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**THE IMPACT OF HIGH GASOLINE PRICES IN
NORTHEASTERN ARKANSAS**

PREPARED FOR

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THE IMPACT OF HIGH GASOLINE PRICES IN NORTHEASTERN ARKANSAS

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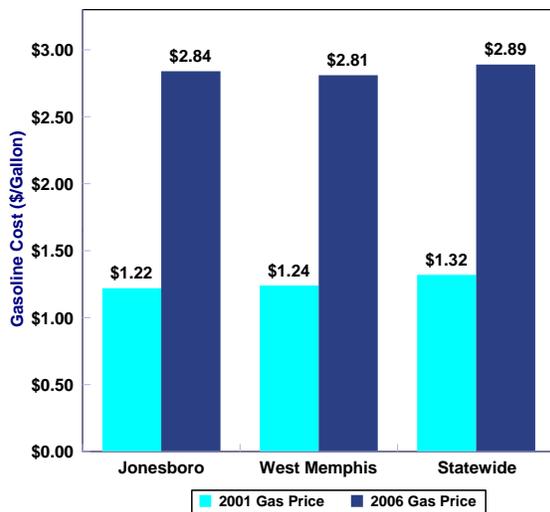
THE IMPACT OF HIGH GASOLINE PRICES IN NORTHEASTERN ARKANSAS

EXECUTIVE SUMMARY

Five years ago, on May 16, 2001, President Bush and Vice President Cheney unveiled the Administration's new energy plan. Five years later, over 95% of the recommendations in the energy plan have been implemented. Yet Americans continue to face rising energy costs, while the nation's dependence on foreign oil reaches record levels.

At the request of Rep. Marion Berry, this report analyzes what has happened in Northeastern Arkansas to the cost of one key energy source — gasoline — since the release of the Administration's energy plan. It finds that:

Northeastern Arkansas gasoline prices have risen rapidly. Average gasoline prices in Northeastern Arkansas have increased for four straight years. Gasoline that cost \$1.22 per gallon in July 2001 costs \$2.84 per gallon today. This price increase is almost ten times faster than the rate of inflation.



High gas prices are costing Arkansas drivers almost two billion dollars. In 2006, Arkansas families will use an estimated 1.5 billion gallons of gasoline — and will pay a total of \$1.8 billion more for this gasoline than they would have paid in 2001. In the Jonesboro area, high gas prices will cost drivers an estimated \$27 million extra. In the West Memphis area, high gas prices will cost drivers an estimated \$24 million extra.

The high prices will cost Northeastern Arkansas families almost \$2,000. The average two-car family in Arkansas will pay an estimated \$1,970 more for gasoline this year than they would have paid in 2001. In the Jonesboro area, the average family will pay \$1,500 more than in 2001. In the West Memphis area, the average family will pay \$1,840 more than in 2001.

Impact of Increased Gasoline Prices on Arkansas Families

| Region | Annual Aggregate Cost Increase | Annual Cost Increase Per Family |
|------------------|--------------------------------|---------------------------------|
| Jonesboro | \$27 million | \$1,500 |
| West Memphis | \$24 million | \$1,840 |
| Statewide | \$1.8 billion | \$1,970 |

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BACKGROUND

In 2000, Texas Governor George W. Bush made energy policy an important plank of his campaign for President. He released a “Comprehensive National Energy Policy” which asserted that America was “paying a steep price” under the Clinton Administration’s energy policy.¹ And he stated:

Let me put this plainly: oil consumption is increasing. Our production is dropping. Our imports of foreign oil are skyrocketing. And this Administration has failed to act.²

On January 29, 2001, just nine days after his inauguration, President Bush placed Vice President Cheney in charge of a task force to develop a new national energy policy.³ Over the next three and a half months, the Vice President’s energy task force developed an energy policy largely in secret. According to the Government Accountability Office, the task force met with “petroleum, coal, nuclear, natural gas, and electricity industry representatives and lobbyists.”⁴ The task force did not have any substantive meeting with environmental or energy conservation advocates.

On May 16, 2001, President Bush and Vice President Cheney released the national energy policy assembled by the Vice President’s task force.⁵ In announcing the energy plan, the President asserted: “If we fail to act on this plan, energy prices will continue to rise. . . . If we fail to act, our country will become more reliant on foreign crude oil, putting our national energy security into the hands of foreign nations.”⁶

The Administration’s energy policy included 105 recommendations.⁷ Virtually all of these have now been implemented. In March 2005, Energy Secretary Bodman stated: “we have implemented 95 percent of those recommendations.”⁸ Four months later, Congress passed energy legislation that enacted the

¹ Governor George W. Bush, *A Comprehensive National Energy Policy* (Sept. 29, 2000).

² *Id.*

³ White House, *Remarks by the President at Energy Policy Meeting* (Jan. 29, 2001) (online at <http://www.whitehouse.gov/news/releases/20010129-1.html>).

⁴ U.S. General Accounting Office, *Energy Task Force: Process Used to Develop the National Energy Policy* (Aug. 2003) (GAO/03-894).

⁵ White House, *Remarks by the President to Capital City Partnership* (May 17, 2001) (online at <http://www.whitehouse.gov/news/releases/2001/05/20010517-2.html>).

⁶ White House, *supra* note 5.

⁷ Congressional Research Service, *Bush Energy Policy: Overview of Major Proposals and Legislative Action*, 2 (Aug. 22, 2001) (online at <http://www.fas.org/spp/civil/crs/RL31096.pdf>).

⁸ White House, *Ask the White House Interactive Forum with Samuel Bodman* (Mar. 9, 2005) (online at <http://www.whitehouse.gov/ask/20050309.html>).

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recommendations that required new legislation.

When President Bush signed the energy legislation into law, he claimed that “the Energy Policy Act of 2005 is going to help every American who drives to work, every family that pays a power bill, and every small business owner hoping to expand.”⁹ Republican congressional leaders made similar promises. Dennis Hastert, the Speaker of the House, claimed that the bill would “addres[s] the burden that higher gasoline prices place on American consumers,” “alleviate” high natural gas prices, and guarantee the American people “an affordable, reliable, efficient, and environmentally sound supply of energy.”¹⁰

PURPOSE AND METHODOLOGY

At the request of Rep. Berry, who represents the 1st Congressional District of Arkansas in the U.S. House of Representatives, this report analyzes what has happened to gasoline prices in Rep. Berry’s district and in Arkansas since the Bush Administration’s energy policy was announced on May 16, 2001. Rep. Berry’s congressional district is located in Northeastern Arkansas, and includes the communities of Jonesboro, West Memphis, Paragould, Blytheville, Cabot, and Forest City.

The report relies primarily on data and analysis published by the Oil Price Information Service (OPIS) and the U.S. Energy Information Administration (EIA). OPIS is a private firm that publishes daily information on gasoline prices in U.S. metropolitan regions. EIA is an independent agency of the U.S. Department of Energy that publishes annual information on gasoline prices and projections of future gasoline prices.

The report also uses data from the Federal Highway Administration that tracks fuel usage and driving patterns at the state and local level. This data is used to estimate total gasoline usage for the state and for its metropolitan areas. Total changes in spending on gasoline are determined by multiplying the estimated change in gasoline prices between 2001 and 2006 by the estimated amount of gasoline that will be used in the state and its metropolitan areas.

⁹ White House, *President Signs Energy Policy Act* (Aug. 8, 2005) (online at <http://www.whitehouse.gov/news/releases/2005/08/20050808-6.html>).

¹⁰ *Statement of Speaker of the House Dennis Hastert*, Congressional Record at H6960 (Jul. 28, 2005).

FINDINGS

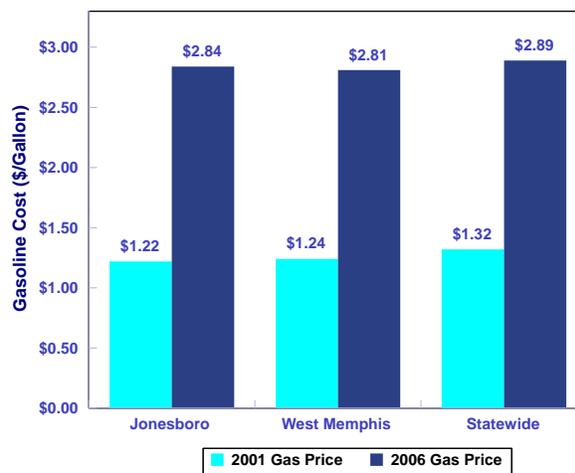
Gasoline Prices in Northeastern Arkansas Have Increased Rapidly

Over the last five years, the price of gasoline in Arkansas has risen rapidly. Five years ago, in July 2001, just months after President Bush and Vice President Cheney announced the Administration’s energy policy, gasoline prices in Arkansas were \$1.32 per gallon.¹¹

This week, the average price of gasoline in the state is \$2.89 per gallon, a near record.¹² This is 118% higher than gasoline prices five years ago. The increase in gasoline prices over the last five years has been almost nine times higher than the core inflation rate, which increased by 13.8% over this same period.¹³

Northeastern Arkansas drivers have seen similar price increases. In the Jonesboro area, gasoline prices have increased by 133%, from \$1.22 per gallon in July 2001 to \$2.84 per gallon this week.¹⁴ In the West Memphis area, gasoline prices have increased by 127%, from \$1.24 per gallon in July 2001 to \$2.81 per gallon this week.¹⁵ Figure 1.

Figure 1: Northeastern Arkansas Gasoline Prices Have Increased Rapidly



¹¹ Energy Information Administration, *Gasoline Prices by Formulation, Grade, Sales Type: Arkansas Retail Gasoline Sales by All Sellers (2006)*.

¹² AAA, *Daily Fuel Gauge Report* (May 24, 2006) (online at www.fuelgaugereport.com)

¹³ Bureau of Labor Statistics, *Consumer Price Index, All Urban Consumers, All Items Less Food and Electricity* (July 2006).

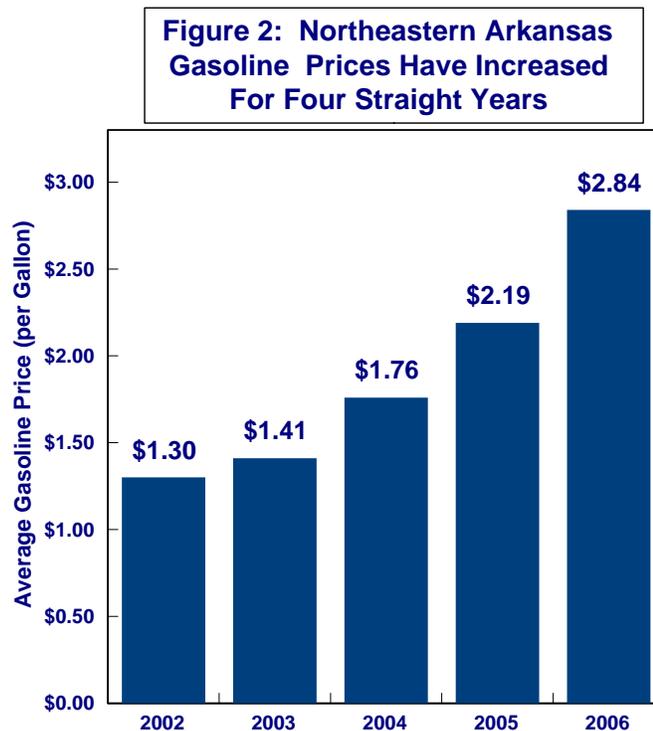
¹⁴ Oil Price Information Service, *Weekly Metropolitan Area Gasoline Prices* (2001).

¹⁵ *Id.*

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Arkansas gasoline prices have now increased for four consecutive years. In July 2002, gasoline cost an average of \$1.32 per gallon in the state. Average costs increased to \$1.44 in July 2003, \$1.79 in July 2004, \$2.15 in July 2005, and \$2.89 in July 2006.

Gasoline prices in Northeastern Arkansas have followed a similar pattern. In July 2002, gasoline cost an average of \$1.30 in the Jonesboro area. Prices increased to \$1.41 in 2003, \$1.76 in 2004, \$2.19 in 2005, and \$2.84 this week.¹⁶ Figure 2. In the West Memphis area, gasoline cost an average of \$1.31 in July 2002. Prices increased to \$1.44 in 2003, \$1.79 in 2004, \$2.15 in 2005, and \$2.81 this week.¹⁷



High Gasoline Prices Will Cost Northeastern Arkansas Drivers Millions of Dollars

The U.S. Energy Information Administration has predicted that gasoline prices will remain at or near record high levels through the summer, making 2006 the third consecutive year of record prices.¹⁸ Overall, EIA predicts that the nationwide average gasoline prices in 2006 will be \$2.67 per gallon, \$1.21 per gallon higher than prices in 2001. These cost increases will have a major financial impact on Arkansas families.

¹⁶ Oil Price Information Service, *Weekly Metropolitan Area Gasoline Prices* (2001).

¹⁷ *Id.*

¹⁸ Energy Information Administration, *U.S. Energy Prices: Base Case* (July 2006).

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Statewide, Arkansas drivers will use an estimated 1.5 billion gallons of gasoline in 2006.¹⁹ This gasoline will cost drivers an estimated \$150 million more per month than it would have cost five years ago. This represents an annual cost increase of \$1.8 billion.

Approximately 1.5% of the gasoline used in Arkansas is used in the Jonesboro area.²⁰ If gasoline prices in the region are \$1.21 per gallon higher in 2006 than they were five years ago, increased gasoline prices will cost Jonesboro drivers an additional \$2.3 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for Jonesboro drivers would be \$27 million.

Approximately 1.3% of the gasoline used in Arkansas is used in the West Memphis area.²¹ If gasoline prices in the region are \$1.21 per gallon higher in 2006 than they were five years ago, increased gasoline prices will cost West Memphis drivers an additional \$2 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for West Memphis drivers would be \$24 million.

High Gasoline Prices Will Cost Individual Families Thousands of Dollars

There are 1.9 million drivers in Arkansas.²² On a per-driver basis, the increased gasoline prices will cost the average driver in the state approximately \$986 more this year than the average driver would have spent for the same quantity of gasoline five years ago. An average two-car family in the state will spend an additional \$1,970 on gasoline during 2006.

There are an estimated 36,500 drivers in the Jonesboro area.²³ On a per-driver basis, the increased gasoline prices will cost the average driver in the area

¹⁹ The latest statewide data available from the Federal Highway Administration is for 2004. This data shows that drivers in Arkansas purchased 1.49 billion gallons of gasoline in 2004. FHWA, *2004 Monthly Motor Fuel Use Reported by States* (Nov. 2004). According to the Energy Information Administration, gasoline use will increase by approximately 2% between 2004 and 2006. Energy Information Administration, *supra* note 18. A 2% increase in gasoline use in Arkansas would result in the state's drivers using 1.52 billion gallons of gasoline in 2006.

²⁰ The Federal Highway Administration estimates that 1.5% of all vehicle miles traveled in Arkansas are in the Jonesboro. Federal Highway Administration, *Highway Statistics, 2003* (2005).

²¹ The Federal Highway Administration estimates that 1.2% of all vehicle miles traveled in Arkansas are in the West Memphis area. Federal Highway Administration, *Highway Statistics, 2003* (2005).

²² Federal Highway Administration, *Highway Statistics, 2004* (2005).

²³ Federal Highway Administration data show that there are 677 registered drivers for every 1,000 individuals in Arkansas. *Id.* Assuming this ratio applies to the population of the Jonesboro area, which is 54,000, there would be 36,500 drivers in the Jonesboro area.

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approximately \$750 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$1,500 on gasoline this year.

There are an estimated 26,000 drivers in the West Memphis area.²⁴ On a per-driver basis, the increased gasoline prices will cost the average driver in the area approximately \$920 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$1,840 on gasoline this year. Table 1.

| Table 1: Impact of Increased Gasoline Prices on Arkansas Families | | |
|--|--|--|
| Region | Annual Aggregate Increased Cost | Annual Cost Increase Per Family |
| Jonesboro | \$27 million | \$1,500 |
| West Memphis | \$24 million | \$1,840 |
| Statewide | \$1.8 billion | \$1,970 |

CONCLUSION

President Bush and Vice President Cheney released the Administration's energy policy on May 16, 2001. This analysis of gas prices in Arkansas finds that in the five years since this policy was unveiled, gasoline prices in the state have gone up by 118%, over five times faster than the inflation rate. As a result of these rapid price increases, Arkansas families will pay an estimated \$1.8 billion more for gasoline this year than they would have in 2001. The average family in Northeastern Arkansas will pay \$1,500 - \$1,840 more for gasoline this year than five years ago.

²⁴ Federal Highway Administration data show that there are 677 registered drivers for every 1,000 individuals in Arkansas. *Id.* Assuming this ratio applies to the population of the West Memphis area, which is 38,000, there would be 26,000 drivers in the West Memphis area.