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**THE IMPACT OF HIGH GASOLINE PRICES IN
CENTRAL NEW JERSEY**

**PREPARED FOR
REP. RUSH D. HOLT**

THE IMPACT OF HIGH GASOLINE PRICES IN CENTRAL NEW JERSEY

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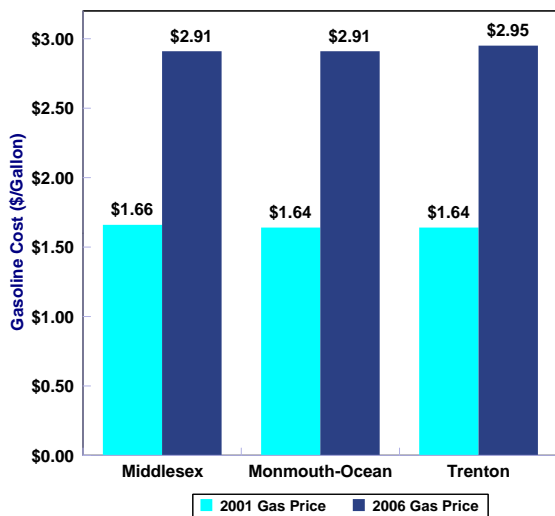
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EXECUTIVE SUMMARY

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. Rush D. Holt, this report analyzes what has happened in central New Jersey to the cost of one key energy source — gasoline — since the release of the Administration’s energy plan. It finds that:

Central New Jersey gasoline prices have risen rapidly. Statewide, average gasoline prices in New Jersey have increased for four straight years. Gasoline that cost \$1.63 per gallon in May 2001 costs \$2.91 per gallon today. This price increase is over seven times faster than the rate of inflation. Prices have increased by 70% in the Trenton area, by 75% in the Middlesex-Somerset-Hunterdon area, and by 77% in the Monmouth-Ocean area.



High gas prices are costing New Jersey drivers over five billion dollars. In 2006, New Jersey families will use an estimated 4.5 billion gallons of gasoline — and will pay a total of \$5.2 billion more for this gasoline than they would have paid in 2001. In the Trenton area, high gas prices will cost drivers almost \$200 million extra.

The high prices will cost New Jersey families almost \$2,000. The average two-car family in New Jersey will pay \$1,800 more for gasoline this year than they would have paid in 2001. In the Trenton area, the average family will pay over \$2,000 more than in 2001.

Region	Annual Aggregate Cost Increase	Annual Cost Increase Per Family
Trenton	\$191 million	\$2,060
Statewide	\$5.2 billion	\$1,800

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

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>).

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Bodman stated: “we have implemented 95 percent of those recommendations.”⁸ Four months later, Congress passed energy legislation that enacted the 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. Holt, who represents the 12th Congressional District of New Jersey in the U.S. House of Representatives, this report analyzes what has happened to gasoline prices in Rep. Holt’s district and in New Jersey since the Bush Administration’s energy policy was announced on May 16, 2001. Rep. Holt’s congressional district is located in central New Jersey, and includes parts of the Trenton, Monmouth-Ocean, and Middlesex-Somerset-Hunterdon metropolitan areas.

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.

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

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 Central New Jersey Have Increased Rapidly

Over the last five years, the price of gasoline in New Jersey has risen rapidly. In May 2001, when President Bush and Vice President Cheney announced the Administration's energy policy, gasoline prices in New Jersey were \$1.63 per gallon.¹¹

This week, the average price of gasoline in the state is \$2.91 per gallon, a near record.¹² This is 78% higher than gasoline prices five years ago. The increase in gasoline prices over the last five years has been over seven times higher than the core inflation rate, which increased by 10.7% over this same period.¹³

Central New Jersey drivers have seen similar price increases. In the Trenton metropolitan area, gasoline prices have increased by 70%, from \$1.64 per gallon in May 2001¹⁴ to \$2.78 per gallon today.¹⁵ In the Monmouth-Ocean metropolitan area, gasoline prices have increased by 77%, from \$1.64 per gallon in May 2001¹⁶ to \$2.91 per gallon today.¹⁷ And in the Middlesex-Somerset-Hunterdon metropolitan area, gasoline prices have increased by 75%, from \$1.66 per gallon in May 2001¹⁸ to \$2.91 per gallon today.¹⁹ Figure 1.

¹¹ Energy Information Administration, *Gasoline Prices by Formulation, Grade, Sales Type: New Jersey 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* (May 2006).

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

¹⁵ AAA, *supra* note 12.

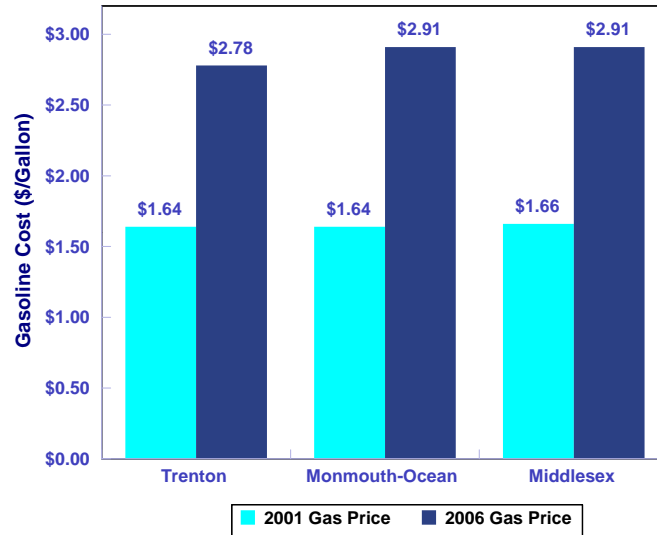
¹⁶ Oil Price Information Service, *supra* note 14.

¹⁷ AAA, *supra* note 12.

¹⁸ Oil Price Information Service, *supra* note 14.

¹⁹ AAA, *supra* note 12.

Figure 1: Central New Jersey Gasoline Prices Have Increased Rapidly



New Jersey gasoline prices have now increased for four consecutive years. In May 2002, one year after President Bush announced his energy policy, gasoline cost an average of \$1.35 per gallon in the state. Average costs increased to \$1.46 in May 2003, \$1.81 in May 2004, \$2.07 in May 2005, and \$2.87 this month. Figure 2.

Figure 2: New Jersey Gasoline Prices Have Increased For Four Straight Years



High Gasoline Prices Will Cost New Jersey 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.²⁰ Overall, EIA predicts that the nationwide average gasoline prices in 2006 will be \$2.62 per gallon, \$1.16 per gallon higher than prices in 2001. These cost increases will have a major financial impact on New Jersey families.

Statewide, New Jersey drivers will use an estimated 4.5 billion gallons of gasoline in 2006.²¹ This gasoline will cost drivers \$430 million more per month than it would have cost five years ago. This represents an annual cost increase of \$5.2 billion.

Approximately 4% of the gasoline used in New Jersey is used in the Trenton area.²² If gasoline prices in the region are \$1.16 per gallon higher in 2006 than they were five years ago, increased gasoline prices will cost Trenton drivers an additional \$16 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for Trenton drivers would be \$191 million.

High Gasoline Prices Will Cost Individual Families Thousands of Dollars

There are 5.8 million drivers in New Jersey.²³ On a per-driver basis, the increased gasoline prices will cost the average driver in the state approximately \$900 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 \$1800 on gasoline during 2006.

²⁰ Energy Information Administration, *U.S. Energy Prices: Base Case* (May 2006).

²¹ The latest statewide data available from the Federal Highway Administration is for 2004. This data shows that drivers in New Jersey purchased 4.4 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* note 15. A 2% increase in gasoline use in New Jersey would result in the state's drivers using 4.5 million gallons of gasoline in 2006.

²² The Federal Highway Administration estimates that 4% of all vehicle miles traveled in New Jersey are in the Trenton area. Federal Highway Administration, *Highway Statistics, 2003* (2005).

²³ Federal Highway Administration, *Highway Statistics, 2004* (2005).

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There are an estimated 185,000 drivers in the Trenton area.²⁴ On a per-driver basis, the increased gasoline prices will cost the average driver in the area approximately \$1,030 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$2,060 on gasoline this year. Table 1.

Table 1: Impact of Increased Gasoline Prices on New Jersey Families		
Region	Annual Aggregate Increased Cost	Annual Cost Increase Per Family
Trenton	\$191 million	\$2,060
Statewide	\$5.2 billion	\$1,800

CONCLUSION

President Bush and Vice President Cheney released the Administration's energy policy on May 16, 2001. This analysis of gas prices in New Jersey finds that in the five years since this policy was unveiled, gasoline prices in the state have gone up by 78%, over seven times faster than the inflation rate. As a result of these rapid price increases, New Jersey families will pay an estimated \$5.2 billion more for gasoline this year than they would have in 2001. The average family in New Jersey will pay \$1,800 more for gasoline this year than five years ago.

²⁴ Federal Highway Administration data show that there are 667 registered drivers for every 1,000 individuals in New Jersey. *Id.* Assuming this ratio applies to the population of the Trenton area, which is 278,000, there would be 185,000 drivers in the Trenton area.