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Gasoline Theft at Convenience Stores (updated January 2006)

When gas prices increase, many gasoline retailers report an increase in gasoline theft, or "drive-offs."

Gasoline theft is at least a quarter-billion-dollars-a-year problem.

- Gasoline price volatility throughout 2005 led to a significant increase in gasoline theft, brought on by misdirected consumer anger at higher prices. While exact totals for 2005 have not been finalized, all estimates are that the figure will be significantly higher than in previous years.
- Nationwide, gasoline theft cost the industry an estimated \$237 million in 2004. The average loss per store was \$2,141 in 2004, and that figure is conservative, since it is based on all convenience stores that sell gasoline, including those in states that mandate full-serve (New Jersey and Oregon) and stores in areas where prepay in the norm, such as California and many major metropolitan areas including New York, Las Vegas, Chicago and Atlanta, for example. (Note: For 2003, gas theft was reported to be \$112 million. While theft certainly increased in 2004, the difference in theft over the two years is also attributable to a more accurate measurement of the problem.)
- With convenience stores reporting total motor fuels sales of \$262.6 billion in 2004, that means that, on average, one in every 1,100 fill-ups was gasoline theft. While this is not a "conga line" of theft, at a penny per gallon profit, a retailer would need to sell an extra 4,000 gallons to offset each \$40 stolen.
- Gasoline theft tends to be a problem in densely populated metropolitan areas and near interstates where there's a greater anonymity; in these areas, retailers are reporting losses as much as \$1,500 per store per month. At stores in communities, where everyone tends to know each other, the problem generally is not as significant.
- Gasoline theft is not a "Robin Hood" crime of robbing the rich -- retailers typically make pennies a gallon on the sale of gasoline. In fact, they can often make as much, or more, from the sale of a 12 oz. cup of coffee

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than a 12 gallon fill-up.

- The increase in gasoline theft is directly related to price increases, as opposed to high prices. Theft increases every time prices increase.

The profile of a typical gasoline thief has evolved.

- Typically, convenience stores can experience a few gasoline thefts a week; however, when prices increase, some stores see several gas thefts a day. With retailers making a penny or two profit on the sale of gasoline, a retailer needs to sell thousands of additional gallons of gasoline just to make up for the loss. Oftentimes, it only takes one \$40 theft a day to significantly erode -- or wipe out -- a retailer's daily gasoline profits.
- Gasoline theft has always been an issue for the industry, and was often teenagers taking a few dollars of gasoline for a thrill. Today, the problem of theft is across all demographics, and the cars involved with the crime are everything from "junkers" to late-model SUVs.
- Just as the frequency of gasoline theft increases, so does the size of the fill-up stolen. And with higher prices, the amount lost from just one gasoline theft can top \$70 when an SUV is involved.
- A disturbing trend of late is the emergence of gasoline theft rings, in which specially designed trucks are used to siphon fuel from stations' underground storage tanks. Members of a theft ring operating in Florida were arrested in June 2005 for using trucks that could siphon upwards of 1,000 gallons of fuel undetected. Also in June 2005, a man in Cottondale, AL, was severely burned in an explosion while allegedly trying to siphon hundreds of gallons of fuel from a station.

The problem of gasoline theft can be addressed by mandating prepay -- but it comes at a cost.

- Requiring customers to prepay for their fuel would virtually eliminate the problem of gasoline theft. However, consumers, wanting convenience, will usually choose to go to another retailer that does not require prepay if one is close.
- The town of Mt. Pleasant, SC (a suburb of Charleston), enacted an ordinance in early 2004 that mandates that all retailers require prepay. Similar laws have since been enacted in Twin Falls, ID (late 2004), Myrtle Beach, SC (July 2005) and Bowling Green, KY (January 2006). These are believed to be the only laws of their kind in the United States, although in some areas of the country prepay is the norm, especially California. Other areas of the country have looked at mandating prepay, including Conway, AR; Fayetteville, NC; and Milwaukee.
- Besides the risk of losing customers, retailers usually elect to require prepay as a last resort, since generally customers will underestimate their gasoline purchases because they don't want to have to go back in the store for change. Also, they tend to shop less inside the store, where margins are healthier, because they have already been inside the store once to prepay and find going back inside to be inconvenient. There also are concerns that mandating prepay could lead to cash customers instead paying by credit card at the pump to avoid the inconvenience of prepay. Since credit card fees are upwards of 3 percent, that means that retailers

could incur an additional 9 cents per gallon in fees when gas is \$3.00 per gallon.

- Usually, retailers will look at requiring prepay for certain pumps or certain hours before requiring it all the time at a store.

Gasoline theft makes a bad situation worse for retailers.

- Retailers are being hit hard by the higher gasoline prices. During periods of price increases, retailers' wholesale costs rise faster than they can recover them at the pump so profit margins are down significantly. NACS reports that gasoline margins in 2004 were 6.9 percent, the lowest level since 1984, and much of the reason for declining fuel margins is price volatility for gasoline.
- Gasoline theft usually hits retailers when the value of that stolen property is at an all-time high.
- In addition to reduced profit margins on gasoline, more customers pay for their gasoline by credit card (approximately 70 percent of gas customers for the first half of 2005, and approaching 80 percent by October 2005) when prices increase. The processing fees for credit cards (as much as 3 percent) further shrink already reduced margins to the point where retailers often make less per gallon than the credit card company.
- Higher gas prices contribute to lower in-store sales, where margins are more robust, because people have less disposable income. While customers may spend \$40, that money is now all going toward gasoline, as opposed to the \$40 paying for a fill-up and additional in-store items where margins are healthier.

Gasoline theft also negatively impacts consumers.

- Law-abiding customers must pay the cost of the theft in higher prices.
- Some drive-offs leave the gas island at unsafe speeds to avoid being caught, creating a more dangerous environment.
- An increase in the incidence of gasoline theft makes more retailers consider mandating prepay, which consumers do not prefer to have as their only option. If more areas mandate prepay, it will be one less product available to consumers on the "honor system" where they can obtain a product before they pay for it.

What do stores do to stop gasoline theft? They take immediate steps to deter it.

- They increase sales associate training so that store employees more effectively monitor what's happening at the gasoline islands.
- They also redouble efforts to greet all customers -- whether by intercom or in person -- at the gasoline island. This takes away the feeling of anonymity.
- If appropriate, they install cameras at stores so if people do steal, they will have it on tape and can work with law enforcement to prosecute thieves.
- They work closely with authorities to prosecute gas thieves.
- Like many retailers across the country, Tulsa, Oklahoma-based QuikTrip had tried to balance protecting the business from gasoline theft with

protecting customer convenience. Its "PumpStart" program, introduced last year and now at its stores in Tulsa, Kansas City, Des Moines and Wichita, as well as select stores in Dallas, Atlanta and St. Louis, did just that. The first time a customer elects to pay for a gasoline purchase with cash, he or she has to go inside the store and present a driver's license. After the driver's license number is scanned or entered into QuikTrip's system, a process that takes about 10 seconds, the customer is issued a PumpStart card that activates the pump. For subsequent cash purchases, customers can use the same card and avoid having to go inside the store to prepay. If they fill up and fail to pay, their account is canceled and their name is turned over to police. In Tulsa and Kansas City, gasoline theft was "reduced to a trickle," the company reports.

- Altoona, PA-based Sheetz, Inc., is installing cash acceptors at its stores, eliminating the inconvenience of going inside the store to pay, and also eliminating the problem of gasoline theft, since customers must either prepay at the pump or use a credit card at the pump.

A number of state associations in the industry have been successful in gaining passage of legislation to prosecute those committing gas theft.

- As of June 2005, 27 states passed laws in which a judge has the discretion to suspend the driver's license of someone convicted of gas theft. Missouri's law requires (making it mandatory, not permissive) that a judge suspend the driver's license of a person who pleads guilty to, or is convicted of, stealing fuel.
- Here are the states and the year the law took effect:
 - 1998:** Georgia
 - 1999:** Alabama, Florida, Mississippi
 - 2000:** Kansas, South Carolina, Michigan, Tennessee, West Virginia
 - 2001:** Arkansas, Indiana, Kentucky, Virginia, Washington, North Dakota, Louisiana, Missouri, Texas, North Carolina
 - 2002:** Colorado, Pennsylvania
 - 2003:** Maryland, Connecticut, Wisconsin, Ohio
 - 2005:** Iowa, Minnesota
- In 2005, Oklahoma and Virginia increased the fine for those convicted of gasoline theft. Also in 2005, South Dakota passed a law (which took effect July 1) that makes the owner of the vehicle used by someone who drives off without paying for gas liable for the cost of the gasoline plus a service charge. If the fee isn't paid, a civil fine is assessed.
- Gas thieves are getting their driver's licenses suspended. According to the Indiana Bureau of Motor Vehicles, the state recorded 171 license suspensions for gasoline theft in 2002, 366 suspensions in 2003 and 246 suspensions in the first half of 2004.
- An important part of Georgia's campaign, developed by the Georgia Association of Convenience Stores and Georgia Oilmen's Association, and many of the other states, included stickers on the gas dispensers that warned customers of the impact of gas theft. A typical message showed a state trooper holding someone's driver's license, accompanied by the message: "Pay for your gas or lose it!"

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