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Ignoring the government's plea to hold off, gas stations in the Dominican Republic announced on Feb. 7 that they would cease to buy gasoline because of pricing restrictions that are leading to their "going broke collectively."

The Asociacion Nacional de Detallistas de Gasolina (Anadegas), to which 486 of the country's 652 stations belong, said that they would, at the conclusion of the day's business, not be buying new supplies, and would shut down when current stocks run out. Anadegas published ads in leading newspapers to explain to their customers that, "with current margins, we cannot continue operating," and adding that, "in these times, high prices increase our losses."

The association's president, Juan Espaillat, said, "We are no more than the reflection of the current economic situation of the country. The government is aware that the [retail] sector is going broke." Espaillat wants the government to change the system that limits profits and prevents recovery of other losses. Since 2000, the Secretariat of Industry and Commerce has authorized a margin of 3.34 pesos (US$.14) a gallon (3.78 liters). Recent increases in costs, however, have trimmed that profit to 1.2 pesos (US$.05). The price hikes were the result in large part of recent strikes in Venezuela (see NotiSur, 2003- 01-23), which is the Dominican Republic's principal supplier. Prices at the pump rose to their highest in the country's history.

President Hipolito Mejia (see NotiCen, 2002-07-18), calling the Venezuelan situation a "penetrating wound" for the Dominican Republic, approved a new price increase on Feb. 15 that drove the price at the pump to 54.90 pesos (US$2.40) for a gallon of premium, while regular rose to 49.49 pesos (US $2.10), but he did not permit any increase in profits. There are indications that individual gas-station operators have found creative ways to pass their increasing costs on to the customer.

The Central Nacional de Transportistas Unificados (CNTU) charged that most stations have rigged their pumps to deliver less than the indicated quantity. The CNTU estimated the overcharge to the customer at about 10%. In addition, says the CNTU, stations are cutting the gasoline with gasoil, an inferior product not meant for automobile engines. The CNTU has also accused propane sellers of defrauding the public at an even higher rate, where 20% or more of the indicated amount is not dispensed.

CNTU president Ramon Perez Figuereo said that the government knows about the problem. "This is a troublesome problem in view of the fact that the authorities don't follow up on a problem that we, the consumers, have been confronting for a long time," said Perez Figuereo. The retailers, by contrast, do not see themselves as thieves.

Espaillat referred to them as "philanthropists" in their relationship with the government. By using their own credit to buy gasoline at higher prices, for which they get no profit, they have been

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financing the government, according to the business leader. "We are waiting for the government to take back the problem that they've been aware of for a long time," said Espaillat. He said that Sonia Guzman de Hernandez, secretary of state for industry and commerce, has been looking to the retailers to solve national problems. Guzman has agreed that Anadegas has a legitimate case, but in a meeting with the association maintained that now is not a good time to adopt measures that would allow the stations a higher margin, because to do so would further increase consumer prices.

Anadegas countered that they would continue with their refusal to buy more gasoline at wholesale, and would allow stocks to run out. Guzman was gambling that gasoline would continue to be available. She said that not all the association's member stations were in agreement with the strategy and that not all retailers are Anadegas members. There are gas stations in the Dominican Republic that are the property of oil companies Shell, Texaco, Esso, and Isla, none of which have agreed to curtail sales.

With the two parties at a standoff, President Mejia entered the discussion to offer his opinion that the association's boycott of the Refineria de Petroleo is stupid, because there is, at the moment, no solution to the problem. "Forget about it," he said, "this is a stupidity of theirs, because we have moved forward and studied how, within the realm of possibility, to resolve this problem, and now there is no solution to it. I called to tell Espaillat yesterday that this attitude is unacceptable to us." The president said that under the circumstances he would not negotiate further on the matter and that there would be no shortage of gasoline. He also took the opportunity to comment that his popularity, which has slipped because of this and other economic issues (see NotiCen, 2002-11-07), would rebound as soon as the people realized that none of this was his fault.

The number of stations participating in the strategy turned out to be in line with that anticipated by Guzman. The measure did not result in a complete shutdown of transport across the country, but there were shortages, mostly in the outlying areas. Those shortages were enough after just one day, however, to encourage the government to revisit the situation. Wholesale prices dropped slightly overnight, and Anadegas announced that it had come to an accord with the government.

Anadegas president for the northern region Abel Medina told the press that retailers would henceforth be authorized to set their margins at a percentage of the wholesale price rather than be tied to a fixed rate per gallon. He said that the specific numbers had not yet been worked out. Medina termed the Anadegas holdout strategy a "total success." Others are not so sure that the measure was even necessary.

Nelson Crespo, president of the petroleum transporters, said that he understood the Anadegas demands but that his organization could not participate in stopping the flow of fuel to hospitals, airports, public institutions, nor to any other area vital for the economy. He said that he had spoken to Secretary Guzman, and she detailed for him a solution to the retailers' problem that included a presidential decree that would compensate them for technical loses as well as guarantee them a profit as a percentage of sales. Technical losses include evaporation, metering errors, and others that cut into profits.

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President Mejia recognized that the accommodation to the retailers amounted to a short-term solution to a long-term problem. He said that more than 35% of the national budget "must be destined annually to the purchase of different kinds of hydrocarbons that the country consumes gasoline, liquefied petroleum gas, gasoil, and others." He called for an immediate revision of contracts that the state has signed with national and foreign companies for oil and natural-gas exploration. Mejia said that these companies had not complied with their obligations and that the search for alternatives to dependency on imported oil could not be put off. The president said the companies under contract, Once Once, Maleno, and Mobil, have the obligation to drill one well a year, but in the past 11 years "have only drilled one well, despite the efforts by the Direccion General de Mineria to speed up their work."

Mejia issued a decree declaring oil and gas exploration a high-priority activity for the national economy and calling for the immediate renegotiation of existing contracts. Under the decree, a commission previously authorized to negotiate with the companies will renegotiate all existing contracts. The objective of the renegotiation will be to increase exploration for oil and gas, to do away with the exclusivity that the companies now have under existing agreements, and to free up drilling areas that the companies have not explored.

The commission will comprise the director of the Oficina para la Promocion de las Inversiones (OPI), Danilo del Rosario; director general of mining, Pedro Vasquez Chavez; and the executive director of the Unidad Corporativa Minera, Miguel Pena de los Santos. Included in their mandate is to "realize an intensive campaign of promotion of investment in international markets to attract companies specialized in natural gas and oil exploration," Vasquez Chavez told reporters.

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