

Price Gouging Bill and the Impact of Rising Gasoline Costs

Price Gouging Bill

The Energy Price Gouging Prevention Act, a bill by Rep. Stupak, would create a federal law against price gouging for gasoline and other petroleum distillates. It would provide immediate relief to consumers by giving the Federal Trade Commission (FTC) the explicit authority to investigate and punish those who artificially inflate the price of energy. In addition, the bill would provide the FTC with the authority to bring greater transparency to oil and gas markets; and direct penalties from price gougers to the Low-Income Home Energy Assistance Program (LIHEAP).

Economic Effects

Already, rising energy prices are impacting a diverse swath of the U.S. economy and hurting hard-working Americans. These energy prices are also costing us jobs. On average, every time oil prices go up 10 percent, 150,000 Americans lose their jobs --based on the calculations of the Bureau of Labor Statistics and Federal Reserve Board.

These energy price spikes are raising concerns about our economic growth. Consumers, battered by surging gasoline prices, cut back spending for clothes, cars and other items – with retail sales falling in April. [AP, 5/11/07]

Memorial Day Travel

In a sign that energy costs will affect consumer behavior, travelers are planning to stay closer to home and take shorter trips over the Memorial Day weekend. Travel-related expenses for U.S. households are expected average nearly \$600. [AP, 5/17/07]

While they will continue to take vacations and plan getaways, families will make sacrifices by traveling closer to home, for fewer days and staying in less expensive hotels and eating in cheaper restaurants.

Airlines

Today's jet fuel prices are crushing. Unlike other modes of transport, airlines have no alternative to jet fuel.

Last year, airlines spent a record \$38 billion on jet fuel – three times the cost in 2002. Every penny increase in the price of a gallon of jet fuel drives an additional \$200 million in annual fuel costs for U.S. airlines. [Air Transport Association]

Some airlines have imposed fuel surcharges raising the cost of travel.

Trucking

Among the hardest hit have been independent truckers as rising fuel prices raise the cost of running their big rigs. For many motor carriers, fuel can account for up to 25 percent of total operating expenses. [American Trucking Association] A one-penny increase in the price of diesel over an entire year costs the industry an additional \$350 million a year. Retail diesel fuel prices are expected to average \$2.79 per gallon this year – 8 cents more per gallon than last year’s historically high prices. [EIA, 5/07]

The rising cost of fuel has the potential to create a ripple effect through the economy because if prices continue to rise, eventually consumers will likely see higher costs for whatever they are purchasing that is being delivered by truck. This is significant because 80 percent of communities in the U.S. get their goods solely by truck. [American Trucking Association]

Small Business

Across the board, the number of small businesses raising prices has nearly doubled over the past three months, growing from just 8 percent in December to 15 percent in March, according to the National Federation of Independent Business. Owners blamed the hikes primarily on higher labor costs, but energy costs — from gas prices to heating and electricity bills — typically ran a close second. [FoxNews.com, 5/1/07]

While record energy prices have hit large corporations as well, small businesses feel a much greater impact. The latter, with their slim profit margins, have less flexibility to absorb price hikes -- or pass them along.

Delivery companies, cruise lines, taxis, electric utilities, garbage collectors, landscapers, pizza chains, florists and numerous other businesses nationwide are finding it necessary to either tack on extra fees to the basic consumer price or to increase existing fuel surcharges.

Farmers and Rural Communities

Energy prices are costing farmers billions of dollars. Retail diesel fuel prices are expected to average \$2.79 per gallon this year – 8 cents more per gallon than last year’s historically high prices. [EIA, 5/07]

With skyrocketing energy costs farmers are hurt in several different ways. It costs more to grow and harvest crops because prices are higher for fertilizer, pesticide, fuel, and lubrication. Energy-related inputs—such as gasoline, diesel fuel, electricity, and fertilizer— make up 15 percent of farm expenses. Gasoline, diesel fuel, natural gas and propane gas power the equipment used to plant, cultivate, water, harvest and deliver crops to market. Poultry and pork producers use propane gas to keep their chicken and hog houses warm, and gasoline and diesel-powered trucks for transporting them. And it reduces the selling price and any profits from their crops, because shippers and food manufacturers are paying more for transportation and manufacturing.

Farmers are the least able to pass on cost increases because agriculture is so highly competitive, but higher production costs may inevitably lead to higher grocery prices for all Americans.

High prices at the pump are particularly painful for Americans living in rural communities because they often must drive long distances every day to get to work, drop their kids off at school, access healthcare and pick up essentials such as prescription drugs. Rural households drive 28,000 miles year on average – 15 percent more than urban Americans, and use 22 percent more fuel. [Economic Research Service/USDA, 4/06] Rural Americans should not have to wonder if they can afford groceries after facing higher prices at the pump.