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Far-out idea for expanding Sunoco: Wawa

Sunoco Inc. boss Lynn Elsenhans' brief statement last week, that she wants to expand the company's convenience-store business while cutting back on petrochemicals, raises an only-in-Philly question: Why not combine with Wawa Inc.?



Joseph N. DiStefano

Oil plus milk? "That is the first thought that came to my mind," says Howard Butcher IV, a Philadelphia investor whose family has done business with Sunoco's founding Pew family and Wawa's controlling Wood

family over the years.

Cokes and smokes, gas and diesel, hoagies: "Wawa knows the model because they created it," Butcher says. "It's a very good model."

Would Wawa sell? "We are privately held, have been for more than 200 years, and intend to stay that way," says spokeswoman Lori Bruce.

"The Wood family is very conservative," and likely faces little financial pressure to sell, says Butcher — though it may find "inheritance and estate planning" make it pay to diversify its holdings. And, come to think of it, "this would be the year to sell, because of the current capital gains rate."

It's a question facing a lot of private-company owners, says Scott Isdamer, partner at Isdamer & Co., LLC, accountants in Bala Cynwyd.

Today's 15 percent capital gains tax expires at the end of the year. Federal tax rates on company-sale profits will increase to 20 percent after Jan. 1 if Congress doesn't act, or more if the government raises rates to balance the budget. "It's time to accelerate the sale of your business, if the price is right," Isdamer adds.

What's Wawa worth? A modestly larger chain, Iowa-based Casey's General Stores Inc., last week attracted competing \$1.6 billion bids from 7-Eleven Inc. and Canada's Alimentation Couche-Tard Inc. ("Food Up-Late"). Wawa might fetch nearly



Lynn Elsenhans, Sunoco chief, wrote of wanting to expand the company's convenience-store sector.

as much — or more, if investors think it could grow faster than Casey's.

Sunoco, worth \$4.2 billion at Friday's closing stock market price, is, as Elsenhans noted, sitting on "about \$1.5 billion of cash" and has good credit to borrow more for an attractive acquisition.

Wawa is smaller but valuable enough, compared with Sunoco, that "if I were Wawa and aggressive, I might be considering buying Sunoco, rather than the other way around," Butcher concludes. Sunoco didn't return



A Sunoco station with store on Passyunk Avenue in Philadelphia and a Wawa with gas pumps in Medford, N.J. Might the two companies be better together? Locally, some wonder.

MICHAEL S. WIRTZ / Staff Photographer



AKIRA SUWA / Staff Photographer

calls seeking comment.

Is 'free' good?

Internet analyst Scott Cleland says he has been paid by Verizon Communications Inc., Comcast Corp., and other Internet service providers to preach what he believes: that Google Inc.'s Internet search "monopoly" will wreck the U.S. economy.

That's if the federal government, as Cleland told me, insists on "regulating the Internet" and imposing "Net neutrality" rules that cut costs for Google and other big Internet users while limiting service providers' and video producers' power to boost profits.

I asked antitrust scholar Michael Carrier at Rutgers Law School in Camden to check out Cleland's

arguments in a study Cleland's firm, Precursor L.L.C., published last week.

Cleland: "There is no net economic growth or job creation from Google's 'free' Internet model, only a deflationary price spiral, negative growth, property devaluation, and hundreds of thousands of job losses.

... If antitrust authorities do not wake up soon, a wide swath of a trillion-dollar sector with millions of jobs — video, maps, books, analytics, travel, etc. — will suffer the same fate as the music and newspaper industries."

Carrier: "A 'free' model encourages creation and production," easing fears that Internet providers and content companies "would stifle such creation and dissemination" for independent producers.

Cleland: "When Google re-brands its current YouTube-DoubleClick video-advertising business as 'Google TV' this fall, it already will own an Internet video-streaming monopoly with 80 percent of the Internet audience.

... Google has more video views every day than Comcast has Video on Demand views in a year."

Carrier: "YouTube increases the number of outlets for video. It has been very useful for amateurs to post videos online, and I view it as a useful addition to the video offerings out there."

He added, "Google has reached its position more through having a product consumers want than through anticompetitive behavior," though "the Department of Justice should carefully evaluate future Google activity, to see whether it would close off certain markets."

Up in the sky

Philadelphia City Planning Commission meets 1 p.m. Tuesday, upstairs at 1515 Arch St., to talk about, among other things:

- A "mixed-use research and retail" tower rising up to 280 feet, or 25 floors, at 38th and Market Sts., in the University City Science Center. Planners like it: "We've been trying to get the Science Center to develop taller buildings," newly promoted Planning Commission executive director Gary Jastrzab told me. The Science Center's Jeanne Mell told me the tower might rise just 12 stories when it's done.
- A 1,576-bed dorm, dining hall, and courtyard at fast-growing Temple University, on Broad Street between Cecil B. Moore and Oxford.
- The planned Mormon Temple and genealogy complex at 1701 Vine St. The temple will have "two big spires, no higher than" the cross atop the nearby Cathedral Basilica of SS. Peter and Paul, Jastrzab says.

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