



NEWS RELEASE

OFFICE OF ATTORNEY GENERAL HENRY MCMASTER
STATE OF SOUTH CAROLINA

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Report: New Law Helped Deter Price Gouging in 2008

Four Settlements Result from Investigation

Columbia, S.C. – Attorney General Henry McMaster today announced the findings of a nine-month investigation into gas price gouging in the wake of Hurricane Ike, which struck the gulf coast in September 2008.

In a report issued to the public, the Attorney General's Office made three key findings:

- Palmetto state retailers' price markups following Hurricane Ike in 2008 were not as dramatic as they were after Hurricane Katrina in 2005, indicating that the state price gouging law enacted in 2006 had a deterrent effect.
- The September 2008 spike in prices was primarily due to a lack of supply, causing a scramble for gas by suppliers, wholesalers, and retailers.
- With few exceptions, retail stations acted within reason given the information available to them about the status of fuel supply.

Read the full report: <http://www.scattorneygeneral.com/newsroom/pdf/2009/gaspricegouging.pdf>

Attorney General McMaster also announced that settlements were reached with three (3) gas retailers and one (1) wholesale supplier as a result of the gas price gouging investigation. As part of the settlements, they agreed to donate a total of \$6,500 to the American Red Cross for hurricane relief.

Settlements were reached with the following:

- **Bobb's Food and Fuel**, 4325 Mineral Springs Road, Lexington, SC Donation: \$500
- **Best Stop**, 3937 Leaphart Road, West Columbia, SC. Donation: \$500
- **Citgo**, 19002 Highway 72 East, Clinton, SC. Donation: \$500
- **Transmontaigne** (wholesale supplier - a wholly-owned subsidiary of Morgan Stanley Capital Group, Inc.), 2300 Southport Road, Spartanburg, SC. Donation: \$5,000

On September 12, 2008, Attorney General McMaster activated the state's price gouging law in the wake of Hurricane Gustav and just prior to Hurricane Ike making landfall on the gulf coast. In the weeks following landfall, the Attorney General's Office received approximately four thousand three hundred sixty (4,360) complaints about suspected gas price gouging.

As a result of these complaints, the Attorney General's Office issued investigative demands to thirty (30) retail stations, four (4) wholesalers, and three (3) suppliers from September 2008 through February 2009. During the investigation, meetings and interviews were held with suppliers, wholesalers, and retailers across the state.

In the fall of 2005, Attorney General McMaster launched an investigation into gas price gouging in the wake of Hurricane Katrina, resulting in four (4) stations settling with the office. McMaster also successfully lobbied the General Assembly in 2006 to strengthen the state's price gouging laws, allowing the attorney general to activate criminal penalties for price gouging during a period of abnormal market disruption affecting South Carolina.

"It became clear during the investigation that the state's new price gouging law had a deterrent effect," said McMaster. "While our neighbor states took action against a high number of retailers, Palmetto state retailers were aware of the state's new price gouging laws and acted in good faith."

"While the dire shortage set off a mad scramble for gas, station owners in South Carolina were able to justify and document their price increases as a response to the supply and demand effect of market forces," said McMaster.

Documents showed that in 2008, the retailers' price markups following Hurricane Ike were dramatically lower than following Hurricane Katrina in 2005. The largest 2008 documented price markup of 11.8% did not come close to the 40% and 46% markups uncovered in the 2005 price gouging investigation.

"To put it in perspective, a station would have had to charge \$7.57 per gallon in 2008 to match the highest-priced stations in 2005," said McMaster.

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