



UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF  
SPECIAL INVESTIGATIONS DIVISION  
JULY 2006

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**THE IMPACT OF HIGH GASOLINE PRICES IN  
THE NEW YORK CITY AREA**

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**PREPARED FOR**

**REP. CAROLYN B. MALONEY**

**THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA**

**TABLE OF CONTENTS**

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Executive Summary

Background.....1

Purpose and Methodology .....2

Findings.....3

    Gasoline Prices in New York Have Increased Rapidly .....3

    High Gasoline Prices Will Cost New York City Drivers Millions of Dollars.....4

    High Gasoline Prices Will Cost Individual Families Thousands of Dollars .....5

Conclusion .....6

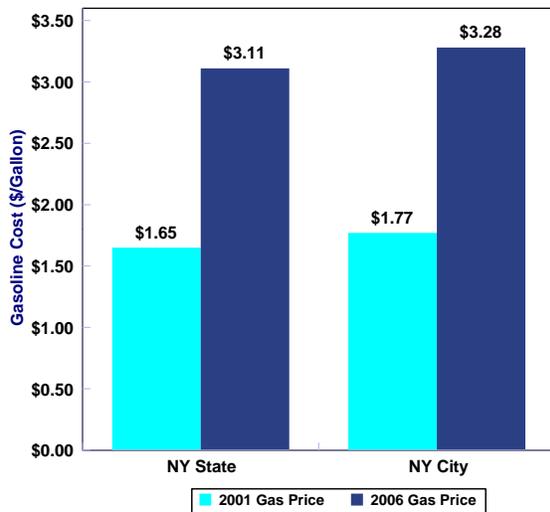
# THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA

## EXECUTIVE SUMMARY

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. Carolyn B. Maloney, this report analyzes what has happened in New York City to the cost of one key energy source — gasoline — since the release of the Administration's energy plan. It finds that:

**New York gasoline prices have risen rapidly.** Statewide, average gasoline prices in New York have increased for four straight years. Gasoline that cost \$1.65 per gallon in May 2001 costs \$3.11 per gallon today. This price increase is over eight times faster than the rate of inflation. Prices have increased by 85% in the New York City area, from \$1.77 per gallon in 2001 to \$3.28 per gallon today.



**High gas prices are costing New York drivers billions of dollars.** In 2006, New York State families will use an estimated 5.9 billion gallons of gasoline — and will pay a total of \$6.8 billion more for this gasoline than they would have paid in 2001. In the New York City area, high gas prices will cost drivers \$3 billion extra.

**The high prices will cost New York families an estimated \$1,200.** The average two-car family in New York State will pay \$1,200 more for gasoline this year than they would have paid in 2001. In the New York City area, the average family will pay almost \$900 more than in 2001.

Impact of Increased Gasoline Prices on New York Families		
Region	Annual Aggregate Cost Increase	Annual Cost Increase Per Family
New York City Area	\$3 billion	\$880
Statewide	\$6.8 billion	\$1,200

## THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA

### BACKGROUND

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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.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup> 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.”<sup>4</sup> The task force did not have any substantive meetings 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.<sup>5</sup> 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.”<sup>6</sup>

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

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

<sup>2</sup> *Id.*

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

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

<sup>5</sup> 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>).

<sup>6</sup> *Id.*

<sup>7</sup> 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>).

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

## THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA

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.”<sup>9</sup> 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.”<sup>10</sup>

### PURPOSE AND METHODOLOGY

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At the request of Rep. Maloney, who represents the 14th Congressional District of New York in the U.S. House of Representatives, this report analyzes what has happened to gasoline prices in Rep. Maloney’s district and in New York State since the Bush Administration’s energy policy was announced on May 16, 2001. Rep. Maloney’s congressional district is located in New York City and includes the East Side of Manhattan and western Queens.

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.

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

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

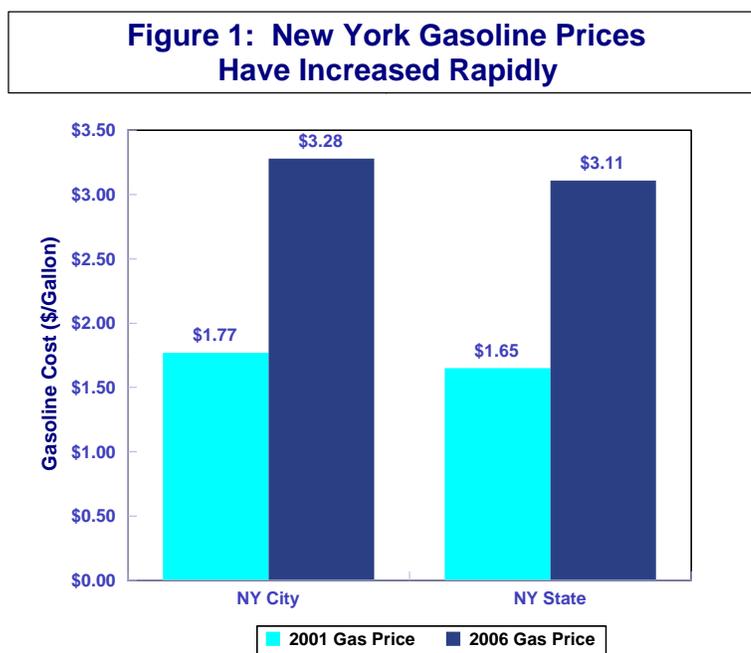
FINDINGS

**Gasoline Prices in New York Have Increased Rapidly**

Over the last five years, the price of gasoline in New York has risen rapidly. In July 2001, just weeks after President Bush and Vice President Cheney announced the Administration’s energy policy, regular gasoline prices in New York State were \$1.65 per gallon.<sup>11</sup>

This week, the average price of gasoline in the state is \$3.11 per gallon, a near record.<sup>12</sup> This is 88% higher than gasoline prices five years ago. The increase in gasoline prices over the last five years has been over eight times higher than the core inflation rate, which increased by 10.9% over this same period.<sup>13</sup>

New York City drivers have seen similar price increases. In the New York metropolitan area, gasoline prices have increased by 85%, from \$1.77 per gallon in July 2001<sup>14</sup> to \$3.28 per gallon today.<sup>15</sup> This is eight times higher than the core inflation rate. Figure 1.



<sup>11</sup> Energy Information Administration, *Gasoline Prices by Formulation, Grade, Sales Type: New York Retail Gasoline Sales by All Sellers (2006)*.

<sup>12</sup> AAA, *Daily Fuel Gauge Report* (May 24, 2006) (online at [www.fuelgaugereport.com](http://www.fuelgaugereport.com))

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

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

<sup>15</sup> AAA, *supra* note 12.

## THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA

New York City gasoline prices have now increased for four consecutive years. In July 2002, one year after President Bush announced his energy policy, gasoline cost an average of \$1.54 per gallon in the New York metro area. Average costs increased to \$1.65 in July 2003, \$2.21 in May 2004, \$2.56 in May 2005, and \$3.28 this month. Figure 2.



### High Gasoline Prices Will Cost New York City 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.<sup>16</sup> Overall, EIA predicts that the nationwide average gasoline prices in 2006 will be \$2.60 per gallon, \$1.14 per gallon higher than prices in 2001. These cost increases will have a major financial impact on New York families.

Statewide, New York drivers will use an estimated 5.9 billion gallons of gasoline in 2006.<sup>17</sup> This gasoline will cost drivers \$560 million more per month than it

<sup>16</sup> Energy Information Administration, *U.S. Energy Prices: Base Case* (May 2006).

<sup>17</sup> The latest statewide data available from the Federal Highway Administration is for 2004. This data shows that drivers in New York purchased 5.8 million 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*

## THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA

would have cost five years ago. This represents an annual cost increase of \$6.8 billion.

Approximately 44% of the gasoline used in New York is used in the New York metro area.<sup>18</sup> If gasoline prices in the region are \$1.14 per gallon higher in 2006 than they were five years ago, increased gasoline prices will cost New York metro drivers an additional \$250 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for New York metro drivers would be \$3 billion.

### High Gasoline Prices Will Cost Individual Families Thousands of Dollars

There are 11.2 million drivers in New York State.<sup>19</sup> On a per-driver basis, the increased gasoline prices will cost the average driver in the state approximately \$600 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 \$1,200 on gasoline during 2006.

There are an estimated 6.8 million drivers in the New York metro area.<sup>20</sup> On a per-driver basis, the increased gasoline prices will cost the average driver in the New York City area approximately \$440 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$880 on gasoline this year. Table 1.

<b>Table 1: Impact of Increased Gasoline Prices on New York Families</b>		
<b>Region</b>	<b>Annual Aggregate Increased Cost</b>	<b>Annual Cost Increase Per Family</b>
New York City Area	\$3.0 billion	\$880
<b>Statewide</b>	<b>\$6.8 billion</b>	<b>\$1,200</b>

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note 15. A 2% increase in gasoline use in New York would result in the state's drivers using 5.9 million gallons of gasoline in 2006.

<sup>18</sup> The Federal Highway Administration estimates that 44% of all vehicle miles traveled in New York are in the New York City metro area. Federal Highway Administration, *Highway Statistics, 2003* (2005).

<sup>19</sup> Federal Highway Administration, *Highway Statistics, 2004* (2005).

<sup>20</sup> Federal Highway Administration data show that there are 558 registered drivers for every 1,000 individuals in New York State. *Id.* Assuming this ratio applies to the population of the New York City metro area, which is 11.6 million, there would be 6.8 million drivers in the New York City metro area.

## THE IMPACT OF HIGH GASOLINE PRICES IN THE NEW YORK CITY AREA

### CONCLUSION

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President Bush and Vice President Cheney released the Administration's energy policy on May 16, 2001. This analysis of gas prices in the New York City metro area finds that in the five years since this policy was unveiled, gasoline prices in the area have gone up by 85%, eight times faster than the inflation rate. As a result of these rapid price increases, New York City area families will pay an estimated \$3 billion more for gasoline this year than they would have in 2001. The average family in the area will pay \$880 more for gasoline this year than five years ago.