

Statement of Daniel K. Akaka  
PSI Hearing entitled  
“Gas Prices: How Are They Really Set?”  
April 30, 2002

Thank you Mr. Chairman for holding this very important and timely hearing today. The rising cost of gasoline across the United States is alarming, and I applaud your efforts to uncover the reasons for this trend so that we may devise a plan to protect American consumers. I would like to take this opportunity to thank you for this report and the good work done by your staff.

High gasoline prices aren't new to Hawaii. According to the Subcommittee report, Midwestern gasoline prices spiked to the highest in the nation during the spring of 2000 and 2001. During this time, prices in the Midwest eclipsed those in the State of Hawaii to earn the dubious distinction of highest in the nation.

For more than twenty years, Hawaii has consistently had the highest gasoline prices in the nation. From 1995 through the first half of 1998, gasoline prices in Hawaii averaged more than thirty cents per gallon higher than U.S. mainland prices.

**We don't have price spikes in Hawaii. We have one long, continuous spike!**

On any day that you check [www.gaspricewatch.com](http://www.gaspricewatch.com), you will find a gas station in Hawaii at the top of the list. On Monday, for example, the record for the highest price for regular unleaded gasoline in the nation was held by a station in Pukalani, Hawaii, at \$1.89 per gallon. According to the Attorney General of Hawaii, higher prices cannot be attributed to higher refining costs within the state or higher transportation costs to the state. For example, the price of gasoline in Hawaii has exceeded the cost of buying refined gasoline in California and transporting it to Hawaii by more than twenty cents per gallon. Moreover, the cost of transporting crude oil to Hawaii or refining gasoline in Hawaii is not higher than similar costs on the mainland.

As such, the state's higher retail prices may be the result of having a highly concentrated market. Hawaii has only two refineries and four firms selling wholesale gasoline. This leaves the state with one of the highest concentration levels of refining and gasoline supply in the nation – a significant problem according to your report, Mr. Chairman.

Once again, Hawaii has the highest gasoline prices in the nation. Just last week, the American Automobile Association (AAA) reported that the national average price of regular unleaded gasoline was \$1.41 per gallon.

At that same time, the average regular unleaded price per gallon in Hawaii was approximately \$1.69 per gallon. California was second with an average price of \$1.66 per gallon. Such high prices hurt the hard-working men and women in Hawaii and the rest of the country. As your report states, this could push the American economy back into a recession.

Currently, Hawaii state lawmakers are seeking information on how gas prices are set as they look at ways to bring the state's gas prices more in line with the national average. Over the weekend, a conference committee of the Hawaii State Legislature reached an agreement on a bill to regulate gas prices in Hawaii. I understand that many other states are concerned with this issue and may be looking at similar proposals. I am hopeful that Chairman Levin's interest in gasoline prices will spur continued attention to this issue – specifically for states with higher prices such as Hawaii. Because Hawaii has such consistently high gasoline prices, it generally does not draw the attention that unusual price spikes command.

I would like to know, and my constituents would like to know, what happens at the pump. Why are some states always faced with higher gasoline prices than others?

I anticipate that the testimony that we receive today and the information in your report, Mr. Chairman, will aid in answering this critical question and lead to lower prices for states like Hawaii.