.5	18.5	N/A	N/A	N/A
71	8.3	66.7	N/A	75.0	20.8	20.8	79.1	N/A	N/A	N/A
72	12.0	63.8	N/A	85.0	68.5	79.8	5.4	91.4	6.6	2.0
76	35.7	10.7	N/A	64.3	14.3	14.3	85.7	N/A	N/A	N/A
79	10.7	68.1	5.3	84.3	31.8	67.0	13.2	93.6	4.6	1.8
87	20.9	26.9	11.8	59.6	8.4	8.4	91.6	N/A	N/A	N/A
92	1.9	35.3	N/A	37.2	19.3	19.3	80.7	N/A	N/A	N/A
97	0.7	25.1	N/A	53.5	24.2	33.4	59.5	N/A	N/A	N/A
99	9.2	57.4	N/A	69.1	21.1	53.7	28.0	N/A	N/A	N/A

Percent and Ratios

MFM Retailers
Composite in
Descending Order
by Firm

F-2A

NOTE: The firms above consist of those which financial information was obtainable.

APPENDIX F-1A (cont.)
FINANCIAL PROFILE
INDUSTRY COMPOSITE OF RETAILERS -- INDUSTRY RATIOS

(Balance Sheet and Income Statement)

	FIRM #	CURRENT RATIO	QUICK RATIO	DEBT OVER NET WORTH	SALES OVER TOTAL ASSETS
Percent and Ratios	3	3.2	3.2	0.3	1.8
	4	3.0	3.0	0.1	11.4
	8	1.8	1.3	0.9	5.4
	12	243.3	238.2	0.0	4.3
MFM Retailers Composite in Descending Order by Firm	13	0.7	0.7	6.0	2.4
	14	1.1	0.7	5.5	2.2
	18	1.2	0.8	7.3	11.1
	20	1.0	0.5	0.9	9.3
	26	0.4	0.4	1.5	2.0
	32	1.1	1.0	6.0	13.1
	33	3.9	2.0	0.1	13.1
	39	1.1	1.1	4.8	N/A
	44	1.0	1.0	3.5	N/A
	45	13.8	13.3	0.1	16.3
	54	3.0	3.0	0.9	1.6
	55	3.0	2.7	0.5	14.9
	56	0.9	0.7	94.3	3.6
	60	1.6	1.4	0.6	8.6
	63	0.7	0.3	0.5	6.2
	64	2.6	2.3	0.3	9.1
	68	3.1	2.9	0.5	0.8
	69	0.6	0.5	4.4	5.4
	71	3.6	3.6	0.3	1.7
	72	1.1	1.0	14.8	8.6
	76	7.0	3.3	0.2	14.3
	79	1.5	1.2	6.6	8.8
	87	7.1	5.7	0.1	11.8
	92	1.9	1.9	0.2	13.7
	97	1.6	0.8	0.7	4.9
	99	1.3	1.2	2.6	0.9

NOTE: The firms above consist of those which financial information was obtainable.

APPENDIX F-2

FINANCIAL PROFILE INDUSTRY COMPOSITE OF WHOLESALERS-- COMMON SIZE PERCENT

	(Percent of Total Assets from Balance Sheet)				(Percent of Total Liabilities and Net Worth from Balance Sheet)			(Percent of Net Sales from Income Statement)		
	CASH + EQUIVALENTS	RECEIV- ABLES	INVENTORY	CURRENT ASSETS	ACCOUNTS PAYABLES	LIABIL- ITIES	NET WORTH	COST OF SALES	OPERATING EXPENSES	NET PROFIT
% or Ratio	56.1	67.9	30.5	97.6	71.9	90.5	97.7	N/A	N/A	N/A
Individual	44.0	41.7	16.6	90.2	32.2	86.3	80.2	N/A	N/A	N/A
Firms in	28.2	31.4	1.7	88.6	17.7	73.7	28.3	N/A	N/A	N/A
Descending Order	10.4	29.5	1.6	75.4	6.8	32.2	26.3	N/A	N/A	N/A
(Wholesalers)	5.1	16.2	0	68.8	2.1	25.6	23.2	N/A	N/A	N/A
	N/A	N/A	0	59.4	N/A	19.8	9.5	N/A	N/A	N/A
	N/A	N/A	0	35.7	N/A	2.3	2.2	N/A	N/A	N/A
MFM Wholesalers										
Mean	28.8	37.3	7.2	73.7	26.1	47.2	38.2	N/A	N/A	N/A
RMA Wholesaler Industry Composite										
Mean	10.2	34.0	19.3	65.6	28.6	51.4	32.9	86.7	11.2	1.9*

FINANCIAL PROFILE INDUSTRY COMPOSITE OF WHOLESALERS-- INDUSTRY RATIOS

(BALANCE SHEET AND INCOME STATEMENT)

	CURRENT RATIO	QUICK RATIO	DEBT OVER NET WORTH	SALES OVER TOTAL ASSETS
% or Ratio	36.0	94.0	44.5	55.1
of Individual	5.1	36.0	9.8	33.4
Firms in	3.5	2.6	3.3	6.3
Descending Order	1.8	1.1	2.8	4.7
(Wholesalers)	1.1	1.0	2.5	4.2
	1.1	0.8	0.2	4.1
	1.1	N/A	0.0	N/A
MFM Wholesalers				
Median	1.8	1.1	2.8	5.5
RMA Wholesaler Industry Composite				
Median	1.2	0.9	2.2	4.9

NOTE: The percentages above were arranged in order of highest to lowest percentages and ratios. The numbers may represent different firms in different columns.

*Figure based on D&B industry average after taxes.

APPENDIX F-2A
FINANCIAL PROFILE
INDUSTRY COMPOSITE OF WHOLESALERS
COMMON SIZE PERCENT

FIRM #	(Percent of Total Assets from Balance Sheet)			(Percent of Total Liability and Net Worth from Balance Sheet)				(Percent of Net Sales from Income Statement)		
	CASH + EQUIV.	RECEIVABLES	INVENTORY	CURRENT ASSETS	ACC'TS PAYABLE	CURR. LIABILITIES	NET WORTH	COST OF SALES	OPERATING EXPENSES	NET PROFIT
25	28.2	67.9	1.6	97.6	71.9	90.5	9.5	N/A	N/A	N/A
37	56.1	29.5	1.7	90.2	6.8	86.3	2.2	N/A	N/A	N/A
41	N/A	N/A	0	35.7	N/A	73.7	26.3	N/A	N/A	N/A
73	44.0	31.4	0	75.4	2.1	2.3	97.7	N/A	N/A	N/A
82	10.4	41.7	16.6	68.8	17.7	19.8	80.2	N/A	N/A	N/A
83	N/A	N/A	0	88.6	N/A	25.6	28.3	N/A	N/A	N/A
100	5.1	16.2	30.5	59.4	32.2	32.2	23.2	N/A	N/A	N/A

F-4

Percent or Ratios
(wholesalers)

NOTE: The firms above consist of those firms which financial information was obtainable.

FINANCIAL PROFILE
INDUSTRY COMPOSITE OF WHOLESALERS -- INDUSTRY RATIOS

(Balance Sheet and Income Statement)

Percent or Ratios
(wholesalers)

FIRM #	CURRENT RATIO	QUICK RATIO	DEBT OVER NET WORTH	SALES OVER TOTAL ASSETS
25	1.1	1.1	9.8	33.4
37	1.1	1.0	44.5	4.1
41	1.1	1.1	2.8	N/A
73	36.0	36.0	0.0	4.2
82	5.1	2.6	0.2	6.2
83	3.5	N/A	2.5	55.1
100	1.8	0.8	3.3	4.7

NOTE: The firms above consist of those which financial information was obtainable.