SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

VOLUME 28, ISSUE 11 DECEMBER, 2014

INSIDE THIS ISSUE:

FEDERAL LOBBY DAY IS COMING - DON'T LET THE HIGHWAY BILL CRUSH YOUR BUSINESS!

By Roy Littlefield, IV

Without Congressional action, the Highway Trust Fund will run out of money by the end of May, 2015. This could potentially have a huge impact on the tire industry!

SSDA-AT members from across the nation are invited to Washington, DC to meet and speak directly with members of Congress and Committee staff about this important topic at our Federal Lobby Day on February 5th.

Congressman John Delaney (D-MD) will be speaking on Lobby Day

Whether Congress passes another short-term bill or a much needed long-term solution, many funding options are being proposed that could have a detrimental impact on us. Although everyone agrees on the need for a long-term bill, few agree on how it should be funded.

A variety of options have been proposed including, increasing the motor fuel tax by $.15-$2.00 per gallon, reinstating the Federal Excise Tax on passenger tires, increasing the Federal Excise Tax on truck tires by 10%, reinstating the Federal Excise Tax by $.05-$.15 per pound on tread rubber used in the retread process, increasing the Federal Excise Tax on trucks and truck parts by 10%, and dozens of others.

Today, revenues from the excise tax on tires provide less than 2% of the Highway Trust Fund receipts, and this could increase drastically!

With so many proposals on the table, SSDA-AT is sticking firm with two positions.

First, we advocate that Congress eliminate diversion. We are approaching 30% of the funds collected for the Highway Trust Fund diverted for non-highway purposes. With Obama now proposing that the "Highway Trust Fund" be changed to a "Transportation Trust Fund," this would triple the current funding levels for mass transit. Our roads are falling apart and we must educate members of Congress on the importance of dedicated highway funds.

Second, SSDA-AT is asking members of Congress to engage creatively in future highway funding. We oppose tax increases that would be harmful to our

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BEST OF

GENERAL COUNSEL CORNER

Through the Year's (2010) Legal Highlights (and Lowlights)

By Peter H. Gunst , Esquire
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> **"The Supreme Court also made clear that suppliers cannot assert the PMPA's reach as a bar to actions brought under state law "to address wrongful franchisor conduct that does not have the effect of ending the franchise."**

(*This month we give Peter a break, and look back at one of Peter's articles from the January, 2011 SSDA-AT News . Some things are timeless!)*

As the year ends, it is appropriate to pause and consider some of the year's more significant legal developments.

We start with the lowlight. In the *Mac's Shell Service, Inc. v. Shell Oil Products Co.* case, the Supreme Court finally considered a Petroleum Marketing Practices Act claim. Unfortunately, it ruled unanimously against the dealers' position.

The Supreme Court rejected the dealers' claims of constructive termination and nonrenewal, in which they contended – although they had received no formal notice of termination or nonrenewal – that Motiva's harsh rental and pricing policies were the practical equivalent of termination or nonrenewal.

The Supreme Court disagreed, holding that the dealers had no claim under the PMPA because they continued to operate their stations despite Motiva's oppressive conduct.

Although not declaring categorically that a claim for constructive termination or nonrenewal could never be brought, the Court's decision makes it very difficult to press any claim under the PMPA absent a formal notice of termination or nonrenewal.

Even this lowlight, however, contained a helpful aside. The Supreme Court also made clear that suppliers cannot assert the PMPA's reach as a bar to actions brought under state law "to address wrongful franchisor conduct that does not have the effect of ending the franchise." This should significantly reduce the occasions on which suppliers can use the PMPA as a weapon to bar dealers from their remedies under state law.

But enough of the lowlight. A decision by the Superior Court of the District of Columbia in *Kazemzadeh v. Eastern Petroleum Corp.* demonstrates just how potent state law can be.

In its decision, the court found that a provision of the District's Retail Service Station Act barred suppliers from prohibiting dealers from purchasing gasoline for resale from competitive suppliers, so long as there was no misbranding and the product was "of a reasonably similar quality."

In addition, the court permitted the dealers to have a jury decide their claim that the supplier's imposition of price zones violated the local act's prohibition of discriminatory "adjustments and discounts."

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LEGISLATIVE UPDATE

By: Roy Littlefield

All SSDA-AT members are encouraged to make every effort possible to attend the February 5, 2015 Capitol Hill Lobby Day Effort.

A basic tenet of this 67-year old association is that you are the industry experts, and nobody can tell your story as good as you can. Our job is to direct your expertise at the right time to the right decision maker.

As dealers, you find yourselves in a very enviable position. At least on the political level, you are equal partners with the refiners and the jobbers.

As I have observed lobbying activity on the Federal and state levels, I am particularly impressed with our uniqueness.

Two reasons account for SSDA-AT's success: a united and active dealer network; and a growing political action committee.

There is an old political axiom that when you set aside the computer lists, high priced studies, there is nothing as profound as the voter. Many independent dealers and repair facility operators who live and do business in a legislative district have invested their time and money to become active participants in the political process. And the results are evident.

A second and very important piece to your legislative successes has been your historically strong political action committee.

The SSDA-AT PAC represents a group of participating dealers and repair facility operators who are concerned with preserving the quality of their lives and the financial security of their businesses.

Your PAC has been established by SSDA-AT members and is run today by members to determine where legislative candidates stand on issues that affect you, and subsequently to contribute funds in the appropriate election.

Members contribute to the PAC, members vote on where and how PAC funds are allocated, and members attend the political fundraisers.

SSDA-AT has been representing the industry since 1947. We have a rich tradition of political activism; and the Board of Directors has made a strong push in recent years to increase our effort.

We are active and have been especially successful because we speak in a strong and unified voice.

Whether we like it or not, the election process is a reality in the American political system. And the election process is very expensive.

When an elected official "goes to the wall for us" on environmental issues or marketing issues, he will approach us for help in return.

PACs were established in large measure to restrict political contributions of large corporations, and to allow small businesses an opportunity to pool resources and to become active players in the process.

While the intent was to create parity, at least financially it has not done so. But our growing PAC is making a difference.

SSDA-AT PAC has allowed association members to collectively pool resources to support lawmakers who share in your political philosophy. Again, you are able to do collectively what it would be impossible to do on your own.

In addition to the PAC, our association's greatest weapon in the political process is you! That is why we need you to come to Washington, D.C. to speak directly to members of Congress and Committee staff at our February 5 Federal Lobby Day.

The November 23 lead story on CBS' "60 Minutes"

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An Opportunity for Energy Leadership

In reality, we've become the world's leading natural gas producer and soon-to-be leading oil producer despite, not because of, White House policies.

Jobs and the economy are still voters' top priorities by far. So it's no wonder congressional candidates spent so much time on the campaign trail positioning themselves as champions of the American energy resurgence. The oil and natural gas industry supports 9.8 million American jobs, contributes $1.2 trillion to the U.S. gross domestic product and has spurred a manufacturing renaissance.

President Barack Obama has also joined the chorus, claiming in a recent speech at Northwestern University that America is a world energy leader because "right off the bat" his administration "upped our investments in American energy."

In reality, we've become the world's leading natural gas producer and soon-to-be leading oil producer despite, not because of, White House policies.

If President Obama has a signature energy policy, it is delaying the Keystone XL pipeline for six years. And the squandered energy opportunities don't stop there. Eighty-seven percent of federal offshore acreage is off limits to energy development after the president reinstated a drilling ban that had been lifted in 2008, and production is down on federally controlled lands — 6 percent for crude oil and 28 percent for natural gas.

The outdated crude export ban remains intact, and we run the risk of losing our competitive advantage as the world's leading natural gas producer due to the administration's slow pace in approving natural gas export applications.

With the election behind us, Congress has a mandate to step into the energy leadership vacuum and move forward with pro-energy policies that will create jobs and grow the economy. Congress can take the first steps before year's end by sending several bills with strong, bipartisan support to the White House. These include a Senate-approved measure to help Bureau of Land Management field offices process drilling permits, a House-passed measure accelerating liquefied natural gas exports, and long-delayed legislation to get construction started on the Keystone XL pipeline.

Polls show 77 percent of American voters support increased production of America's oil and natural gas resources, and increasing access to onshore and offshore resources is an economic winner. Removing obstacles to energy development could create 1 million American jobs, generate $127 billion in government revenue and increase oil and natural gas production as much as 4 million barrels per day over the coming decade.

Voters also overwhelmingly support moving forward with the exhaustively studied Keystone XL pipeline. After five positive environmental assessments from the State Department, President Obama's failure to grant approval is the only barrier to building the pipeline, which would create 42,000 jobs right away during the construction phase, plus deliver 830,000 barrels of oil per day from Canada and the U.S. Bakken region to U.S. refineries — moving us closer to true energy security in North America — as impossible as it may seem to Americans who lived through the '70s oil embargo.

Hoeven Calls for Energy Bills in 2015

Sen. John Hoeven (R-N.D.) announced that he is working on a "state-first, all-of-the-above" energy plan for the next Congress.

"We have a range of good, strong energy legislation already on deck that can help reduce the burden of regulation, grow the industry and build the right kind of energy plan for the nation's future," Hoeven said Thursday. "We will work to accomplish that by pushing a states-first, all-of-the-above approach to energy development in the Senate, which will create jobs, boost the economy and provide a real future for coal."

Recently, Republicans defeated enough incumbent Democrats to take control of the Senate in 2015. Hoeven said the new Congress would give the GOP an opportunity to work on energy legislation — a top priority for him.

The North Dakota Republican has pushed legislation that would force the administration to approve the construction of the Keystone XL oil pipeline that would transport oil from Canadian tar sands through the United States to refineries along the Gulf Coast.

He said coal also has to be part of the national energy strategy and criticized the administration for putting regulatory burdens on that sector because of high carbon emissions

"North Dakota coal-fired power plants provide nearly 80 percent of the state's residential and commercial energy needs and support nearly 17,000 workers, both in the coal industry and in industries that support the coal industry," Hoeven said. "We need to secure that reliable source of energy and the jobs of the men and women who produce it."

Iowa Department of Public Safety Receives National Award

The Iowa Department of Public Safety received a national award at a conference in Orlando recently.

The department received a National Law Enforcement Challenge Award at the 2014 International Association of Chiefs of Police Conference in Orlando on Tuesday, according to an Iowa DPS news release.

The awards recognize highway safety efforts in the previous year. The Iowa Department of Public Safety received first-place honors in the Regional Enforcement Efforts category for the department's Interstate Highway 80 Challenge.

The I-80 Challenge, which was conducted in July 2013, aimed to create public awareness on I-80 through increased law enforcement presence and media outreach.

A goal of the project was to have eight days of increased enforcement efforts to help prevent any fatalities.

The Iowa Department of Public Safety collaborated with 11 state patrols that I-80 passes through. The National Highway Traffic Administration and the Federal Motor Carrier Safety Administration also supported the project.

6 Questions About What's Next for Keystone XL

The U.S. Senate's failure recently to approve Keystone XL won't resolve the seemingly endless pipeline saga that has engulfed Barack Obama's presidency.

Even if the Senate had passed a bill approving the $8 billion U.S.-Canadian pipeline, as the U.S. House of Representatives did for the ninth time last week that would not have ended debate and begun the project's construction. Not even close.

Congress would still have faced an expected Obama veto. Also, the pipeline currently lacks an approved route through Nebraska, and its construction permits for South Dakota need to be recertified. What's more, falling oil prices may make future oil production less lucrative.

"It's political noise," Anthony Swift of the Natural Resources Defense Council, an environmental group opposed to the project, says of the congressional posturing. Louisiana Senator Mary Landrieu, a Democratic Keystone backer, pushed for a Senate vote to boost her reelection chances in a December 6 runoff against GOP challenger Representative Bill Cassidy, who led Thursday's House vote. Republicans will likely try to approve Keystone in January, when they control the Senate.

Because of its other obstacles, Swift says Keystone's northern leg won't get built right away "regardless of what happens in Washington, D.C."

Yet Calgary-based TransCanada, which first proposed building the Keystone XL pipeline in 2008, has no plans to back down. "As long as our customers are behind the pipeline, we'll advocate for it," says company spokesperson Shawn Howard. "Nobody's canceled our contracts, and we have a waiting list."

Looking ahead, here are six questions and answers about the pipeline's fate.

1. Why has Keystone XL remained so controversial?

Environmentalists have turned Keystone, one of the most contentious energy proposals in U.S. history, into a litmus test of Obama's commitment to fighting climate change. Obama, who reached a nonbinding deal with China last week to curb greenhouse gas emissions, is under mounting international pressure as countries push for a new climate accord at United Nations-led talks next year in Paris.

Critics are pressuring him at home too. They've repeatedly demonstrated outside the White House, some dressed as polar bears and many risking arrest. Some call Keystone the "fuse to the biggest carbon bomb on the planet" because of the carbon emissions from the oil it will carry. Climate scientist James Hansen, former head of the NASA Goddard Institute for Space Studies and now program director at Columbia University's Earth Institute, says an approval would mean "game over for climate."

At stake is Keystone's 1,179-mile (1,897-kilometer) northern leg, which needs a presidential permit because it crosses a U.S. border. This leg would carry up to 830,000 barrels each day of a heavy crude from the oil sands of Alberta, through Montana and South Dakota to Steele City, Nebraska. Once in the Midwest, the northern leg would connect with Keystone XL's southern route, which was completed in

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January, to move the oil to Gulf Coast refineries.

Oil sands crude can be particularly dirty. The State Department, which has reviewed the project because it crosses an international border, says this viscous oil—compared with average U.S. crude—would produce 17 percent more carbon emissions over its life cycle, which includes extracting, transporting, refining, and burning.

Still, the State Department's 11-volume final environmental impact statement says Keystone is unlikely to cause a spike in global emissions because the oil sands will likely be developed anyway—as long as oil prices remain high enough.

Proponents, including the oil industry and some labor unions, say Keystone would help reduce U.S. dependence on unstable foreign sources of oil and boost employment. How many jobs? The State Department's review estimates the project would create 3,900 one-year construction jobs and 38,200 indirect ones. It says operating the pipeline would entail about 50 jobs.

2. What's holding up an Obama administration decision?

The State Department has done several environmental reviews over the years as TransCanada has modified the project's route to address concerns that a leak could contaminate drinking water supplies. It released its final review in January but announced in April that it would take more time to determine whether Keystone is in the "national interest"—which involves assessments by eight federal agencies.

The department said the agencies have to review an "unprecedented" number of public comments on the pipeline and evaluate the impact of a pending lawsuit in Nebraska that could change its route through that state.

In February, a judge in Lancaster County, Nebraska, struck down a law allowing Governor Dave Heineman to approve a pipeline route. The state appealed to the Nebraska Supreme Court, which heard the case in September and is expected to rule sometime between late November and early February.

If the court upholds the county judge's ruling, TransCanada may need to secure approval of a new route in the state or obtain permission for the existing one from the Nebraska Public Service Commission.

Climate advocates and representatives from the Rosebud Sioux Tribe in South Dakota protest against the Keystone XL pipeline.

Activists demonstrate against Keystone XL outside Senator Mary Landrieu's home. The Louisiana Democrat pushed a Senate vote on the pipeline.

3. Will Obama really veto a bill to approve Keystone?

He's hinted but hasn't said. The president has said he'll make his administration's final call on the pipeline, though he hasn't issued a specific veto threat.

"The administration has taken a dim view of these kinds of legislative proposals in the past,"

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6 Questions About What's Next for Keystone XL

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White House spokesperson Josh Earnest told reporters during Obama's trip to Myanmar (Burma) last week. "It's fair to say that our dim view of these kinds of proposals has not changed."

In addition, Obama has recently sounded skeptical of Keystone's benefits to the American consumer. Traveling in Asia, he said, "Understand what this project is: It is providing the ability of Canada to pump their oil, send it through our land, down to the Gulf, where it will be sold everywhere else. It doesn't have an impact on U.S. gas prices."

What's unclear is whether, once the Nebraska court case is decided, Obama may be willing to approve Keystone next year as a bargaining chip to gain support for the key plank of his climate change plan: proposed federal rules to limit power plant emissions.

4. Does TransCanada face other state-level obstacles?

Possibly. In September, the company filed a petition to have its construction permits for South Dakota recertified. The state's Public Utilities Commission requires that if construction does not begin within four years of when permits were granted, the applicant needs to show that the project still meets the commission's conditions.

In September, TransCanada said the project fully meets the conditions of its June 29, 2010, permits. "We expect some kind of a hearing process," but the timeline for this remains unclear, says company spokesperson Howard.

TransCanada could also encounter resistance from local landowners. "We will be right there, ready to intervene, along with our allies and and partners in the fight against Keystone XL," says the grassroots group Dakota Rural Action on its website.

5. Aren't other pipelines proposed to move oil sands crude?

Absolutely. In the six years since Keystone XL was first proposed, TransCanada and other pipeline companies have put forward new projects or expansions of existing routes. Some of these projects will likely encounter indigenous opposition, mostly from First Nations—indigenous Canadians—and it's unclear which will get built.

Earlier this month, TransCanada asked the Canadian government to approve a 2,858-mile (4,700-kilometer) pipeline, known as Energy East, to move 1.1 million barrels of day of oil sands to Canada's east coast. It won't need U.S. approval, but Canada's regulatory system alone could prove to be a challenge. (Related: "Blocked on the Keystone XL, the Oil-Sands Industry Looks East.")

Toronto-based Enbridge got Canadian approval to build the 525,000-barrels-a-day Northern Gateway pipeline, which would run west to the Pacific, but it must meet more than 200 regulatory conditions before starting construction.

In March, Enbridge announced a $7 billion plan—and a novel tactic—to move more oil

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sands across the U.S. border. It said it would replace almost all of its Line 3 from Hardisty to Superior, Wisconsin, with wider and improved 36-inch (91-centimeter) pipes that will allow it to nearly double the amount of oil it can carry. It said it didn't need a new State Department permit, because it would limit the pipe diameter of a 17-mile (27-kilometer) stretch across the U.S. border to 34 inches (86 centimeters)—the dimension specified in the initial permit —and widen it elsewhere.

"The lack of new pipelines is starting to shut down production," says the NRDC's Swift, noting that several major oil companies-including Royal Dutch Shell, France's Total, and Norway's Statoil—have canceled or scaled back oil sands projects in Canada this year.

Railroads are picking up some of the slack. Though much of the increase in oil trains has been to accommodate booming production from North Dakota, rail cars are carrying a lot more oil sands too. They'll be able to transport 1.3 million barrels per day of Canadian crude by the end of next year, says Dinara Millington, vice president of research at the Canadian Energy Research Institute or CERI, an independent, nonprofit group.

TransCanada's Howard says pipelines are a cheaper and safer alternative. He also says public opinion polls consistently show that the majority of Americans support Keystone XL.

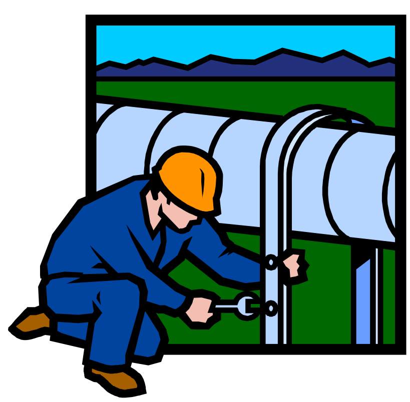
6. Will falling oil prices decrease demand to produce and transport oil sands?

Perhaps eventually. Oil sands development, accounting for the bulk of Canada's total oil production, has been soaring in recent years and that trend is expected to continue. CERI forecasts that production will grow from 2 million barrels per day in 2013 to 3.7 million in 2020 and 5.2 million by 2030.

In recent weeks, U.S. oil prices—as measured by the price of crude oil called West Texas Intermediate, used as a benchmark—has tumbled, nearing a four-year low of $75.64 a barrel.

"The existing production of oil sands won't be affected by falling oil prices," CERI's Millington says. Once producers have invested capital expenses, she says they can continue extracting oil sands for 35 to 40 years at operating costs that range from only $37 to $50 per barrel.

Still, she says falling oil prices could jeopardize future projects and slow the upward growth curve for oil sands production. The Paris-based International Energy Agency reported in October that one in four new Canadian oil projects could be vulnerable if U.S. oil prices fell below $80 per barrel for an extended period of time.



LETTER TO THE EDITOR

Dear SSDA-AT,

If you've filled up your tank lately, you've experienced one of the most direct benefits of America's energy resurgence. With U.S. production up 70 percent compared to the 2008 average, our growing energy security is providing a crucial buffer against overseas supply disruptions that usually send gas prices soaring.

A new ICF International study demonstrates the vital role played by hydraulic fracturing and horizontal drilling in America's energy revolution, finding that a gallon of gasoline would cost an estimated 29 cents to 94 cents more if not for these technologies.

The study found that production from wells using hydraulic fracturing and horizontal drilling accounted for 48 percent of U.S. production in 2013, while government data shows that U.S. oil production happens to have increased by the same amount – 48 percent – since 2008. Thus, nearly every barrel of new U.S. production over the last five years can be attributed to the use of horizontal drilling and hydraulic fracturing.

Other key findings:

- U.S. oil production from hydraulic fracturing/horizontal drilling increased to 4.78 million barrels per day in 2013, up from 750,000 barrels per day in 2008.
- International Brent crude oil prices were between $12 and $40 per barrel lower in 2013 than they would have been without U.S. fracking/horizontal drilling.
- ICF estimates that international Brent crude oil prices would have averaged $122 to $150 per barrel in 2013 without increases in U.S. production of crude and condensates from fracking/horizontal drilling.

The decline in prices for gasoline and other refined products saved U.S. consumers as much as $248 billion in 2013 and as much as $624 billion over the 2008 to 2013 period.

Eighty-three percent of voters support increased production of U.S. oil and natural gas resources, according to a poll of actual voters on election night. To achieve that important goal and the economic benefits that go with it, policymakers must open more areas to safe energy development and reject duplicative regulations on hydraulic fracturing – an already carefully regulated technology that has been used safely for more than 65 years in more than 1 million wells.

Sincerely,

Jack Gerard

Jack Gerard
President and CEO
API

FEDERAL LOBBY DAY IS COMING - DON'T LET THE HIGHWAY BILL CRUSH YOUR BUSINESS!

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industry. We were an early supporter of legislation introduced by Congressman John Delaney (D-MD) "The Partnership to Build America Act" (H.R. 2084). This act is a bipartisan effort to find new funding for roads, bridges, and transit. The act could essentially solve two problems in one. With companies stashing an estimated $1.45 trillion overseas, this act would allow for a means to fund transportation while bringing money from abroad back into the United States economy.

Delaney's plan would create a $50 billion federal fund to bankroll loans and leverage private investment for transportation and other infrastructure. The money would come from bonds bought by companies who want a tax break if they bring cash earned abroad back to the U.S. Congressman Delaney will be one of the speakers you hear from on Lobby Day.

In 2015, Congress will have to address transportation funding and it is more important now than ever we come together with our members to host a Federal Lobby Day.

SSDA-AT's Federal Lobby Day will include a luncheon with Congressional leaders in the Caucus Room of the Cannon House Office Building, meetings with members of Congress and Committee staff from the House Transportation and Infrastructure Committee and Senate Commerce, Science, and Transportation Committee, followed by a reception on Capitol Hill.

SSDA-AT is working collaboratively with a number of other automotive and highway-user industry groups including the American Highway Users Alliance, WMDA/CAR Service Station and Automotive Repair Association, and Tire Industry Association (TIA) on the Lobby Day.

The more attendees we have, the stronger our message becomes. The next transportation bill could include tax provisions that would affect the tire industry adversely for the next decade. With transportation funding being addressed in the spring of 2015, the timing could not be better to have our voices heard in front of the decision makers in Washington.

We are asking our membership to attend this event and support the association in their efforts to oppose unfair taxes aimed at the tire industry!

FREE transportation will be provided on February 5th, as well as a FREE lunch, FREE cocktail reception, and most importantly the PRICELESS opportunity to have your voice heard in the halls of Congress.

Members of Congress and their respective staff appreciate the input provided from business professionals, and on February 5th we have this opportunity.

We ask that you RSVP as soon as possible for this event!

FEDERAL LOBBY DAY

WASHINGTON, DC

THURSDAY, FEBRUARY 5, 2014

For more information, please see the attached pdf

Halliburton to Buy Baker Hughes for $35B

Halliburton (HAL), the second-largest U.S. oil services provider, said Monday it would acquire its smaller rival Baker Hughes (BHI) in a deal valued at $34.6 billion.

The two firms will combine forces in a stock-and-cash deal expected to close in the second half of 2015. The deal values each Baker Hughes share at $78.62.

Pre-market shares in Baker Hughes surged more than 16% to $69.61 on the news and were up 12% to $67.32 after the market opened -- still shy of the price Halliburton offered to buy it for. Halliburton's shares fell 9% to $50.01.

The deal comes amid a sharp dive in oil prices, with a barrel of West Texas Intermediate crude tumbling recently to its lowest level in more than three years, creating both havoc and opportunity for companies whose livelihood is tied to the price of oil. In early morning trading Monday, crude was up 79 cents, or 1%, to $74.97, but still deep in bear-market territory.

Wall Street expects the big drop in oil prices, which has also had a negative impact on the stock prices of companies in the energy sector, to prompt similar deals as companies look to solidify their businesses in an increasingly difficult business environment.

The oil-patch marriage, which was approved unanimously by both boards, comes after weeks of discussions, which were reportedly chilly at times, according to media reports. Halliburton made its first offer to Baker Hughes back on Oct. 11.

The proposed merger, which includes massive cost savings as the companies strip out redundancies, will enable the newly formed entity to navigate a more difficult market environment amid plunging oil prices. The energy market is currently undergoing a period of tumult and transformation, due to the combination of slipping demand caused by economic weakness abroad and abundant supply resulting from a sharp rise in crude production in the U.S.

Dave Lesar, chairman and CEO of Halliburton, said the deal will result in synergy-related annual cost savings of nearly $2 billion. The combination will provide substantial efficiencies of scale and geographic scope. Savings will come from operational improvements, personnel reorganization, real estate, research and development, corporate costs, and other administrative and organizational efficiencies.

Lesar said the acquisition will be accretive to Halliburton's cash flow by the end of the first year after closing and to earnings per share by the end of the second year.

The combined company "create a bellwether global oilfield services company," Lesar said in a conference call with analysts. "There is no doubt about the strategic merits of this combination. It is a com-

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Halliburton to Buy Baker Hughes for $35B

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pelling transaction with many strategic and financial benefits."

The Halliburton CEO said the transaction combines two highly complementary suites of products and services into a comprehensive offering to oil and natural gas customers. The combined company had 2013 revenues of $51.8 billion, more than 136,000 employees and operations in more than 80 countries around the world.

Under the terms of the agreement, stockholders of Baker Hughes will receive, for each Baker Hughes share, a fixed exchange ratio of 1.12 Halliburton shares plus $19.00 in cash, according to a press release.

The merger is subject to regulatory approvals and could face antitrust questions as the two companies are the second- and third-biggest oil-services companies in the U.S. The industry leader is Schlumberger.

To get the deal done, Halliburton has "agreed to divest businesses that generate up to $7.5 billion in revenues, if required by regulators," although Halliburton believes that the divestitures required will be significantly less.

If the deal is terminated due to the failure to get antitrust approvals, Halliburton has agreed to pay a fee of $3.5 billion.

Baker Hughes Chairman and CEO Martin Craighead acknowledged that the combined larger company would be a stronger company.

"One of the key reasons we are moving forward with this combination is because it will allow us to deliver an even broader range of products and services to meet customers' increasingly complex oilfield challenges," he said.

HALLIBURTON

BAKER HUGHES

Keystone Bill Dies in the Senate -- For Now

The Senate blocked a measure recently that would have authorized construction of the Keystone XL pipeline as Democrats chose their pro-environment base over an old friend -- embattled Louisiana Sen. Mary Landrieu.

The vote could just be a speedbump for the Keystone project, with Republicans ready to try again -- with much better odds of success -- once they take control of the Senate in January.

"This will be an early item on the agenda in the next Congress," incoming Senate Majority Leader Mitch McConnell, R-Kentucky, said after the vote.

Senator: I'm a 'no' on Keystone Senate fails to approve Keystone pipeline Boehner advises passage of Keystone

But it's a sharp blow to Landrieu, who had based much of her campaign for re-election in a December runoff on the argument that she could deliver results. For days she had insisted that she had the 60 supporters necessary to cross a key procedural threshold, only to fall one vote shy on Tuesday night.

"This is for Americans, for American jobs, to build an American middle class, and it will create 40,000 immediate jobs," Landrieu said on the Senate floor ahead of the vote. "If the people of this Congress haven't noticed, there's a long unemployment line in some parts of this country."

The vote served as a preview of the confrontations that lie ahead in Washington. President Barack Obama is on track to overhaul immigration rules on his own by the end of the year -- a move that is pushing some conservatives to consider shutting down the government in retaliation.

And as soon as the new Republican Congress is sworn in next year, Keystone will be back on the agenda, along with efforts to curtail Obamacare, raising the prospect of Obama issuing a series of vetoes.

But for all the battles that lie ahead, Tuesday's vote was really about local politics. Louisiana's Senate race is headed for a Dec. 6 runoff election, and Landrieu -- currently the Senate Energy and Natural Resources chairwoman -- saw the pipeline as a final chance to demonstrate her clout to voters in an energy-rich state.

Republicans responded by guaranteeing her opponent, Rep. Bill Cassidy, a seat on the energy committee. The House GOP also had him sponsor their own Keystone authorization bill, which was approved Friday on a 252-161 vote.

Cassidy rubbed salt in Landrieu's wound Tuesday, with his spokesman saying the vote was "perfect snapshot of her time as chair of the Energy Committee -- a failure."

Right now, the decision on whether to approve the Canada-to-Texas pipeline is in the hands of the State Department. Obama has said repeatedly in recent days that he wants Congress to stay out of it and leave it to State to finish its review of -- among other factors -- whether the pipeline would contribute to carbon pollution the could cause climate change.

"There is a process underway and the president is confident that that process will carefully evaluate the consequences of this specific proposal and that that's the proper way for a decision like this to be made," White House Press Secretary Josh Earnest said.

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Keystone Bill Dies in the Senate -- For Now

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Six years into that review, though, lawmakers have grown impatient.

"This process has not worked. This process has not brought this project some sort of finality -- yes or no?" North Dakota Sen. Heidi Heitkamp, one of the pipeline's most outspoken Democratic supporters, said on the Senate floor.

Liberal Senate Democrats like California's Barbara Boxer railed against the pipeline Tuesday, arguing that the environmental harm it could cause far outweighs the potential economic gains.

Boxer pointed to potential health risks of laying the pipeline, including heart disease, increased hospitalization, and a higher prevalence of chemicals that "penetrate deeply into the lungs."

"The facts are the facts are the facts," she said. "If you're not a scientist then be humble and listen to the peer-reviewed scientists. They don't have a special interest. They have an interest in giving us information we should base our decisions upon. "

Boxer also referred to the project as the "Keystone Extra Lethal Pipeline."

The Keystone debate on Tuesday pitted traditional Democratic allies against each other.

Many of the Democratic no votes were longtime friends and supporters of Landrieu who had contributed tens of thousands to her campaign.

Democratic Sens. Dianne Feinstein of California, Chris Coons of Delaware and Amy Klobuchar of Minnesota all contributed $7,000 or more to her campaign, and all opposed passage of the bill.

In the lead-up to Tuesday night's vote, the big question was whether Landrieu could find the 60 supporters necessary to clear a key procedural threshold.

In addition to the chamber's 45 Republicans, all of whom were expected to support the bill, Landrieu was joined by 10 more Democratic cosponsors: Alaska Sen. Mark Begich, Arkansas Sen. Mark Pryor, Indiana Sen. Joe Donnelly, Missouri Sen. Claire McCaskill, Montana Sen. Jon Tester, Montana Sen. John Walsh, North Carolina Sen. Kay Hagan, North Dakota Sen. Heidi Heitkamp, Virginia Sen. Mark Warner and West Virginia Sen. Joe Manchin.

Three more Democrats had pledged last week to support the measure: Colorado Sen. Michael Bennet, Delaware Sen. Tom Carper and Pennsylvania Sen. Bob Casey.

That left her one vote short -- and her options looked limited. West Virginia Democratic Sen. Jay Rockefeller said Monday night that he was a no vote. Maine Sen. Angus King, an independent who caucuses with the Democrats, said Tuesday that he wouldn't support it.

"Congress is not -- nor should it be -- in the business of legislating the approval or disapproval of a construction project," King said in a statement.

After the vote, five anti-Keystone protestors in the Senate gallery interrupted with chants and cheers. They were removed by police -- and the Senate moved on without a speech that had been expected from Landrieu.

API Study: Getting More Women into Oil, Gas Careers

What do women in the energy industry want?

That was one of the provocative questions asked by some of the presenters at the 2014 Women's Global Leadership Conference in Energy that was held in Houston this week.

It turns out that much of what women in the workplace want is not that different from what working men want: a good health care plan, long-term job security in a challenging position that allows for growth, an adequate salary and an opportunity to conduct one's work in a safe environment, according to Rayola Dougher, senior economic advisor at the American Petroleum Institute (API).

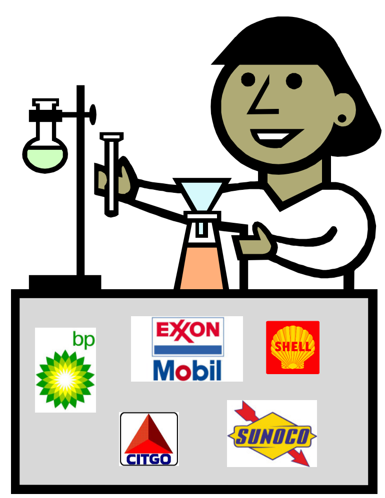
But there are other things that women look for in a career, as well, Dougher added.

It is important for anyone considering a job "to see someone else [doing that job] who looks like they do." That has particular resonance for women in the energy industry, since women make up just under one in five people in the oil and gas industry, or about 19 percent, compared with 47 percent of the overall U.S. labor force, Dougher said. So, there is an opportunity for more women to choose the energy industry as a career.

However, Dougher noted that more than 60 percent of the women in oil and gas were in administrative or support roles. So, the implication is that a lot of women could be staying away from high-paying jobs in the oil and gas industry because they don't see a lot of women in the industry, particularly at the higher ranks.

The comparative lack of women in the industry might seem curious, given the fact that the industry needs college-educated workers amid the energy revolution, and women make up about 58 percent of college students, Dougher said. However, much of the explanation lies in the fact that only about 20 percent of those female students are in science, technology, engineering or math (STEM) courses. But that begs the question of why more women are not interested in the STEM disciplines to begin with. Again, they might not be seeing enough people "who look like they do" in STEM jobs, she said.

"We know this industry is growing, and it needs a lot of talent, and we have to spread a wide net. We also know that women have been vastly underrepresented in the oil and industry, and so are minorities," Dougher said.



Mix of Funding Methods Envisioned for Transportation

With raising fuel taxes anathema to both political parties on Capitol Hill, experts believe the 114th Congress being formed in today's election may rely on a "patchwork" of revenue-generating methods to restock the dwindling coffers of the highway trust fund (HTF).

"How to pay for transportation infrastructure is the 800 pound gorilla in the room," James Burnley, who co-chairs the transportation practice at law firm Venable LLP in Washington D.C. and served as U.S. Secretary of Transportation from 1987 to 1989, told Fleet Owner.

"The funding challenge is just so daunting now at the federal level," he explained, noting that the size of the fuel tax increase needed to cover expected HTF outlays would be too steep politically to bear.

Currently, the federal fuel tax on gasoline stands at 18.4 cents per gallon, while for diesel it is 24.4 cents per gallon – numbers a bipartisan group of Senators suggested increasing, to no avail, back in June.

"That's why regardless of what happens in the election, a 'patchwork' of revenue solutions is most likely going to be used," Burnley said.

"Speculating wildly, that's most likely going to include some sort of indexing of the fuel tax to inflation, using funds generated from corporate tax reform efforts, and other methods," he explained. "It's just not likely there will be any stomach to double or triple fuel taxes."

A range of groups – from the American Trucking Associations (ATA) to the American Society of Civil Engineers (ASCE) – believe increased levels of funding is needed to revitalized the U.S. roadway system, which is now a half-century old.

In a conference call with reporters last week, Dave Osiecki, ATA's executive VP and chief of national advocacy, added that the HTF's fiscal state remains perilous and is being propped up by infusions from the federal government's general revenue fund.

"Since 2008, the government has transferred \$55 billion into the HTF – and that's up to over \$65 billion now following the \$10.8 billion transferred back in August," he noted, with that infusion expected to run out May 31 next year.

Osiecki said that such general fund transfers are currently viewed on Capitol Hill as the "most favorable method" for keeping the HTF solvent.

That being said, a range of other methods are getting some political support, including:

- Indexing fuel taxes to inflation, the consumer price index (CPI), or some other economic metric;
- Switching to a wholesale fuel tax;
- Crafting an oil barrel tax;
- Redirecting leasing royalty payments from oil production on government lands to fund transportation needs;
- Redirecting some revenues gained from corporate tax reform for transportation needs, specifically from U.S. company profits repatriated from overseas operations.

LEGISLATIVE UPDATE

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focused on America's crumbling infrastructure — including roads, bridges, trains, airports, and ports — and the duty of Congress to show more leadership and figure out how to pay for what needs to be done.

There is a general consensus in Washington of the need to pass a long-term transportation bill but there is no consensus on how it should be funded.
Without Congressional action, the Highway Trust Fund will run out of money by the end of May next year. Will Congress pass a short-term bill, or will they fund the infrastructure at a level deemed necessary to sustain the system for the foreseeable future? Let's look at the range of options being considered.

Option #1
Raise the fuel tax by $2 a gallon. This would be the easiest option to administer, and would be supported by environmentalists. It would be opposed by most in the auto and truck industries.

This option would not require any changes to nonfuel taxes.

Option #2
Raise the fuel tax by 50 cents a gallon, reinstate the FET on passenger tires and retread rubber

Option #3
Raise the fuel tax by 15 cents per gallon, reinstate FET on passenger tires and retread rubber and increase existing nonfuel taxes by 10% (including heavy tires).

Option #4
Consider:
Increased tolling
Congestion fees
Vehicle Miles Traveled (VMT) charges
National Weight-Distance Tax on Truckers
Increase private sector investment (i.e. privatization of highways)
National Infrastructure Bank
Sales tax on oil producers at the wholesale level
Today, revenues from the excise tax on tires provide less than 2% of the Highway Trust Fund receipts.

We are taking 2 strong positions:

- Eliminate diversion. We are approaching 30% of the funds collected for the Highway Trust Fund diverted for non-highway purposes.

- Engage creatively in future highway funding. We were an early supporter of legislation introduced by Congressman John Delany (D-MD) "The Partnership to Build America Act" (H.R. 2084). Congressman Delany will be the keynote speaker at the February 5 luncheon.

While most supporters of a transportation bill will look to a significant motor fuel tax increase, I am not sure that will happen. It seems doubtful to me that the first major bill to pass in the now Republican Congress would include a very visible large tax increase. But we need to voice our concerns.

Thus our concern is with the proposals to reinstate the excise tax on passenger tires and to increase by 10% the excise tax on new truck tires; or to solve the problem through tax reform (repealing the popular LIFO accounting method, for example, would raise $80 billion dollars).

There is nothing as powerful in Washington as a small businessman who honestly tells a lawmaker what a new tax or regulation can do to his or her business. Remember, nobody can tell your story as good as you can. On Lobby Day, you will have an opportunity to tell your story. See you in Washington on February 5.

GENERAL COUNSEL CORNER

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The court's decision is a significant step toward giving dealers real control over their choice of supply and over pricing. In the District of Columbia at least, dealers may no longer be their suppliers' economic serfs. Open supply anyone?

Another highpoint was at least one court's willingness to free a dealer who had purchased his station from BP from the terms of a restrictive covenant and mandated long-term supply agreement that tied the dealer to a single source of supply.

In *BP Products North America, Inc. v. Stanley*, a federal judge in Virginia freed the dealer from his long-term supply commitment on the ground that BP's overly broad station use and supply restrictions violated Virginia state law prohibiting such restrictions as unreasonably restraining trade within the state.

The decision may not be universally applicable outside of Virginia, because other states may permit the court to reform even an overly broad restriction and to still limit to a significant degree the dealer's freedom to operate. But the Virginia decision is still a welcome development.

We will wait and see what the New Year brings in. In the interim, Happy Holidays!!

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To access the latest articles by the Service Station Dealer's legal counsel, please visit the "Service Station Dealers: Legal Issues" section of the Astrachan Gunst Thomas Rubin, P.C. website at:

http://www.agtlawyers.com/resources/petroleum.html.

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