

HEARING STATEMENT
OF

SENATOR GEORGE V. VOINOVICH

THE HIGH PRICE OF GASOLINE

GOVERNMENTAL AFFAIRS COMMITTEE
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342 DIRKSEN SENATE OFFICE BUILDING

This hearing will come to order.

Good afternoon, and thank you all for coming.

Two weeks ago, I asked Committee Chairman, Senator Thompson and Ranking Member, Senator Lieberman, to conduct a hearing on the subject of the high price of gasoline. I am pleased that they responded positively, and I appreciate Senator Thompson's willingness to allow me to chair this hearing of the Committee on Governmental Affairs. Today's hearing is the second that this Committee has held to look into the high cost of gasoline in our nation. This Committee held its first gas price hearing on March 24th. We were assured that things would get better. Unfortunately, they have not.

Ladies and gentlemen, today, you cannot pick up a newspaper or turn on a television without reading or hearing about the high price of gasoline in our nation. I have to tell you – it's not possible for this Senator to visit a gas station these days without coming across people who are downright angry. When people pumping their gas start talking to each other across the islands about the "blankety-blank" price of gasoline, you know they are mad. I don't blame them. They are angry because the increase is affecting them where it hurts, right in the pocketbook. It's affecting vacation plans for those families who have planned to take long trips this summer. It's affecting people who have to drive long distances for a living. It's particularly affecting people who live on the financial edge – those of whom we sometimes forget how much high gas prices can impact on their ability to pay for food and other essentials.

Last year at this time, the prices we are experiencing today would have been considered inconceivable by most Americans. One year ago, the national average for a gallon of regular unleaded gasoline was \$1.15 according to the American Automobile Association (AAA). Prices have steadily risen throughout the winter, into the spring and now the summer – rising with particular speed in the last few months. Indeed, one month ago, the national average per gallon of gas was \$1.54. Today, the national average for gasoline in this country is \$1.65 per gallon – 50¢ more per gallon than 1 year ago.

But nowhere have the price increases been so dramatic as in the Midwest where gas prices have skyrocketed within the last four weeks. Earlier this month, prices in Ohio and other parts of the Midwest increased by as much as 30 or 40 cents in *a matter of hours*. Prices in many cities and

states went over the \$2 mark for a gallon of gas, setting all-time high price records. In my county – Cuyahoga County – just ten days ago, we were hovering at the \$2 a gallon mark with prices averaging \$1.98 a gallon.

Although there are signs that prices are dropping, that is of little consolation to families in the Midwest, where prices are still high. Prices in most major cities in the Midwest are well-above the national average of \$1.65 a gallon, and \$2 a gallon prices – and higher – are still prevalent in some areas.

The kind of gas price increases we've seen lately do more than raise eyebrows, they raise questions.

The American people are getting fed up with paying these high gas prices. Politicians, analysts, business owners are busy pointing to a whole host of reasons for these recent hikes:

Alleged collusion among oil countries, who have sent crude oil prices through the roof;

Lack of domestic production;

Reformulated gasoline;

Alleged price gouging and collusion by oil companies;

Economics and the law of supply and demand;

Pipeline and other transportation problems; and

You name it.

Frankly, most people don't care what the reason is and they are getting tired of the finger pointing.

What most people want to know – including this Senator – is, what are we going to do now to bring down gasoline prices, and what are we going to do now to make sure that we don't end up in this predicament five years down the road.

Most people who have been around as long as I have been, remember the Arab Oil Embargo of 1973, when costs went up, gas shortages were everywhere and people sat in long lines to get gas. At that time, the U.S. only relied on 35% foreign oil to meet our domestic needs. Today, our reliance on foreign oil averages 56%, and in some months out of the year, it reaches 62% reliance. The American people want to know why hasn't something been done in the last 27 years to reduce our dependence on foreign oil?

All too often in government, when a problem comes up, we have a tendency to treat it as if we would a barking dog: give it a bone and a little attention to make it stop barking, and when it

stops barking, ignore it until it starts barking again. That is what we have done in terms of the price of gasoline in this nation.

Such neglectful treatment of such a vital component of our nation's economy is unconscionable, and the major part of the problem that I see in this regard is a lack of an energy policy by this Administration.

Back on February 16th, when gas prices were in the midst of their march upward, Secretary of Energy, Bill Richardson, made a very telling comment about why the Administration had not reacted to bring down gas prices at that point. He said: "the federal government was not prepared. We were caught napping. We got complacent."

Years of relatively-low gasoline prices provided no reason for this Administration to develop an energy policy. So – for more than seven years – the Administration's energy policy was *no* energy policy. And between February 16th and up until this week, the Administration still had not done a thing by way of advancing an energy policy. Of course, neither had the U.S. Congress.

During March and April, several of my colleagues and I led the charge to hold back those who wanted to eliminate the 4.3¢ gas tax in order to bring down the price of gasoline. As much as we wanted to see lower gas prices, we were loath to do so at the expense of jeopardizing highway construction.

At that same time, Secretary Richardson was diligently negotiating a stop-gap measure with the OPEC oil cartel to increase production in an effort to bring down gasoline prices. Prices did stabilize for a bit, but they climbed back up and have shot even higher than the high prices we saw in March.

Even as this was happening, there was no urgency on the part of the Administration to propose an energy policy. Not until this week – with prices having soared to sky-high records – did the Administration present an energy policy, and the energy plan was not the President's, but the Vice President's.

President Clinton has recently given some attention to the need for Americans to decrease the amount of gasoline they use, and has recommended tax credits to consumers who purchase fuel-efficient vehicles, but he has done little else in this regard.

It is astonishing that in the eighth year of their Administration, the President and the Vice President are just now talking about an energy policy. Most cynics would view this Administration's "johnny come lately" energy plan as a "fig leaf" – designed more to hide the fact that they have been "asleep at the switch" for seven-and-a-half years than as a bona fide proposal.

However, as much as I am critical of this Administration, I believe that the previous Administration should not be allowed off the hook either. Our government has been on virtual auto-pilot for more than a decade without any semblance of a national energy plan.

It is my hope that Congress can work with the Administration to come up with a plausible energy policy by the end of this year. In the Senate, we have a good bill, S. 2557, the National Energy Security Act, which is being held at the desk. I believe we need to get that bill onto the floor of the Senate and debated as soon as we possibly can.

I believe that Majority Leader Lott's bill, S. 2557, is a good approach that we can use as the basis of developing a bipartisan energy policy. I am pleased to join with Senator Frank Murkowski, Chairman of the Senate Energy Committee, as an original co-sponsor of this bill.

Today, however, we need to get all the facts on the table. We need to find out why gas prices suddenly started to level off and go down as soon as EPA Administrator Carol Browner announced an Federal Trade Commission (FTC) investigation into why high prices were being blamed on RFG, when EPA says that RFG should add only 5-8 cents per gallon. I have personally asked FTC Chairman Robert Pitofsky to include Ohio in his investigation.

I would like to ask the oil companies to think about this: the allegation is that the reason prices are coming back down is because Congress and the Administration have announced their intention to investigate the oil companies. What is your response to that?

On the other side of the coin, one of today's witnesses recently briefed a House and Senate Midwest delegation meeting chaired by Speaker Hastert on the issue of gas prices. Mr. Frank, you indicated that there are regulatory changes that could be done to help bring down the price of gasoline. You had mentioned several items that could be looked at, including decreasing the investigation time necessary to get a pipeline up to full pressure following a disruption. Right now, that time frame is at least eight months, but can it be decreased? What other kinds of things can be done? What are some of the problems you face that we can address?

Ladies and gentlemen, the bottom line is: we don't have an energy policy. Until recently, our prices have been so low, that few people have wanted to talk about increased domestic exploration, assisting marginal production, tax benefits, alternative fuels, and so on. There has been no pressure to get the job done.

I believe we have a good cross-section of energy interests on today's panels. In fact, I have a good mind to lock the door to this hearing room and not let our witnesses out until they come up with an energy policy. Heaven knows that you have enough experience and expertise to do so!

The American people do want results. They want to know what we will do in the short term to bring down prices, and they want to know what our long term plan is as well. No one wants to see a lengthy continuation of what we're going through at this time – and particularly – no one wants to see this situation repeat years from now.

I would just like to wrap up with an exchange that I had at this Committee's hearing on gas prices this past March. At that time, the Department of Energy was predicting that this nation would be 65 percent dependent on foreign oil by the year 2020 – a number I find hard to fathom since we are currently importing as much as 62% in some months. In any event, I asked Assistant Secretary of Energy David Goldwyn what this nation's dependence on foreign oil *should* be. I asked him: should it be 45 percent? Should it be 50 percent? He could not give me an answer.

Ladies and gentlemen, we need answers. You are the experts. We need to know what our level of foreign oil dependence should be in the long-range, so we can reach that goal, or, better still, come-in below that number. We also need to come up with an overall strategy so we can even further reduce our dependence on foreign oil. The best way to do that is to develop a comprehensive energy plan that works, and it is my sincere hope that we can reach an agreement on such a plan as soon as possible.

I am anxious to hear your testimony today.