

Record Gas Prices Impact Local Business

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Gas prices are high everywhere, but California is suffering from the highest prices in the United States. When the cost of filling the gas tank forces more and more people to make basic economic choices between driving and other basic goods and services, like food and medical care, you know things are bad. The emotional and psychological impact of gas prices reaching, and in some locations, exceeding \$5 per gallon takes its toll on the Golden State's collective psyche.

High gas prices also impact business which counts fuel expense as a growing component of their financial picture. Higher gas prices translate into higher transportation and delivery costs, as well as higher end product costs. Increased spending on fuel and transportation costs prevents businesses from investing for growth, funding research and development, or taking other steps to remain competitive and expand opportunities.

What can a business do to reduce the impact of gas prices on their operation?

An [article](#) from Mentor Engineering suggests three strategies:

1. Improve your procurement efforts through monitoring on-hand fuel, forecasting demand, and buying at the best price.
2. Manage your transportation fleet better by inflating tires properly and using skilled drivers who know how to save gas by using techniques like smooth acceleration and momentum control.
3. Plan shipment routes more intelligently so fewer miles and fewer stops are necessary.

Others suggest reducing the weight of vehicles that run on gas. Less weight consumes less gas.

Clearly, smart and creative solutions can significantly reduce the amount of gas business consumes in transportation or other uses.

Still the high cost of gas gets many upset, causing some to wonder if gas producers, suppliers and distributors are using world events and other circumstances to increase prices to unreasonable and unnecessary levels. As a general matter, increasing gas prices are not illegal "price gouging" under California law unless a state of emergency is declared or price controls are in place. Anti-trust laws at the state and federal level prevent price fixing by agreement of suppliers as well as certain other anti-competitive action, but the basic rule is that suppliers and distributors are free to set their own prices and the marketplace works its will.

So get smart, recognize that fuel costs are a significant component of your operating expense and be creative to put in place programs, procedures, and controls to reduce dependence and survive the current situation, which may not improve any time soon.

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