TO: State and Local Organizers

FROM: Pan-African Liberation Committee

DATE: May 20, 1973

RE: RESPONSES WE CAN EXPECT FROM GULF

Q. When the boycott becomes effective, what response can we expect from Gulf?

A. Gulf will attempt to cover the surface so that we cannot see what damage is occurring. This will take the form of lowering the price that hard-hit dealers will have to pay for gas. For example, if Dealer A buys gas for 20¢ and sells it for 35¢ before the boycott, and sells 1000 gallons a day he makes 15¢ x 1000 gallons = $150. Thus, when the boycott is operating Gulf will sell him gas at 10¢ which he sells at 35¢. Then if he only sells 600 gallons, he still makes 25¢ x 600 gallons = $150. However, in doing this Gulf is losing money. Although the boycott can continue indefinitely, Gulf cannot continue to subsidize its dealers indefinitely. Thus Gulf will put the prices back up and the dealer will have to close because at 20¢ per gallon he only makes 15¢ x 600 gallons = $90. If we assume that he needed the $150 he was making, just to stay in business, he cannot stay in business at $60 less than the $150. Ultimately, the franchises must begin to close.

It is possible however that we will be able to notice the effectiveness of the boycott before a single franchise has closed. If the boycott has the appearance of being one which is the result of serious planning
with a long range commitment toward producing a financial impact, the stock analysts on Wall Street will be putting the word out to that effect. Gulf's stock market value would drop. This would be an immediate injury to Gulf which we can watch. In this regard it is important to know that Gulf's stock is already selling at a low rate because the Middle East situation makes their ability to continue to get oil from Kuwait very questionable. Kuwait is the leading source of oil for Gulf.

PALC