



MVP AUTOMOTIVE



6236 Main Avenue, #10 Orangevale, CA 95662 916-987-1757

For all your automotive service needs from Hot Rods to Hondas, Mini Vans to Muscle Cars...

Follow us on Face
Book and Twitter!

facebook

twitter

Coming Soon:
MVP's
Website!

IN THIS ISSUE:

- How do gas prices work?
- Maintenance Specials

Do you have a
question or a
concern about
your car?
Ask Mike!



CAR FAQ'S

How Do Gas Prices Work?

In May 2008, average **gas prices** in the United States approached, and in some places passed, \$4.00 a gallon, shattering records. But this was nothing new to American consumers. May was a month of records that broke one after another, and that came on the heels of months of rising prices.

Gasoline is the bloodline that keeps America moving, and tracking gas prices can feel like a roller coaster ride. They're down a little one month, up the next, and then they shoot up more than 50 percent in a year. Plus, they're different depending on where you look. Other countries -- and even other states and cities -- can have very different gas prices from your local Gas-N-Go. To the average person, it probably seems as though there's little rhyme or reason to how gas prices are determined. In this article, we will look at the forces that impact the price of gas at the pump, and we'll find out where your gas money actually goes.

The United States consumes about **20 million barrels of oil products per day** (bbl/d), according to the Department of Energy [source: DOE]. Of that, almost half is used for motor gasoline. The rest is used for distillate fuel oil, jet fuel, residual fuel and other oils. Each barrel of oil contains 42 gallons (159 L), which yields 19 to 20 gallons (75 L) of gasoline. So, in the United States, something like **178 million gallons** of gasoline is consumed every day

Breakdown of Gas Prices

When you pump \$30 into your tank, that money is broken up into little pieces that get distributed among several entities. Gas is just like any other consumer product: There's a supply chain and several groups who are responsible for setting the price of the product. The media can sometimes lead you to believe that the price of gas is based solely on the price of crude oil, but there are actually many factors that determine what you pay at the pump. No matter how expensive gas becomes, all of these entities have to get their slice of the pie. According to the U.S. Department of Energy, here's an approximation of where each dollar you spend on gas goes:

- Taxes:** 11 cents
- Distribution and Marketing:** 6 cents
- Refining:** 10 cents
- Crude oil:** 73 cents

Crude oil - The biggest portion of the cost of gas goes to the crude-oil suppliers. This is determined by the world's oil-exporting nations, particularly the Organization of the Petroleum Exporting Countries (OPEC), which you will learn more about in the next section. The amount of crude oil these countries produce determines the price of a barrel of oil. Crude-oil prices averaged around \$35 per barrel (1 barrel = 42 gallons or 158.99 L) in 2004. And, after Hurricane Katrina, some prices were almost double that. In April 2008, crude-oil prices averaged around \$104.74 per barrel. During that month, the price of oil reached a record price of almost \$120 a barrel [source: DOE]. By May 16, prices had topped \$117 per barrel [source: MarketWatch]. On May 22, markets in New York and London reported prices past \$135 per barrel, and on July 11, oil hit an all-time high of \$147 [source: Forbes, New York Sun]. Analysts speculated that everything from investment in oil futures to increasing demand from countries like India and China contributed to the spike in price.

Sometimes, gas prices go up even though there is plenty of crude oil on the market. It depends on what kind of oil it is. Oil can be classified as heavy or light, and as sweet or sour (no one actually tastes the oil, that's just what they call it). Light, sweet crude is easier and cheaper to refine, but supplies have been running low. There's plenty of heavy, sour crude available in the world, but refineries, particularly those in the U.S., have to undergo costly retooling to handle it.

Refining costs - The cost of refining diesel fuel can be considerably higher than the price of refining regular gasoline. To learn more about oil refining, read [How Oil Refining Works](#).

Distribution and marketing - Crude oil is transported to refineries, and gasoline is shipped from the refineries to distribution points and then to gas stations. The price of **transportation** is passed along to the consumer. **Marketing the brand** of the oil company is also added into the cost of the gasoline you buy.

Taxes - Federal excise taxes are 18.4 cents per gallon, and state excise taxes average 18.2 cents per gallon. There may also be some additional taxes, such as applicable state sales taxes, gross receipts taxes, oil inspection fees, underground storage tank fees and other miscellaneous environmental fees. Add that to the state excise taxes, and it can average 27.4 cents. It could be worse. In Europe, gas prices are far higher than in America because taxes on gas are much higher.

Station markup - Of course some of the money you spend at the pump does go to the service station. While some consumers blame high prices on station markup, service stations typically add on a few cents per gallon. There's no set standard for how much gas stations add on to the price. Some may add just a couple of cents, while others may add as much as a dime or more. However, some states have markup laws prohibiting stations from charging less than a certain percentage over invoice from the wholesaler. These laws are designed to protect small, individually-owned gas stations from being driven out of business by large chains that can afford to slash prices at select locations.

Gas prices also vary from state to state for several reasons. **Taxes** are probably the biggest factor in the different prices around the country. Additionally, **competition** among local gas stations can drive prices down. **Distance** from the oil refineries can also affect prices -- stations closer to the Gulf of Mexico, where many oil refineries are located, have lower gas prices due to lower transportation costs. There are also some regional factors that can affect prices.

World events, wars and weather can also raise prices. Anything that affects any part of the process, from the moment the oil is drilled, through refining and distribution to your car will result in a change in price. Military conflicts in parts of the world with lots of oil supplies can make it difficult for oil companies to drill and ship crude oil. Hurricanes have damaged offshore drilling platforms, coastal refineries and shipping ports that receive oil tankers. If a tanker itself is lost or damaged, or leaks its oil into the ocean, that will put a dent in the market as well.

The most recent surge in gas prices is due to several factors, including all of those listed above. However, a new reason emerged during the spring of 2007: legislation out of Washington to incorporate more ethanol into transportation fuels, enough to reduce daily oil imports by 1.5 million barrels by 2017. Between October 2007 and April 2008, ethanol-blended gas was between 4 and 12 percent more expensive than regular gas [source: [McKay](#)].

Average U.S. Gasoline Prices	
Year	Price Per Gallon
1980	\$1.22
1985	\$1.96
1990	\$1.22
1995	\$1.21
2000	\$1.56
2001	\$1.53
2002	\$1.44
2003	\$1.64
2004	\$1.92
2005	\$2.34
2006	\$2.63
2007	\$2.85
2008 (to April)	\$3.24

Source: U.S. Bureau of Labor Statistics Consumer Price Index (CPI). [Average Price Data, Gasoline All Types.](#)

Global Gas Prices

Want the world's cheapest tank of gas? Take a trip to Venezuela, where gas is 12 cents a gallon. At the other end of the spectrum is Sierra Leone, where gas is \$18.62 per gallon [source: [Hargreaves](#)].



MVP AUTOMOTIVE

6236 Main Avenue, #10
Orangevale, CA 95678

(916) 987-1757

Monday – Friday 8am - 5pm
Longer Hours on Demand

From Hondas to Hot Rods, Mini Vans to Muscle Cars we work on them all! From engine repairs to rebuilds, we have the experience and equipment to keep your family and classic / muscle car in top condition

With over 28 years of extensive automotive experience, Mike is an ASE Certified Master Technician.

His technical training also includes Advanced Performance/Diagnostic Training and Snap-On DSO/Scanner Training.

We use only name brand and warranteed parts

Visa & MasterCard Accepted

Service You Can Trust

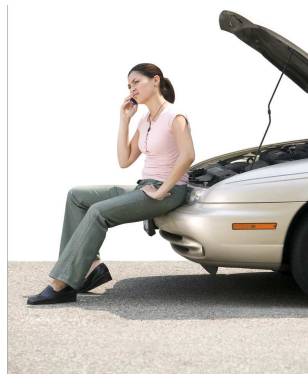
Satisfaction Guaranteed

THE BENEFITS OF PREVENTATIVE MAINTENANCE

Our cars are more than just transportation. For most of us they are a long term financial investment that we rely on daily.

Preventative maintenance not only helps save money on gasoline and unexpected costly repairs, it helps ensure the safety of you and your family.

Remember, it's always easier to fit a preventative maintenance appointment into your busy schedule than it is to call a tow truck from the side of the road!



Minor Service \$59.95

- ✓ Change Oil and filter

Inspect:

- ✓ Brakes
- ✓ Belts
- ✓ Hoses
- ✓ Fluid Leaks
- ✓ Front Suspension
- ✓ Rear Suspension
- ✓ Tires
- ✓ Shocks
- ✓ Exhaust System
- ✓ Water Pump *
- ✓ Adjust:
- ✓ Timing & Idle *
- ✓ Clutch *
- ✓ Brakes *
- ✓ Service :
- ✓ Air Cleaner Box
- ✓ Radiator Fluid Level
- ✓ Brake Fluid Level
- ✓ Clutch Fluid Level
- ✓ Rotate Tires
- ✓ Set Pressure
- ✓ Lube:
- ✓ U-Joints
- ✓ Doors & Hinges

Check:

- ✓ Lights
- ✓ Charging System
- ✓ Starting System

Tune Up

4 cylinder \$49.95
6 cylinder \$69.95
8 cylinder \$89.95

- ✓ 41 point inspection
- ✓ New Spark Plugs *
- ✓ Check and set idle and timing

Cooling System Flush \$79.95

- ✓ 41 point inspection
- ✓ Add Flush Chemical
- ✓ Run engine for 30 minutes
- ✓ Flush system
- ✓ Add fresh coolant and coolant treatment
- ✓ Check thermostat and fan operation
- ✓ Check system for leaks

*Applicable to most vehicles

* Platinum Spark Plugs extra

* Synthetic fluids additional

*Vans, specialty / diesel vehicles may have additional parts and labor