

TESTIMONY OF COSTCO

Good morning, Mr. Chairman and Committee Members.

My name is Rob Leuck. I am a vice president for Costco Wholesale Corporation, the second largest retailer by sales in the United States. I have responsibility for 20 locations in the northeast United States, including the Costco in Colchester, Vermont. I am including with my written testimony some background information about Costco wholesale. Our Colchester warehouse currently provides 279 good paying jobs with generous health and other benefits. Over 130,000 Vermont residents have a Costco card which accounts for approximately 20% of all Vermont residents.

Our business model is centered on high volume, no-frills facilities operating with low overhead so that we are able to provide tremendous value for our members. Wherever it is practical, Costco operates gasoline stations at our Costco warehouses. We consider gasoline to be one of our core services. Our philosophy is simple: Our members pay to shop with us, and we strive to provide a suite of products that provide great value for that membership fee. Gasoline is one such product.

While we, of course, will always strive to provide the best possible price, we are also committed to providing the highest possible quality on gas. As an example, we now offer gasoline with 5 -times the EPA required detergent dose. This assures our members that their engines will receive enough detergent to remove deposits from intake valves and injectors, so that they can run at peak efficiency. We call that "doing the right thing." This detergent program is currently available at over 200 US Costco sites and will be available at all Costco locations by September of 2013.

Costco's policy concerning gasoline pricing is simple: we will not be undersold by competitors in our market areas. Because our members pay to shop at Costco, it is critical that we show them consistently good value. The chart attached to this document is a snapshot of the value being offered at sites that I manage for Costco.

We have read that some of our competitors believe we sell gasoline as a "loss leader." That is simply not the case. Sometimes meeting the competition means that -- where it is lawful to do so -- we sell below our cost, usually on a temporary basis. We will not, however, sell below cost unless meeting competition requires us to do so and it is legally permitted. In such circumstances, we would only lower prices to "meet" the competition and not "beat" it.

Additionally, we operate all our gas stations in a responsible manner, and implement and maintain environmental and safety measures that meet, and often exceed industry and legal requirements. Every business a member encounters in a Costco, from optical, to pharmacy to gasoline, is there to provide a great value for our members: that includes great pricing, great quality and great service.

We have been trying for more than 4 years to obtain approval for Costco gas station in Colchester but we have faced opposition from competitors. We will not be deterred, and will continue to try to obtain approval so we can provide this important core service to our Vermont members.

We face vigorous competition from competitors large and small in nearly every Major market in the United States and Canada. Ultimately, competition serves the needs of the community--Costco members and nonmembers alike. In the absence of our type of competition, markets typically charge what the market will bear. Our model is different, in that, as we are able, we seek to maximize sales by providing the lowest possible prices on all of the items we sell. Based on our experience throughout the United States, we believe Costco gas station at the Colchester site would serve the entire community by lowering the opening price point and reducing the average price paid for gasoline at all nearby outlets.

We have included some information about our recent gas station opening in Maui, Hawaii, which demonstrates how our entering a market positively influences the prices paid for gas in that community, not just at the Costco, but across the island.

Thank you for your time.

		Costco	Kahului Avg Price	Lowest Competitor Price	Costco spread to Low Comp	Costco spread to Avg Comp
Kahului, Maui	60 days out	na	4.890	4.799	na	na
	30 days out	na	4.617	4.199	na	na
	post opening	3.98	4.240	4.149	0.169	0.260

Moving Company Hawaii Guardian Provides Low Moving Cost to Hawaii We Make it Simple! www.USShipGuardian.com/Moving-H

Last Minute Maui Find Last Minute Resort Deals to Maui. ORBITZ - Book Now www.ORBITZ.com

We Buy Mineral Interests Top Dollar Paid. Full Appraisals Quick Cash Closing www.brdfindmineralrights.com

AdChoices

Local News Opinion Blogs Sports Maui Scene Ads Vac Rentals Jobs Classifieds Extras TV CU Contact Us

Local News

/ News / Local News /

- Local News
- Business
- On the Campaign Trail
- Entertainment
- Neighbors
- Community
- Obituaries -- see also Online Newspaper Ads/In Memoriam
- Religion
- Opinion
- Hawaii News
- National News
- International News
- Weather
- SUBMIT NEWS: Virtual Newsroom

Hearing set for appeal of pe...

Maui prices continue decline...>

Costco VP on Maui gas station: To change face of island prices

July 13, 2012

By NANEKA KALANI - Staff Writer (nkalani@mauinews.com), The Maui News

Save | [SHARE](#)

The long-awaited Costco gas station in Kahului opened Thursday morning with regular unleaded priced at \$3.99 a gallon - about 30 cents cheaper than Maui's current islandwide average.

"This will change the face of gas prices on the island," said Jeff Cole, Costco's vice president for U.S. gasoline operations.

Cole said that the company has wanted to add a gas station to its Kahului location for at least the past five years.

"Gasoline is a core offering for our members, and we try to put them wherever we can," he said. "When we were able to get this property, this became a reality."

Costco bought 4 acres in Alexander & Baldwin's Maui Business Park Phase II for the expansion. (The company also is renovating and expanding the warehouse store, adding more floor space, refrigeration units and a deli with prepared foods and relocating the food court outside.)

"It's about time. I think Maui residents will finally see some lower gas prices thanks to Costco," Mayor Alan Arakawa said in a statement to The Maui News.

Maui's islandwide average price for regular gas was \$4.31 Thursday, down from an average of \$4.54 a week ago, according to AAA's Daily Fuel Gauge Report. The state average was \$4.21 - the highest in the nation, followed by Alaska with an average price of \$4.05.

Cole said that the company does not discuss how it determines prices at the pump.

"When members shop at Costco, it's incumbent on us to make a value proposition on everything, gasoline included," he said.

Longtime Maui Costco shopper Eugenia Feehan was the Kahului station's first customer Thursday morning.

"I like everything about Costco. It's reasonable and they have high quality - I mean it," said the Haiku resident.

Maui Food Bank officials filled up one of their delivery vans used to help feed 120,000 residents a year.

"We spend over \$1,000 a month on gas for pickups and deliveries," said Keith Wright, director of operations for Maui Food Bank. "So this will definitely represent a substantial savings for the food bank."

The nonprofit organization collects food donations from Costco five days a week, including bakery and snack items.

"It's all about lowering operating costs so that we can provide more services," added Richard Yust, the nonprofit's executive director.

Kahului, HI **71°F** Extended Forecast Find Another Location
Data provided by The Weather Channel

News, Blogs & Events

I am looking for:

[SEARCH](#)

in:

- News, Blogs & Events
- Web
- EZToUse.com



Article Photos



Drivers line up Thursday afternoon to buy gas on ...



Share to Share
REALTY, INC.

Property Management and Real Estate Sales in Maui

For honest, prompt and personalized service, [CLICK HERE](#) or call us!

ATLANTIS PARADISE ISLAND, BAHAMAS [BOOK NOW >](#)

Head to Publicize Your Non-Profit Event? Place your listing for [FREE](#) on the Maui News Online Calendar

Purchase a Web Ad and receive a Link to your web site for **FREE** The Maui News 808.241.3881

331 Ho'okahi St.
Suite 202
Wailuku, HI



The entrance to the station is on the Paia side of Costco's Haleakala Highway entrance. The station is open 6 a.m. to 9:30 p.m. Monday to Friday, and 6 a.m. to 8 p.m. Saturdays and Sundays.

The Kahului operation adds to five other gas stations in Hawaii - three on Oahu, and one each on Kauai and the Big Island.

* Nanea Kalani can be reached at nkalani@mauinews.com.

* This article includes a correction from the original published on Friday, July 13, 2012. Due to information provided to The Maui News, Eugenia Feehan's age was incorrect. She did not want to disclose her age. The Maui News apologizes for the error.

© Copyright 2012 The Maui News. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Save |



0

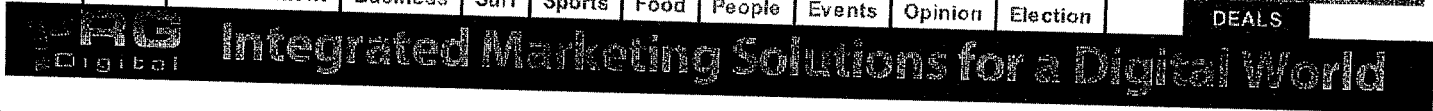
[Subscribe to The Maui News](#)

TAKE THE VACATION OF YOUR DREAMS.

The Maui News

100 Mahalani Street, Wailuku, HI 96793 | 808-242-6363

© 2012. All rights reserved. | [Terms of Service and Privacy Policy](#)



Maui Costco Gas Opens at Low \$3.99

July 12th, 2012 · [52 Comments](#) · [Comments Via Facebook \(11\)](#) · [Featured, Maui News](#)

Share |



Costco opened their new gas station this morning, selling regular gas at \$3.99 and unleaded at \$4.19 a gallon. Photo by Wendy Osher.

By Reid Cairne (****Reid is a news/media intern, from Kamehameha Schools – Maui. Edited by Wendy Osher, News Director*)

Costco Wholesale on Maui opened a gas station this morning, selling regular unleaded gas at \$3.99 and premium for \$4.19 for a gallon.

The price is at least 30 cents lower than prices offered at other Kahului gas stations today.

Stations such as Chevron on Ka'ahumanu Avenue and 76 on Wakea Avenue were selling gas today at \$4.29 for a gallon of regular. That's below prices reported in recent weeks.

The average price of gas in Waituku has dropped 55 cents since last month from \$4.869, to \$4.318, according to the AAA Daily Fuel Gauge Report.

The same report shows the drop in gas prices of 22 cents since last week in the days leading up to the Costco Gas opening.

Jeff Cole, Vice President of Costco Wholesale stated that so far, the opening has been met with "nothing but excitement."



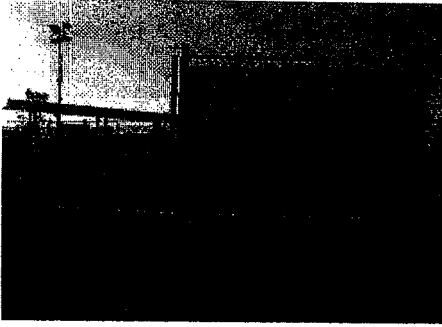
Costco gas will only be available to members of the Costco Wholesale retailer. Photo by Wendy Osher.

A blessing event marking the opening was attended by Maui Mayor Alan Arakawa this morning. He was the second in line behind a 93-year-old, long time Costco customer.

To fill up gas at the new Costco station, customers must be members at the Wholesale retailer.

Costco now has six gas stations in Hawai'i: three on O'ahu, one in Kona, one in Kauai and the newest addition on Maui.

Aside from the low price, another benefit to filling up, officials say is an added cleaning agent in the gas which helps to keep engines of customer cars running smoothly.



Costco Whole opened their gas station on Maui on Thursday July 12, 2012. Photo by Wendy Osher.

Jeff Cole, national vice president of Costco Wholesale said he is not certain how the low prices will impact other stations on the island, but he said, "Our commitment is to our customer base."

He said the Maui gas station has been a long time coming and has been a topic of discussion for over ten years.

While the opening of the new gas station was widely anticipated, so is the expansion of the Costco warehouse on Maui.

Jaime Havron, general manager of Costco on Maui said that they will be expanding to add another 20,000 sq ft. to the Kahului location.

Havron says that there will be many surprises for the people of Maui such as an expanded refrigeration section and moving the food court to an outside setting.

The expansion is expected to be completed by the second week of November, in time for Thanksgiving and the holidays.



[Sign Up To Our Weekly Newsletter](#)

+2 Recommend this on Google

Related Stories:

- [BRIEF: Costco Gas Opens on Maui](#)
- [Maui Gas Prices Down From Last Month](#)
- [Regular Gas surpasses 4 dollars per gallon in Wailuku](#)
- [Costco Kahului Plans to Add 10-Lane Gas Station](#)
- [Cost of School Lunch Increases March 1, 2011](#)

Tags: [cheap gas Maui](#) [Costco](#) [costco gas](#) [Costco Maui](#) [costco maui gas](#) [Maui gas prices](#)

Editor's Note: Maui Now is an open forum and we welcome any views. However, please apply your sense of aloha when posting comments - remarks that are unnecessarily offensive will be blocked.

By publishing a comment, you are acknowledging that you are personally responsible for its contents.

Add New Comment

Type your comment here.

Post as ...