

Old Boys Club in Gas Distribution?

By Aisha I. Jefferson

Armed with Wall Street-backed financing, top management, the support of the mayor of Washington, D.C., and the governor of Virginia, black-owned DAG Petroleum was certain it was more than qualified to purchase service stations from oil giant British Petroleum.

However, instead of being met with welcoming arms, DAG CEO Eyob "Joe" Mamo claims BP intentionally excluded his firm from the latter part of the bidding process based on race, and therefore awarded the Washington distributorship to "less qualified," white-owned companies from outside the area. Mamo believes DAG's bid was higher, dollar-for-dollar, than the winning companies. "Who declines money in their right minds?" Mamo asks.

The result: a lawsuit filed in federal court on Nov. 17 that alleges BP engaged in racially discriminatory conduct regarding the sale of its 181 automotive service stations in Virginia, the District of Columbia, and Maryland.

In 2001, DAG hired infamous discrimination trial attorney Willie Gary to sue ExxonMobil Corp. for \$10 billion for preventing DAG from purchasing any of the more than 1,700 gas stations that Exxon was ordered to sell to a competing oil company. That litigation is still ongoing, but it has not deterred DAG from trying it again.

The current lawsuit claims BP committed various infractions that violated the Civil Rights Act, and asks for compensatory and punitive damages along with requiring BP to implement diversity programs, be trained in diversity management and have a monitor appointed over the company to ensure it complies with all state and federal human rights and civil rights laws.

"The reasons given by BP for rejecting DAG's offer to purchase the stations were false and pretextual," the complaint reads.

BP spokesman Scott Dean says the company "emphatically denies any alleged claim of racial discrimination regarding this process" with DAG and maintains that the competitive bid process was consistent and fair to all participants. Dean says BP already has a group within it that focuses on diversity inclusion, and has two African Americans on its board of directors who joined after the Amoco merger in the late 1990s.

"We are confident that the bids submitted by all companies received full and fair consideration, and BP completed final agreement with two companies whose bids offered the overall highest value to BP and all of its shareholders," Dean says.

DAG and its attorneys, Geoff Gitner and Billy Martin, remain unconvinced. DAG's legal team is taking measures to gather other minorities who have experienced racial discrimination by BP, which could expand the lawsuit to class action status. "We're hoping that we can meet with BP down the road and try to resolve these issues," Martin says.

Founded 18 years ago by Mamo, DAG purchases petroleum products at wholesale from refiners and delivers its products to stations it owns and operates. The company expects to generate more than \$30 million in revenues for 2005. Mamo, 39, says the firm owns about 20 service stations in the District of Columbia area. DAG had hoped to further broaden its enterprise by becoming a distributor for BP, which, like other large integrated oil companies, is divesting itself of ownership of service stations because more money can be made by focusing on the refinery end of the business, Mamo explains.

Of the three major oil companies-ExxonMobil, Shell Oil Co. and BP, only Shell, has a black distributor, which is DAG. Mamo says DAG became a distributor to Texaco before Shell purchased it a few years ago. This was after Texaco paid \$176 million to settle class-action discrimination lawsuit filed by a group of African American employees.

"The number of black distributors is just sparse. We're basically locked out," says the Rev. Jesse Jackson who intervened to assist DAG with acquiring the distributorship.

Dean says BP estimates that roughly 20% of its dealers and franchisees who operate roughly 1,800 BP and ARCO

admits that BP doesn't have any African American distributors.

In 2001, DAG hired a former senior vice-president of BP, Jack Burdett, as its president. Burdett worked for BP and Amoco for 34 years, including running BP service stations for six years. "He knew the business," Mamo says, adding DAG submitted a number of bids, and, according to the lawsuit, was told by a BP representative that "no amount of money will get you [DAG] in the running."

Aside from BP and Texaco, Shell, Apple Computer, John Deere, and Eastman Kodak are some other companies in recent years that found themselves embroiled in racial discrimination lawsuits relating to their business practices. Jackson says there "absolutely" is an increase in the number of racial discrimination and gender discrimination lawsuits being filed against large corporations. "The private sector has not been as challenged. And often, the government laws aren't really enforced," Jackson says. "So private sector corporations use various ways to get around inclusion. And at best they will deal with employment and call it diversity, but when it comes to suppliers it becomes difficult, and with distributors and franchisees it becomes even more difficult because often those franchises and distributors go through intergenerational exchange."

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