THE IMPACT OF FUEL PRICES ON SMALL BUSINESS

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON REGULATORY REFORM AND PAPERWORK REDUCTION

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

CASTLETON, NY

APRIL 18, 2000

Serial No. 106–53

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
67–558 WASHINGTON : 2000

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THE IMPACT OF FUEL PRICES ON SMALL BUSINESS

TUESDAY, APRIL 18, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON REGULATORY REFORM AND
PAPERWORK REDUCTION,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 3 p.m., at the Schodack Town Hall, 1777 Columbia Turnpike, Castleton, New York, Hon. John Sweeney presiding.

Chairman SWEENEY. I will gavel in the proceedings. We'll begin a little bit out of regular order by first saying thank you to Schodack Town Supervisor Eileen Natoli for all of the accommodations you've made here. Eileen would like to say a few words.

Ms. NATOLI. I would just like to say welcome, ladies and gentlemen and especially to Congresswoman Sue Kelly, who I'm delighted to meet for the first time. Welcome to Schodack. Sue is from the 19th Congressional District, Columbia County. Sue is the chairwoman of the Regulatory Reform and Paperwork Subcommittee and on the Small Business Committee.

Our other guest today needs no introduction, John Sweeney. I think all of us remember him from around these parts, from DWI and Rensselaer County to Commissioner of Labor to the Governor's Deputy Secretary and now, for the first time in his life, a real honest job, Member of Congress. John, we're so happy to have you.

Chairman SWEENEY. Thank you. Eileen. Thank you. Welcome everyone. I want to thank the crowd, you folks, for coming out and participating today. I will make a brief opening statement and then turn it over to Mrs. Kelly for her opening statement. And what I'm going to do is give you an abridged version of my opening statement and submit to the record the full statement.

As Mrs. Natoli pointed out, Sue Kelly is an important member of the Small Business Committee as the Chairwoman of the Subcommittee on Regulatory Reform and Paperwork Reduction. And I've had the privilege of serving the last year and a half with her in Congress. And this morning we were in Mount Pleasant, in Westchester County, conducting a similar hearing to this.

As we all know, we're going to hear today testimony relating to how fuel prices have impacted small business throughout New York State. We've had a winter of economic discontent and hardship and as was the case for so many in the Northeast, Spring comes with little promise of lower fuel prices.

In this past winter, we've witnessed skyrocketing heating bill prices and now we're faced with high gasoline prices. I've been following this problem very closely, have been in touch with a number of my constituents who have called my office. And as far back as last December, I have been urging the Clinton Administration to release low income heating funds and consider releasing from the Strategic Petroleum Reserves into the Northeast.

It's this Congressman's opinion that the Administration's initial response has been woefully inadequate. In fact, I term it benign neglect in some instances.

We have asked the White House on a number of occasions, as I have mentioned, to release oil from the SPR. In January, Mrs. Kelly myself, and a bipartisan delegation of Representatives from the Northeast met with Secretary Richardson and asked again that he do that. We have been, thus far, fairly ignored in our pleas.

We've watched the Secretary travel throughout the world with his hat in hand asking OPEC to increase oil production. Many of these same OPEC nations, just a few short years ago, we went to war in order to protect. Now we are subjected to what I call economic terrorism on their part. During this time, the last seven years, U.S. oil production has fallen by nearly 20 percent while oil consumption has continued to rise.

During the 25 years since the last oil crisis, our reliance on foreign oil has increased from 37 percent to 57 percent today. I believe we have no or a very failed energy policy, and I'm hoping that in today's testimony we can begin to work in a bipartisan and cooperative and a reasonable way to try to change some of that.

On a positive note, I want to note that last Wednesday in the House, we authorized the Strategic Petroleum Reserves with a bipartisan vote of 416 to 8. And I'm proud that my suggestion for a regional heating pool reserve was included in that bill. This reserve will help protect us from skyrocketing heating fuel prices in the future, I believe.

There are a number of other proposals and ideas floating around, and I want to get to the testimony of our witnesses, but let me point out that 90 percent of all employment in the 22nd Congressional District that I represent derives from small businesses. We thought it very important that we, specifically today, address the affects on the small business community so that we could be better prepared to understand what needs to be done in the future in order to rectify the situation.

And with that, I will turn over now to Mrs. Kelly for her opening statement.

Mrs. KELLY. Thank you very much. Good afternoon, everyone. It's a pleasure to be here. I'd also like to thank Congressman Sweeney for inviting me here this afternoon. And I thank him for joining me earlier for the morning hearing that we held in Valhalla, New York, where we held a hearing on the same topic.

This afternoon I'm very happy to be able to turn over the gavel to him for this hearing. Near tripling of the price of crude oil since March of 1999 to the first months of the year 2000, coupled with other developments, initially brought about sharp increases in the price of home heating oil and diesel fuel. As you all know, the Northeast has been hit the hardest by these rising energy costs.

We've made it through the winter, but we have to insure that we avoid another home heating oil crisis. Nevertheless, the Northeast and the nation has turned its attention to a new crisis, the price of fuel. And, moreover, the possibility of a sharp increase in electric rates is becoming more and more of a reality.

I would like to insert into the record, Mr. Sweeney, a copy from the *Wall Street Journal*. It's from the *Wall Street Journal* of March 20th. The headline of this article reads, "Northeast Faces Electricity Price Surge." Now, it's—the second thing says "Costly oil fired plants may drive up summer rates." That's what I'm talking about.

The possibility of this sharp increase in electric rates is becoming more and more of a reality. And I think that New York is at a major disadvantage because it doesn't have any refineries here. We don't have a major gas pipe that's coming up here. New York is dependent upon just oil for our heat and our gas. This fact, coupled with the market forces and the President's inability to compel OPEC to reach a production agreement until just two weeks ago and his continued reluctance to release oil from the Strategic Petroleum Reserve forced us to examine the problem in a deeper way.

Caught up in all of these issues are the consumers, all of you, all of us, people who drive up to the gas pump every day and have to fill their tank because they're going to work, because they're doing a volunteer job. These are the people who are being hit by these gas prices. Add to that the truckers who are facing fuel prices that are close to $2 a gallon of gas for diesel fuel in my area. Some people are paying $2.25 for diesel fuel.

The spillover effect of that is enormous. It's catching all of us. It's raising our prices. And I believe that the Administration has got to keep its guard up because we are likely to see rising electricity rates on top of these high oil prices. The price of oil has decreased a little bit now. We hope the crisis part is over, but the Energy Information Administration indicated on April 6th that it believed that gasoline prices may not have peaked and the national average price during this summer may exceed about 1.5—1.51 or $1.51 a gallon of gas. That's unfortunate. The EIA added that the Northeast might see spikes to a higher level.

For small businesses that are producing, distributing and consuming oil, the crisis has really just begun. And it's for this reason that I think Congress has to continue to debate the possible long-term and short-term courses of action. That's really why we're here today. We want to take the debate away from Washington, D.C., and bring it here so we can listen and hear and take back to Washington and enact into, we hope, good public policy.

We also are—I'm excited that we have the, we have the Assistant Secretary of Fossil Fuels from the Department of Energy, Mr. Robert W. Gee, here with us today to discuss the Administration's most recent actions regarding oil production. And Mr. Gee, I hope, will take back our issues and our concerns from this area back to Washington.

With that, I thank you all for being here and I thank you, Mr. Sweeney, for allowing me to be with you today. I look forward to everybody's testimony.

Chairman SWEENEY. Thank you, Congresswoman Kelly.

We have two panels today that we will be taking testimony from. And I'll go to the second panel first.

This arose this morning in Westchester County. It was a reference made to Alan Jackson, the country singer, in his song "Remember the Little Man." That second panel will be made up of a number of small business folks from the 22nd Congressional District who will provide us with their insight and give us a real first-hand account of what the effect of the past year's events have been.

Our first panel, I guess, are the big guys. They're the government and the business community representatives.

Robert Gee, is, as Mrs. Kelly pointed out, the Assistant Secretary for Fossil Energy with the Department of Energy.

I thank you, Mr. Gee, for being here. I know this hasn't been exactly easy for many people in the Department to appear and testify, but your testimony this morning was very forthright and I look forward to your testimony here.

With us as well is Daniel O'Connell, Center Director for the Small Business Administration in Albany, New York. Mr. O'Connell does extensive work with my office. And I thank you, Dan, for being here.

And last, but not least, Tim Hulbert, the President and CEO of the Rensselaer County Chamber of Commerce.

I will point out that Mr. Hulbert and I are long time friends and acquaintances. In fact, I bought my first life insurance policy off him. And I thank him for being here today.

With that I will turn it over to you, Assistant Secretary Gee.

STATEMENT OF ROBERT GEE, ASSISTANT SECRETARY FOR FOSSIL ENERGY, DEPARTMENT OF ENERGY

Mr. GEE. Thank you very much, Mr. Chairman, and thank you again for the opportunity to participate in this hearing here in Castleton, New York.

As you know, I've already submitted a formal statement for the record and I will just take this opportunity to summarize key points.

The Department, primarily through its Energy Information Administration, maintains data on the general patterns of fuel supply and demand within the U.S. economy. Our data, however, do not always reflect the individual impacts on specific business sectors. We know clearly, however, that small businesses, especially those whose profit margins are influenced significantly by the cost of fuel have experienced difficult times in recent weeks and months.

My testimony today will focus on several actions the Administration's taking to address this situation. Our goal has been not to try to set an artificial price for petroleum; rather, our goal is to lessen volatility in the market, volatility that can make business decisions especially difficult, particularly for small energy intensive businesses.

The recent announcement by OPEC and others that enough oil will be flowing in the global market is good news for consumers. It will build oil inventories and, as we've already seen in the past couple of weeks, it will lower prices.

But the recent price spike reminds us that every American can still be affected by actions and decisions that occur well outside our borders.

The recent volatility in all markets is yet another in a series of cycles, this one perhaps more extreme in its roller coaster effect than others in the past. It's a cycle that actually began in 1997 when OPEC substantially increased production at just about the time when the economic downturn in Asia began to sharply reduce global oil demand.

This led to unprecedented low oil prices, the lowest in 50 years, and much of our domestic industry, that is, the producing industry, suffered as a result.

The most recent price spike came as a result of a series of production cuts as both OPEC and non-OPEC producing countries attempted to compensate for the plunge in prices. Unfortunately, these cuts came at the same time the Asian economy began to rebound. The supply and demand imbalance quickly swung the other way and suppliers began drawing on petroleum stocks. Inventories were driven to extremely low levels and the price of crude oil and refined products shot up.

It is important to note that the dramatic swings in prices have largely resulted from an imbalance of less than three percent in world oil supply and demand. Today, the world consumes 75 million barrels of crude oil per day. A two-million barrel supply overhang led to the price plunge in 1998. A two-million barrel supply shortfall contributed to the price hike of this year.

That is the nature of the global oil market that affects every American. Today, 52 percent of the oil consumed in the United States originates from outside of our borders. That is not only due to declining domestic production, but from a continuing rise in U.S. demands. Our petroleum appetite has increased more than 20 percent since 1985.

There are some short-term global actions that can help. We've diversified our international sources of oil supply. Last year we imported oil from 40 different countries. We can engage in global diplomacy, and I believe Secretary Richardson deserves a considerable amount of credit for the diplomatic efforts he has made in recent weeks.

But in the longer run, we must continue to take actions that strengthen our own domestic energy security and protect those Americans that can be harmed most by sharp price fluctuations. That is what the President and the Department of Energy have been doing over the last several months.

To ease the problems faced by low-income persons, this past winter, the President released nearly $300 million from the Low Income Home Energy Assistance Program. In the pending supplemental appropriations bill, he has asked Congress for another $600 million for this program, plus additional funding for weatherizing the homes of low-income families.

The Administration took action to insure the availability of SBA loans for heating oil distributors who needed better cash flow to meet contractual obligations and make deliveries.

In all, I've cited 15 separate actions on pages three and four of my formal statement that the Administration took following this winter's run up in distillate fuel prices.

Within the last month, the President has proposed additional measures. In his March 18th radio address to the nation, he called on Congress to enact legislation authorizing a regional heating oil reserve in the Northeast.

This would be a two-million barrel emergency supply of heating oil that could be released when supply shortages threaten economic harm to consumers. We are currently working on plans for this reserve and we are prepared to work with members to pass legislation that would establish clear authorities for its creation and use.

The President has also called on Congress to extend the Energy Policy and Conservation Act, the legislation that provides organic authorities for the Strategic Petroleum Reserve. Despite the recent visibility and concern expressed over our nation's oil situation and our energy security, the legislative authorities for our most important energy emergency response tool have been allowed to lapse. They expired on March 31st.

We were encouraged last week when the House passed an extension of the Act through fiscal year 2003, and included provisions for heating oil reserve. That legislation has now been returned to the Senate which had previously passed a similar extension.

It is critical that Congress act soon to extend this legislation to ensure that the President maintains the ability to use all available tools to respond to future energy needs.

There are also opportunities to reduce our economy's appetite for petroleum and to supply a greater proportion of our oil from domestic sources.

In his radio address, the President announced several new tax incentives to support domestic oil exploration and production, as well as reiterating his support for tax credits that would encourage greater use of renewable fuels and improved energy efficiency.

For the longer term, we are strong believers in the potential of new technology, both to make our economy more energy efficient and to enhance our nation's ability to produce more fuels from its own domestic resources.

One of our key energy efficiency initiatives is to develop a prototype full-size automobile by 2004 that would get 80 miles per gallon. By the same year, we also want to improve light truck fuel efficiencies by 35 percent while, at the same time, ensuring that these vehicles meet new air quality regulations. These efforts will not only benefit millions of individual automobile owners, but also the hundreds of thousands of businesses that rely on delivery trucks and freight haulers to move their products to market.

Finally, Mr. Chairman, let me make a final point that often goes overlooked in a discussion about small businesses. We correctly focus much of our attention on the small companies and family-owned businesses that consume petroleum and other fuels, and rightly so. I would also point out that, increasingly, the companies that produce those fuels in our country are also small businesses.

Today's petroleum industry is not the same industry that existed in the 1950s, '60s or '70s. For the most part, large oil companies that had been here have turned their attention to more lucrative prospects overseas.

Today, 85 percent of the new oil and gas wells drilled in our country are drilled by the smaller, independent companies. They account for nearly half of the crude oil produced in the lower 48 states. They are responsible for two-thirds of the nation's natural gas supply today. Nearly 80 percent of the more than 8,000 companies that now make up the U.S. oil industry have less than 20 employees.

The extreme price volatility we witnessed recently is good for neither the oil consumer nor the oil producer. They are both small businesses.

Consequently, Mr. Chairman, we believe a truly comprehensive national energy strategy must address both ends of the fuel spectrum, the producer in the field as well as the consumer in the home or business.

There are remarkable opportunities at both ends of this spectrum. If we can sustain a partnership between government and industry in developing new energy consuming technologies and new energy producing technologies, we can look forward to a day when the roller coaster rise of prices comes to a halt.

Our goal is a future in which the United States is producing the full potential of its domestic resource and consuming those resources in the most efficient manner possible. The more we drive toward that goal, the greater the likelihood that the cost of a barrel of oil in the future will be dictated by markets and not by cartels.

This concludes my opening statement, Mr. Chairman. And I'll certainly be glad to answer any questions you may have.

Chairman SWEENEY. Thank you, Mr. Gee.

We'll go to Mr. Hulbert.

STATEMENT OF TIM HULBERT, PRESIDENT AND CEO, RENSSELAER COUNTY CHAMBER OF COMMERCE

Mr. HULBERT. Good afternoon, Madam Chairwoman and Mr. Chairman.

As John has pointed out, I've known him since he had an honest job. I'm very proud to have known him when he worked assisting many of our citizens with developmental disabilities, with the Rensselaer County Association for Retarded Citizens. That's when I first met him. And that was an honest job and it was a great job. And you did as good a job there as you're doing here. It's an honor to have you here.

I wanted to point out in my remarks that, when it gets close to August 1st and you're rushing to the summer recess and trying to get all those things done, just think about this nice warm weather we're having here today in beautiful Upstate New York.

My name is Timothy Hulbert. I live about 10 or 15 miles due north of here, the way the crow flies, but something less of than a dollar fifty a gallon of gasoline would get me here from my home. I work for the Rensselaer County Regional Chamber of Commerce. And I thank you for having me.

Our Chamber's been around for a hundred years. We have a thousand members. We are very proud of our heritage. We are very proud of the heritage of this community.

Let me get to the business at hand.

Just a week ago, crude oil prices reported in The New York Times listed that the Saudi Arabian Light, the benchmark commodity, was selling in the spot market for $22 a barrel. Now, that's pretty good news, because a month ago, as you noted, it was selling for about $34 a barrel. However, for that same barrel getting delivered in May, the price has risen to $24. That's the energy future.

The International Energy Agency reported in last Wednesday's New York Times, "they've warned of possible shortages unless OPEC lifts output more than expected."

As you know, as has been noted here, there's been a steady rise upward until the last month in the price of a barrel of oil. There's been some volatility over the last month and, to the great extent, it has come down, but what goes down can come up. It's the reverse of Newton's Law.

Over the past year, the Organization of Petroleum Exporting Countries has once again demonstrated that they can dictate either world-wide economic disruption or stability. The cartel has once again shown us just how vulnerable our economic prosperity really is.

Just what has this price runup done to us?

Every time OPEC strangles production or raises the price of petroleum, ultimately, everything we buy as businesses and consumers costs more. When OPEC raises its price, rest assured that Texas oil, Alaskan oil, natural gas and all heating fuels, ultimately track that price and rise, too.

So much for economics. What does this mean to businesses and consumers?

Virtually every American product and service gets delivered over the highways. When the price of gasoline rises, business costs and the costs to all consumers rise.

Just take a look at groceries.

We are fortunate to be just a few miles from Hannaford Brothers Company's New York regional office and distribution center. They have a half a million square feet under a roof. They have 400 people working there. And from that facility they supply 23 of the finest supermarkets in Upstate New York and even more in neighboring Vermont and Massachusetts.

Company-wide, Hannaford's distribution costs have risen by more than $50,000 a month. For the Schodack-based portion of the company, that means somewhere between 15 and $20,000 each month in increased costs that's going to find its way into their products. That's a steep increase that requires a steep challenge by the management to manage that.

If there's any good news for this industry it's that all grocers move their products over the highway. So, whether it's Golub, Wegmans, Hannaford or whatever, they're all distributing over the highway and they're all dependent upon gasoline. That means they, unfortunately, are simply conduits of the OPEC tax, and that conduit from OPEC directly to us as consumers. I know the Hannaford management team quite well. Their vice president Beth Nuance Campbell and other vice president Ron Spear are here in the room. And I know that they will do whatever it takes to keep the price advantage in the marketplace. They'll do whatever it takes to keep any advantage in the marketplace. And so will their competitors. But rest assured that much of the later OPEC tax, it's going to find its way into cereal, ketchup, dog food and everything else that we buy, be it at Price Chopper, Wegmans or Hannaford.

Other businesses that face these costs face a little bit different circumstances.

Again, a few miles from here, Hudson Valley Coffee Company is located in Schodack. It's owned by a woman, Lisa Topaltzas. She, too, gets her products, coffee, to the market over the road.

Coffee is very much like petroleum, and I'm not speaking of the coffee that I make every morning. But Lisa pointed out to me that coffee and petroleum are perhaps the two most traded commodities in the world marketplace. There's really no arguing with her there.

The world-wide coffee market, however, is very different than the petroleum market. Price and supply are not set by an international governmental cartel. For the most part, and maybe some of you will disagree with this, coffee trades openly and freely around the world and it seeks its own level. When it's affordable, we buy it. When it gets too pricy, we drink tea, we drink soda, but we don't drink coffee. Unless, of course, you're dependent like I am.

Lisa's company has one basic product. They have a variety of variations on that, but they have one basic product, coffee. The several hundred dollars that she and her company face every month really can't be covered because of the nature of that marketplace right now, so she eats that tax. She eats that and, you know, less salaries for her employees, less other things for her company.

There's another business that I know fairly well, and that's R.J. Giles, a very good friend of ours, unfortunately moved his company over to Albany temporarily. He'll be back in Brunswick at some point.

He started his business about 15 years ago out of his living room and in the back of a Dodge station wagon. Today, he has over 30 men and women working for him.

His company, which competes with all the regional and national office supply companies, is paying about $600 a month additional in increased gasoline costs.

Now, he's a little bit like Hannaford and a little bit like Lisa. He can move some of that, some of that product, that price increase into his products. Not too much, though. He has to eat the rest. He loses profitability. That hurts a local business.

Ultimately, these things find their way to consumers. As I said here in my remarks, I guess I'm pleased, if you will, to share this bad news with you. What I don't have for you is some type of silver bullet that would be a remedy. I think it's a problem of markets. I don't know that there is a remedy. And I am speaking as a recovering energy bureaucrat. I spent five glorious years with the now former New York State Energy Office.

John, in his previous capacity, was successful in eliminating that alma mater of mine.

Don't laugh. He's got his eyes on you.

Anyway, our Chamber members do not call me up and say, "Tim, what are we going to do about this?" I think they call their congressman and congresswoman.

I don't know that price controls, fuel allocations and those types of mechanisms will work. I am very doubtful about what the release of the Strategic Petroleum Reserve will do. I think they're more theater.

Having said that, I am a veteran of the '79 energy crisis, or so-called energy crisis. And during that crazy time, odd/even did work. And I'm not saying that we should do odd/even but, if there is a point where that does occur, odd/even can work for a period of days. One of the things that we do in government is we manage emergencies quite well. What we don't do in government is we recognize when the emergency is over. So if you are driven to do this this summer or some time in the future, remember you have to remove the rationing.

I do think we need to do some of the things that the Assistant Secretary has said, which is to create the incentives, tax incentives for the market, introduction of competing fuel forms and energy efficiency.

There was an article in yesterday's Record in Troy about the Honda Insight—I can't help notice it was Honda and not Chevrolet—that now has a hybrid product that you can buy in beautiful downtown Brunswick that gets 60 to 70 miles a gallon, and maybe even drive it to Cape Cod.

Finally, a word about OPEC.

You know, in our little corner of the world here, we might not be completely up on all the nuances of the geo-political machinations. But, you know, without a score card, it's pretty tough to keep current on these things, but I don't know.

Is Kuwait on our side these days or are they back on the same side as Iraq?

Where are our buddies, the Saudis, Abu Dhabil or the United Arab Emirates?

These questions, of course, are rhetorical, but Americans certainly can remember that less than 10 years ago our men and women were fighting to protect these nations as well as our own strategic interests in the Persian Gulf.

Maybe these nations could use a gentle reminder that their long-term strategic and economic interests are better served by our American economic success. Maybe if President Clinton appointed former Secretary of State James Baker as a special ambassador to go visit our, quote unquote, friends around the Gulf, maybe they would see the friendly face and rethink their openly hostile economic policies that are currently in place.

I know it's not that simple, but feel free to pass that last suggestion along.

Again, thank you for coming here. And it's great to see you again, John.

Chairman SWEENEY. Thank you Mr. Hulbert.

Our next witness, Dan O'Connell, is the manager of the Capital Business Resource Center, which is an SBA, Small Business Administration, sponsored business information center. Welcome.

STATEMENT OF DAN O'CONNELL, CENTER DIRECTOR, SMALL BUSINESS ADMINISTRATION

Mr. O'CONNELL. Thank you, Congressman.

Welcome, Congresswoman Kelly. Thank you for coming up to Schodack.

I live on the other side of the river, still in the 22nd District, I might add, in Clifton Park. I guess we're neighbors up there.

So far, from the other two people that are contributing, we've heard about part of the cause of the problem. We've heard about OPEC. And, certainly, OPEC had a great effect on the price bites that we saw this past winter.

OPEC production restrictions finally began to diminish what had been a glut on the market. And, as the Assistant Secretary said, we were at a low price in the cost of oil historically.

However, in September, the supply of the product was sufficient in the Northeast to meet the anticipated demands of this winter. Of course, the decision to restrict all production caused an international increase in crude oil per barrel and that was something that affected us in the Northeast, particularly. But there was, were two other factors involved. One was we had a cold snap that began January 13th. And it lasted for approximately three weeks. That cold snap caused the utilities, the gas companies, if you will, the natural gas companies, to invoke their interruptible clause in their gas contracts. The interruptible clause is for big businesses, for big users, for hospitals, federal buildings, electricity generation plants. They are required that, when demand for natural gas becomes high, that they convert back to another type of fuel or they would pay a significant penalty for their continued use of gas, of natural gas. This interruptible clause put an unprecedented demand upon the supply that was already limited in this area.

During the three-week cold snap, interruptible customers required four million gallons of fuel oil per day in the Northeast. And, for example, four million gallons of fuel oil would heat, one day of what the gas interruptibles used would heat 4,000 homes for one year.

The demand triggered by these interruptible customers had a net effect of increasing oil prices by 50 to 60 cents per gallon. The oil dealers that I talked to identified this as the single largest problem that they faced this winter.

At the same time, the cold snap caused the river to freeze. No surprise there. The river freezes every year. However, when the river froze, it lengthened the time to get a barge of oil from the Port of New York to the Port of Albany from 16 hours to approximately 36 hours, which increased the cost of transportation. Also, because of the ice on the river, they required, the tugs required having, the barges required having an ice breaker to lead them up the river at a cost of approximately $800 per hour. So this also had a tremendous effect on the price increase for a barrel of oil, for a gallon of oil, rather.

These factors resulted in a rapidly increasing price. Many occasions the price went up more once in one day and the fuel oil dealers had a terrible time trying to stay abreast of the prices. In many cases, they could not get a quote on a barge load of oil from the Port of New York because, by the time it got here, it was significantly higher. It was worth more when it got here.

We ran into some product shortages. Unlike Western and Central New York, we're not available to pipeline. We're water dependent for supply.

While the price of oil was high in Western New York and in Central New York, it was not as high as it was here. And they had access to the pipelines.

One of the oil dealers I talked to said that they were sending tractor trailers to Toledo, Ohio, to get product, because they could get it cheaper than bringing it up from the Port of New York, even with the cost of fuel involved.

What's the solution?

Part—of course, part of the solution is what we talked about, what's already been said, the Strategic Oil Reserves.

Most of the dealers I talked to said that we really ought to keep the Strategic Oil Reserves for a real emergency, catastrophe, a disaster, a time of war, but we should have a special supply reserve, perhaps with, the figure that was thrown at me was two and a half million gallons, that would be stored somewhere in the Northeast and be available for just such supply shortages, not for critical. We didn't want to touch—they didn't want to touch the strategic reserves that would be there for in case of real physical or disaster measures. But they thought we should have some access to relieve the demand when the gas interruptibles clicked in and when the river froze.

In addition, they thought that it would be a good idea if the gas interruptible customers were required to store a five-day oil supply that they could buy in the spring or in the fall, store for the winter and, if they were required to use it, they would have it. If they weren't required to use it, they could shut down their gas supply for five days and burn off the oil and then replace it the following season.

Right now, they can buy contracts from their oil dealers to meet their interruptible supply. But that doesn't help the supply, because the contract is just that, it's a promise to buy from, promise to deliver.

Certainly, what the oil dealers were faced with, beside the lack of product, was a cash-flow crunch. And this was what most of our small businesses were faced with. The oil dealers had it first. They were faced with a cashflow crunch because the price was going up so quickly, that they were buying increasingly more expensive product while waiting for accounts receivables, that were already of lesser value, to come in. HEAP was a great help, but it took a while to get that money.

One of the things, the small businesses, once again, rose to the occasion. Of all the oil dealers I spoke with in the last few weeks, all of them made it a point to say nobody went without heat, whether they could pay or not, whether they would be paid in a timely basis or not. If they got the call at two o'clock in the morning, they went out and delivered, regardless. They just made it a policy that nobody was going to be cold. And I think that says a lot for the small businesses.

In addition, they honored their contracts. The companies that sold contract prices for their oil customers at a guaranteed price at the beginning of the season, they honored those contracts and they didn't walk away from them. They all talked about one guy in New Hampshire that walked away from them. I was just happy it was in New Hampshire and not here.

The SBA was given a million dollars in supplemental funds to provide guarantees for oil dealers that were hurt by this shortage. That allowed us to guarantee $86 million worth of loans. In Central New York, in the Syracuse district, which this area is part of, we did not make one loan to an oil dealer for this purpose.

Now, why, why was that the case?

Certainly, part of it's our fault. Maybe we didn't market it correctly. Most of the oil dealers I talked to knew about the program, they said that they were experiencing very difficult cashflow situation, but they were able to handle it with their banks. They borrowed from friends, they borrowed from relatives, they borrowed from banks to get through this situation. They didn't think that the SBA would respond quick enough.

We have some programs today, thanks to the small business community, that allows us to respond quickly. We can get an answer and actually get the money in somebody's hands within 36 hours. I don't think we've done a proper job in marketing. And that's something that we certainly want to make clear to all the businesses in our area and we have been making a concentrated effort to get that information out.

We expect that, come later on in the spring, when the oil dealers find just how badly they've been affected by their situation—a lot of them don't know yet just how bad it is. One fellow told me he didn't want to know until he got back from vacation because he didn't want to worry about it. Once we find out just how bad this is, then they will be able to avail themselves of SBA products to do some refinancing. We can term out some of their credit lines and provide them with the capital that they need.

In my written testimony, I gave you some figures as to how many loans that the SBA's made in both the 19th and the 22nd Districts over the last two years. We had been, in the 22nd District, significantly behind last year. And, overall, in the Syracuse district of the SBA, we had been significantly behind last year. However, in March, we had a record month, and we believe that it was due primarily to the energy crunch. So we anticipate seeing that go forward in April, May and June and we probably will catch up by providing some capital to businesses that are dependent.

That concludes my testimony. I'll be glad to take any questions.

Chairman SWEENEY. Thank you, Dan.

We'll go to questions now, and what I'll do is direct my first round of questions to the Assistant Secretary and then turn it over to Mrs. Kelly for her round of questions.

I noticed, Mr. Gee, that some adjustments, or I sensed some adjustments from your testimony this morning. And I appreciate that you flushed out some of the President's proposals, because it does, indeed, provide us some opportunity to develop some focus. But I must say, I am skeptical and, at a minimum, unclear still in terms of what and how the Administration is viewing its policy decision making. And I want to point to a little bit of the history and then ask you a very specific question.

And as I look at the history, I'm not sure if the Administration is a proponent or a supporter of the notion that we need to increase domestic production. You had pointed out that domestic production's defined.

When you consider in 1995 that the President vetoed a bill which would have opened up as much as 16 billion barrels, 30 years' worth of Saudi Arabian imports in Alaska. When you consider that, I think it's the policy of this Administration to not believe that hydropower is renewable, in light of the fact that the Secretary of Interior has essentially launched an all-out assault against our domestic energy by keeping regulations, raising royalties, closing vast expanses of the U.S. to natural gas and oil exploration. I mean, the Secretary's actually bragged that he was going to be the first secretary to tear down a hydroelectric dam in his term. When you consider the Administration shut off the entire Rocky Mountain front to energy exploration, foregoing enormous quantities of clean American natural gas. When you consider the Administration has embraced the Kyoto protocol, which could impose staggering economic costs on the United States, in my opinion, the protocol requires the U.S. to vastly reduce its use of fossil fuels, like oil and natural gas and coal, to a cheap (inaudible) initially carbon dioxide. I'm a principle sponsor of acid rain legislation in Congress. I am sensitive to the needs to balance environmental policy. But it seems to me that the Administration has tilted substantially in one direction while not—while foregoing many opportunities that we might have in developing alternate sources and in improving and wisely managing our domestic supply.

So, if you could tell me what is DOE's sense of priorities. Is it domestic production first or is it alternate fuel sources as the principle priority to moving forward and ensuring that we don't have a repeat of this kind of crisis?

Mr. GEE. Let me try to—as I understand your question, let me try to answer it this way. Rather than either or, I don't think it's domestic versus alternate, it's actually both. Our policy priorities are to diversify, as best we can, all forms of energy, whether it's fossil based, whether it's renewables in the form of solar or wind, whether it's continued use, continued use of nuclear power, which, in many quarters, is unpopular, but we recognize that it still contributes some 20 percent in electric power generation, energy efficiency and, certainly, the concerns you've addressed with respect to hydro, I think those are challenges that are going to have to, on a continued basis, simply because you have a lot of license authority that are now being—that are now expired or about to expire. And the question then becomes whether you relicense a lot of that capacity, given our surge in energy demand.

With respect to oil and gas production, let me tackle that first, since you brought that up.

This Administration is, indeed, as you point out, opposed to opening up the Alaska Natural, Alaska Natural Wildlife Reserve for oil and gas production. However, I don't think it is correct to say that we are adamantly opposed to continue domestic production of new fields. This Administration decided to open up the NPRA in Alaska, the National Petroleum Reserve of Alaska. It did so with the understanding that new technologies have been fashioned that would allow the beneficial, environmentally beneficial, environmentally sensitive production of new green fields development in Alaska. And, in fact, our Department's worked very closely with the Department of Interior, the head of the Department of Interior to release those and, in fact, they are now ready to open those additional new oil and gas fields in Alaska.

We've also passed the Deep Water Royalty Relief Act in 1995 which afforded a lot more oil and gas development in the Gulf Coast of the United States, and that has led to higher rates of oil and gas production off the OCS.

We're working closely, as a department, with the Department of Interior to look to the Rocky Mountain area to find out how we can best inventory all of the properties that are currently being utilized for exploration, and even those that are off limits, and seeing whether there could be, whether there could be some opportunity for continued exploration in the Rocky Mountain region.

So I want to emphasize, Congressman, I think your question, as I understand it, what's this Administration doing to promote domestic production, in fact, we're opening up new area——

Chairman SWEENEY. Please tell me and tell the panel what are the quantified goals, what is your goal and your plan to attain those goals in increasing domestic production, and by what time period are we talking?

Mr. GEE. In 1998, our Department released the President's Comprehensive National Energy Strategy, and one of its goals was to slow down the decline in domestic production to a point, hopefully, by 19—excuse me—2005 we would stabilize the level of domestic production.

Let me give you a few facts, Mr. Congressman.

The problem in the United States today is that many of our fields, most of our fields have already been well explored, unlike other parts of the world. So it becomes increasingly difficult to realize higher rates of recovery. The number of barrels that you produce per well is shrinking, simply because we're going back into the same fields, and that's just a matter of geology. You can't fight that. Okay?

What we can do is to try to find ways, through tax incentives, through lowering of cost production, to keep margin of wells productive. And perhaps with that, in addition to the increase in the new areas that we are permitted to explore, try to find ways to slow down the slide in domestic production and perhaps arrest it over a period of time. And that is one of our goals.

Chairman SWEENEY. I'm a supporter of ethanol and biodiesel alternative fuels. And I happen to be fortunate in that I represent a number of people who work for a fantastic company called Plug Power, that is in the area, that's——

Mr. GEE. Very good company. Very familiar with them.

Chairman SWEENEY. So you know what they've done.

Now, I'm wondering, what is DOE—is DOE using this latest crisis to expand alternate fuel research and what are the expectations that you have in that area?

Mr. GEE. That is a different part of our department, for which I am not directly responsible. Let me go ahead and share with you what I do know.

We do have a big biofuels program as part of our department's research and development program, and they also are big into ethanol research as well.

In my own office, we have a program which, hopefully, will take coal and coal waste and petroleum and natural gas and hopefully convert that into liquid transportation fuel. That, in conjunction with our renewable biomass ethanol program, would hopefully lead to diversification of these fuel resources to liquid transportation fuels. That is a big part of our program. In fact, I think—I don't know what the budget figures are. I do know that we are asking in our next, in the current 2001 budget request for an increase, I know, in some of these R and D technologies.

Let me also add, the Plug Power, the fuel cell technology, my office is very heavily invested in new fuel cell technologies. We think that is one way where we can continue using, for example, natural gas in a way in which boosts efficiency way beyond what anybody would ordinarily expect and also do it in a way which is environmentally benign, because all you emit is, basically, water and minimal amounts of CO_2.

I was in New York City at a ribbon cutting of a fuel cell that was put together by the New York Power Authority along the Hudson, a fuel cell developer, and it was a marvelous fuel cell that they have there in the substation right in the midst of Central Park. Excellent example of distributing generation in a heavily urbanized area.

Chairman SWEENEY. Thank you.

Mrs. Kelly.

Mrs. KELLY. Thank you.

Mr. Gee, when this whole crisis started, Governor Pataki asked the Administration for an immediate investigation into the factors that are driving these fuel prices and its shortages and so on. And on January 27th, the Ranking Chairman, the Ranking Member of Transportation asked for a similar study.

Can you tell us what the status of those investigations are at this point?

Mr. GEE. I believe, if you're referring to investigations into potential anti-competitive conduct, if that's what the thrust—I'm not familiar with the specific inquiry. I do know that questions have been asked about why prices seem to fly up so rapidly and whether there were some anti-competitive actions being taken by various parties.

I do know that the Federal Trade Commission and the Department of Justice are looking into competitive questions, if that's what your question refers to.

Mrs. KELLY. Well, some of those questions I asked Secretary Richardson myself when I met with him early in this problem, and we asked if there was, in fact, price gouging, whether there was a deliberate attempt to withhold oil from the Northeast, which would drive up our prices. Given what we know about the regional nature of oil pricing and so forth, I know that the Governor also was concerned about the way, the impact of that, in terms of price increases, and also he was, I believe, asking about the supply shortages. And I just wondered, I know that those questions——

Mr. GEE. I think we're talking about the same thing. I believe, as I understand it, the Department of Justice and FTC are looking into these matters that you referred to.

Mrs. KELLY. Those questions were asked January 27th. Perhaps you could take a recommendation back to the Department——

Mr. GEE. I'll be happy to take that back.

Mrs. KELLY [continuing]. And respond?

Mr. GEE. I'll ask our Department what they know of your inquiry and see what other agencies are doing as well in response to that. I'll be happy to do that.

Mrs. KELLY. Thank you very much.

In the interest of time, are you going to hold the hearing open and then I will submit some——

Chairman SWEENEY. I was just going to make a motion. We will hold the hearing open for an additional 14 days so that additional questions can be submitted.

Mrs. KELLY. May I just state one thing?

I know that you've been talking about the Arab nations. I happen to have had some relationship with the Country of Qatar and the Minister of Energy of Qatar is the Chairman of OPEC. When he was in my office talking with me about something that his nation needed, I turned to him and said, "Sir, I need something from you. We, in the Northeast, need something from you." I want to make it clear, put it on the record, that at the time I was speaking with him, I was talking with him about the impact in the Northeast of the problem with oil prices going up, my concern about price gouging, my concern that they have made, they made an effort to shrink the amount of oil that they were pumping and making available to us and what that impact is. And I think we've heard today, and we'll hear some more, about the impact on individual people's lives. He does—they do know that, OPEC. The question is: Are they going to pay attention to us? And I hope that the Department of Energy and Secretary Richardson, in particular, will drive that message home when he is talking with them, because he's not the only one speaking to them.

Chairman SWEENEY. Okay. With that, I have a number of questions for both Mr. O'Connell and Mr. Hulbert but I'll submit them in writing to you.

I want to thank the panel for its great testimony, very insightful, very forthright, and I appreciate it.

We will stand in recess for about 10 minutes as we call up the second panel. We will resume promptly at 10 minutes after four.

[Recess.]

Chairman SWEENEY. Okay. I'll gavel back in the proceedings, and we'll now move to our second panel.

And I welcome the panelists and I'll begin by introducing each of them.

Dantaida DeGuzman is co-owner of Pioneer Fuels along with her husband. The DeGuzmans went into business in July of 1997 by advertising their business door to door. They currently serve over 1,000 customers, which I think will provide important insight into this crisis.

Also joining us is Marshall Stevens, welcome, the assistant airport manager for the Floyd Bennett Memorial Airport, which is the

Warren County Airport. Mr. Stevens is fairly new to the region. He's been with the Floyd Bennett Memorial Airport since December of 1999, and I'm sure he's excited that the airport is going to receive the additional $150,000 in federal funding from the Air 21 Bill that we passed earlier this year. Being the Vice Chairman of the Aviation Committee, Marshall, welcome and I know you and I will do a lot of work together.

Tom LeGrand is the owner of LeGrand Construction. Mr. LeGrand is a businessman from northern Dutchess County, whom I've known for a couple of years and who I know is a real doer and a real pro in the construction industry. And I'm anxious to hear from Mr. LeGrand on the effects of increased fuel costs in the construction industry and in the southern end of my district.

Jim Czub is representing the National Corn Growers Association. Mr. Czub is a resident of Rensselaer County. Jim brings a very local perspective on the impact on local farming but he also brings us a national perspective as well as one of the real strong voices in the agricultural community. Thank you for coming today.

And Jim Buhrmaster is representing the Empire State Petroleum Association. Mr. Buhrmaster, thank you for being here. Mr. Buhrmaster is president of J.H. Buhrmaster Company, Incorporated. He is currently the director of the Petroleum Marketers Association of America and is past chairman of the Empire Petroleum Association Board of Directors. He will, no doubt, provide us, the committee, with firsthand knowledge of how these costs have affected their members.

I said in the earlier introduction that you were really representative of the little people, which you really are the representative of the most important part of our job, as members of the House of Representatives. You represent a wide group of constituents who have been affected here. And I'm eager to hear your testimony. And thank you all for being here today.

And Dantaida, we'll begin with you.

STATEMENT OF DANTAIDA C. DeGUZMAN, OWNER, PIONEER FUELS, INC.

Ms. DEGUZMAN. Thank you.

Chairman Sweeney, Miss Kelly, good afternoon.

First, I'd like to make sure that everybody understands that we are a very, very small company. We have just started in 1997, making our first delivery October of 1997, after doing thousands of fliers the week before. And due to lack of funds in advertising or marketing and even buying our first load of product, which had to come from my paycheck, that's how we got established. Through hard work, we were able to have 400 customers in the end of 1998, the first season. And, as of last year, we had over 1000 customers in our data base that was continuous in ordering fuel from us.

Our plans to grow was kind of stunted this year because of the oil prices. We purchased a second truck last year to meet the high demands of the deliveries so that we can market more. Unfortunately, the second truck and the first truck only provided us deliveries or as much gallonage as it did last year due to the fact that consumers were ordering lesser amounts of fuel oil than they did last year. So our personnel increased, our gas increased, our phone calls increased but the money, no, we made a lot less money than we did last year with two trucks.

Again, due to the age of the company, one of the things that kind of hurt us and why we couldn't take a lot of the customers is because we were not as established in the field of the fuel industry.

Thank God that Apex Oil, which is our main distributor, had given us a line of credit last year of $10,000 and increased it to $15,000 in February after much begging and pleading from me, because I was constantly going to the bank everyday, making deposits from our customers, waiting for those checks to clear, which has a clearance rate of three to five days, getting a cashier's check to bring it to Apex just so that my trucks can pick up product again the next day.

So that was a hardship personally for me, because I have a job, a full-time job with the State of New York. So lunch hours were spent going to the bank and going to Apex.

The next dilemma that we encountered with the high fuel is the lack of kerosene product in the Capital District. Again, we were only dealing primarily with Apex Oil. And Apex Oil had run out of kerosene product for approximately three to four weeks. When we asked them why they had stopped buying kerosene, there was a couple of reasons: One, again, because of the barges, as I think it was Mr. O'Connell who stated that; and, two, they were, they were at a fear of buying the product and then the market going down. When they buy gallons of fuel, they're buying millions of gallons, and if the price of the product decreases that night or that day 25, 30 cents, then they're apt to lose millions of dollars in the deal. So they stopped, all together, buying kerosene. Luckily, Polsinello Fuels helped us get some fuel product. And, again, that was hard on our drivers because what they were doing is we weren't—they were getting it from one of their dealers that they were established with, filling their trucks, their trucks were filling our trucks right at the Port of Albany. So we were buying it—so they're filling their trucks, they're putting it in our trucks, then we're delivering it to our customers. Not a good business move for us, because we were trying to be as inexpensive in the fuel market as we can, but trying to at least make some pennies so that we can pay our bills.

So that was our next dilemma. But the worst dilemma, I guess I could say, is the effect that it had on the personnel and the consumers, on both of us.

The main anxiety for all the personnel of Pioneer was that it worried about their customers and their ability to keep warm.

I'm located in Petersburg, New York. It's not the most affluent neighborhood. It's very repressed. It's a lot of farms. It's a lot of people that are not high income that does not want to live in the city, so they move out there so that their kids can grow in an environment that's kind of open.

Constant calls by our customers that were made to us were yelling, screaming, crying. They couldn't understand why it was high, that at first, initially, they put a lot of the blame on the fuel companies. "You guys are out to get, to make money. OPEC's making money," you know. And what do you do? How can you explain to the customers when they're crying and yelling and screaming and their kids are cold, how can you say, "Okay. We're not going to deliver to you"? "We'll be right there. We'll be there even if you're yelling and screaming.".

Again, that increased our costs because, what used to take three to five minutes to take an order from a customer of a fuel delivery, is now taking 15 to 20 minutes because we still want to offer the best customer service that we possibly can to maintain our customers.

We've—we also during that time dropped our minimum gallons from 125 gallons to 100 gallons per drop. So let's say we were making 10 cents per gallon, at 125 gallons we'd be making $12.50 per gallon. At a drop of a hundred, now we're only making $10 per drop. You add all those gallons, it's a considerable amount of money to a small company like us.

So, for the first time in its history, where, every time the phone rang, we'd jumped to answer it, now every time it rang we'd look at each other and say, "Do we want to answer it? You take the call. No, you take the call." It became very difficult because it caused a lot of anxiety. I mean, you don't want to get yelled at by a customer or have somebody crying.

There were a lot of times we also delivered only 25 gallons. I mean, if somebody called us and said, "All we have is $40, would you deliver to us?" And at first you say no, this is not a good business move. Unfortunately, we're not the best business people. We're also human. So we delivered to them at a loss to us.

Compared to last year, Pioneer Fuels has always tried to maintain an average gross profit of 23 cents to 28 cents per gallon. There was a period of time during this past heating season where Pioneer made not a single penny and probably lost money delivering products.

How? Well, let's assume that on any given day the cost of product for Pioneer to purchase is a dollar a gallon. Customers calling on that day for delivery the next day would range at $1.25. What started happening is, that same night, after we'd given these prices to our customers, the price of fuel would go up 25 cents to 30 cents per gallon. When we delivered that product the next day, we're actually delivering that product at our cost. We let that happen for a few days until we finally said, "Geez, we keep letting this happen, we're going to go bankrupt and we don't want that to happen." So we sat down and discussed an alternative of making sure that every customer was called to insure that, geez, you know, I'm sorry, the price of your fuel that we promised you at $1.25 yesterday is now a $1.50 and do you still want the delivery. And it wasn't just one night. There was, I remember, one day during January where it increased three times during one day. So we called that same customer three times.

Also, because of the fuel prices were so low from 1997 to 1999, not many people signed up for our budget plan, which was 79 cents a gallon. Because of this, we didn't really get involved with the futures market. We didn't buy at a lower rate last year. Still, we did get some people to sign up for their budget and prepaid plans, so when the price of fuel at our cost was at $1.80 per gallon, we were still selling it at 79 cents a gallon. We did this not only because there's a contract but also for the goodwill of our customers.

Mr. O'Connell stated that there was one person in New Hampshire that reneged on their contracts. For January and February the news was rampant around our community that there were a couple of small fuel companies that did renege in their contracts. And I've never verified that, but there was a lot of talk that they did do that.

The concern for the consumers forced Pioneer Fuels to call the HEAP Department and also call the Governor's Office during this time. Unlimited calls, many calls were made to the HEAP Department, because we have a lot of HEAP customers, advising HEAP that the usual grant of six, $700 that lasted a customer all year long was only going to last them for a few months, a couple of weeks and that they'll be freezing within the next two or three months. And, luckily, they did double their grants.

Unfortunately, for the people that were elderly and are on fixed income, that are on pensions, that do not qualify for HEAP just because they do not meet that income level, they really hurt. My neighbor, older couple, one person had a stroke, and she actually comes in to help baby-sit my kids in the morning, they used probably 275 gallons to 400 gallons of fuel a month. Last year, it probably cost them $600 to fill up their tanks all year because of the low fuel prices. This year, they couldn't meet it. So what were we doing? Every time we had a few gallons, we would give it to them just because, you know, they're our neighbors, we're not going to let them freeze. So another not a good business sense for us.

If the market of the heating oil products remains as it has during this past year, we would have to consider increasing or gross profit per gallon. We would have no choice if we wanted to continue to stay in business. And the reason for these are increased personnel in the office to maximize talk time to offer customer service; offset the amount of bad checks we got this year. We got plenty of those. And people writing bad checks. And you know what? I can't even blame them. You're cold, give the fuel guy a bad check. And most of them have worked it out with us where they're making payments. There are some hard cases out there that I will probably have to collect on; higher diesel prices to run trucks; minimum drops made to consistently remain at a hundred gallons per drop; increased personnel and trucks to meet the high volume of drops and deliveries compared to last year.

Unfortunately, the increase of the amount of the gross profit per gallon will offset the above expenses. We'll be fine. The unfortunate thing is the consumers will have to eat this. I mean, did we eat it also? Absolutely.

As Mr. Sweeney knows, my husband is my partner in this business. We haven't cashed one of his paychecks since November. We've been living solely on my paycheck, and thank God I've got a State job and I got promoted in the State and, luckily, that's what's keeping us, our family, surviving.

Thank you.

Chairman SWEENEY. Thank you, Mrs. DeGuzman. I have to say, I want to applaud you on all of your efforts to make sure that your customers were heated. And I'm actually very proud to represent you.

Ms. DEGUZMAN. Thank you.

Chairman SWEENEY. I'm very thankful that you came here with your testimony. I'm hoping that we can find a way to ensure that you don't have to go through that again.

Ms. DEGUZMAN. I hope not either, sir.

Chairman SWEENEY. Marshall Stevens.

STATEMENT OF MARSHALL STEVENS, ASSISTANT MANAGER, WARREN COUNTY AIRPORT

Mr. STEVENS. Thank you, Congressman Sweeney, Congresswoman Kelly.

And, also, before I start, I wanted to thank both of you, especially Congressman Sweeney, for your efforts with the Air 21 legislation. That package is a tremendous help to airports throughout the country. And the topic we're talking about here today is also related to that, and I will come back to that a little at the end of my testimony.

Congressman Sweeney said we were representing the little guy today, which, personally, I've never been called the little guy, but that was very flattering.

But, in some ways, I'm representing the little guy for a lot of different people, because at Floyd Bennett Airport, I'm talking about primarily general aviation. When people are thinking about aviation, they usually think about big airports and commercial airline service. But that, as far as number of airports, is the smallest segment of the aviation community. And general aviation is the largest as far as number of airports and areas served.

The definition of general aviation is anything that is not involved in scheduled air carrier cargo or military service. Some representative examples of general aviation include corporate use of aircraft, charter flights, air taxi type service, air ambulance, flight instruction and training, recreational flying, areal application, including crop dusting and fire fighting, and private business flying.

These activities serve approximately 18,000 airports in the United States, including privately-owned airports. Of the 18,000 airports in the United States, only about 538 airports have scheduled commercial service. So this kind of gives you an idea of what their impact is on general aviation.

Earlier, Mr. Hulbert had said that the coffee business and the shopping business were very closely linked to the fuel business. General aviation is a slave to that business because there is no part of general aviation that does not rely on fuel, with the possible exception of people who throw themselves off of cliffs on hang gliders.

According to the National Business Aircraft Association, general aviation consumes approximately 930 million gallons of fuel in a year, but that is only five percent of the total fuel consumed in nonmilitary aviation. And this is why that the commercial airlines get most of the attention.

However, the impacts of fuel price increases on the commercial airlines are fairly direct. They increase the ticket prices and pass that along to the millions and millions of passengers that they serve every year. General aviation does not always have that luxury.

I've prepared a brief list of my testimony, which I will summarize here today, of the different impacts that that has, including on the small businesses and on other parts of the community that people may not think of.

The first item on that list is the fixed based operators, the businesses at the airport which pump the fuel into the airplanes, provide the air charter and the flight instruction services to the customers. These are the people most directly impacted by the fuel price increases. Balance for these businesses is the direct passage of the fuel price increases through to their customers versus the potential loss of business that will occur, especially in the recreational flying market, which we have quite a bit of up in Warren County. This market is very volatile based on price increases. And an increase in price will result in a decrease in demand for flying. As a result, fixed base operators, including the one in Warren County, don't always increase the fuel prices by the amount that their own costs increase.

From February '99 to February of 2000, the average fuel cost to the FBO increased 55 percent, but the price that they increased their fuel that they were charging their customers increased only eight percent over the same period. That cuts into their profitability, cuts into their business and even, in some cases, can create a loss. Fortunately, it's better off than they were last year, only because last year at this time, as many people know, we didn't have any fuel at all. We were in the process of changing over our tanks.

As I am new to the airport, also the fixed based operator is fairly new to the airport, so we don't have any real picture of what the long-term impact would be. We're just looking at the short term. A year from now, we'll have a better handle on the long-term impacts.

Another point of note is that the fixed based operator in Warren County, as is true in many places, fuel sales represent the majority of their business, as is the case with Empire East Aviation, which is 53 percent of total revenues per year in fuel sales. It's a substantial impact when they can't charge as much.

Rising fuel costs also affect the other activities of the fixed based operator, the flight training, aircraft rental and aircraft charter. Fuel expenses are the largest single operating expense for aircraft. One operator estimated that the cost of fuel is 40 to 50 percent of an aircraft's operating costs; therefore, any increase in fuel also affects this business. And, again, the same balancing act occurs: Do you pass that cost along to the customer or eat it yourself or a portion of it in order to keep competitive?

Again, the fixed base operator in Warren County chose to keep their prices the same. The flight training costs, the flight charter costs did not increase at the same time that their fuel costs did. Again, cutting into the bottom line of the business and hurting them.

The second impact category is the impact to business aviation. This impact is typically longer term than the direct impacts that I spoke of to the fixed based operators. Fuel is also the single greatest operational expense to these business aircraft. But in this case, the cost of that is typically passed along to the customers. In the case of a corporation that operates a business aircraft, again, that can be spread out over several periods of time. That aircraft may not be related even to the product. It may be a product that they produce that's not aviation related. And the cost is passed along there, ultimately as part of the operating expense of the company. But it is still an increase, ultimately, passed to the consumers.

Other products, and I know Mr. Czub will probably talk a little bit about that, but areal application is a business flying expense; people who are out crop dusting. Again, those prices ultimately get reflected in the price of the commodity. Over the short term, that's usually what happens. Over the longer term, if the price stays up, then alternate means of either pest control or transportation for the businesses are sought. Again, this ends up hurting the fixed based operator at the airport, because in the case of a corporate aircraft, one fixed based operator may sell hundreds of gallons or even thousands of gallons of fuel to a single aircraft. Loss of that sale is a tremendous impact on the business.

There's impact to medical flights as well. Air ambulance itself does not cease based on rising fuel prices. These are medically necessary flights, the helicopters that you see, and they continue. But the cost associated with those flights go up. I don't have any data on this, but I know, just from looking at my health insurance policy, that they cover those things under health insurance. The costs of those are going up. The cost of health insurance is going up as well. It's not the only thing that contributes to rising health costs, but it does contribute.

The other part of medical flights are what's known as mercy flights, and these are more drastically impacted by rising fuel prices. These are typically flights which transport patients from one area to another for specialized treatments. And, in most cases, these flights are performed free of charge to the patient because they generally cannot afford the transport. These flights are flown by volunteers and use donations to provide their operating costs. Any increase in these operating costs, i.e., fuel prices, results in either fewer flights that can be made or an increase in donations that can be made. This is a vital service that is drastically impacted.

Another impact that's not as obvious is the impact to airport maintenance. At Floyd Bennett Airport, we have 20 different fuel-powered vehicles that we use for airport maintenance; snow plowing, grass mowing, cleaning the runways. We can't stop doing any of those things. They are safety related. We are in the business of keeping the airport open for our users, and so we must plow the snow, we must keep the runways clear of debris, we must keep the grass down to reduce wildlife hazards. So the cost of rising fuel prices have impacted us as well.

Our impacts were fairly drastic, as far as the short term. We saw a spike from February '99 to February 2000 for unleaded fuel of 193 percent increase. We are buying in the bulk wholesale level, because I'm a county employee, but it was still a substantial increase. And the cost of diesel fuel, which most of our vehicles run, rose 110 percent. At the moment, those seem to have come back down a little bit. But, as recently as a month ago, all department heads received memos from the County Superintendent saying, "You shall look at your budget and find ways that we may cut back." What this ultimately may mean is a lesser ability to fund capital projects or to provide training for our employees, which, again, hurts the airport in terms of operational reliability and safety.

The last impact category I'm talking about is airport capital improvements. These, obviously, are very dependent on fossil fuels. Most capital improvements I'm talking about are construction. Typical paving job will have as many as 30 vehicles on the site doing various operations plus a fleet of dump trucks hauling back and forth. Unfortunately, the cost of increased fuel get passed along to the airport as the sponsor and to the federal, state and state grant programs that fund these options.

There are a couple of things that happen when the fuel prices go up.

Because the budgets for these projects are typically set six months, even a year, in advance, when the cost of rising fuel are not known, the impacts can include an increase in the total project cost, a reduction in the scope of the project, or even cancellation of the project, which impacts the safety and reliability of the airport.

This summer, we have one anticipated construction project, which is the rehabilitation of a portion of our parking apron and one of our taxiways. Again, this budget has not quite been set, but a portion of it has been estimated in advance, so we do not know what the impact of it will be.

In conclusion, rising fuel costs have a tremendous impact on the aviation industry. These costs impact every portion of general aviation and have potential to create economic damage to airport-related businesses. The impact of these costs also extends into capital improvement projects and into other industries. Reduction of operational costs, including fuel costs, is essential for the continued success of general aviation airports.

One remedy to higher fuel costs that should not be considered, in our opinion, is the reduction of the tax on aviation fuels that funds the Aviation Trust Fund.

Again, I thanked you earlier for that increase that we have seen through the Air 21 Bill, but any reduction to the revenue portion of that fund will, obviously, bring us back to the state we were before or even before that. As you well know, that fund is vital to the success of airports and, therefore, although we are hoping to see remedies, we certainly hope this is not one of the remedies considered.

I thank you for your time today.

Chairman SWEENEY. Thank you, Mr. Stevens.

Let me just say that one of my top priorities is to better connect the citizens, both for leisure purposes and business purposes, in my district and our region of the state to the rest of the world. And the Floyd Bennett Memorial Airport is a key, key player and component in that.

And I welcome you and thank you for that very thorough testimony.

Tom LeGrand will now provide us some testimony regarding the effects on the construction industry.

I will point out to the panelists that your statements in full will be entered into the record. And, as we are going to run out of time, given the size of our panel, if we can get through them a little more succinctly, that will be appreciated so we can go to some questions.

Mr. LeGrand.

STATEMENT OF TOM LeGRAND, OWNER, LeGRAND CONSTRUCTION

Mr. LEGRAND. Thank you, Mr. Sweeney.

It's an honor to be here today with the Congressman and Congresswoman Kelly.

I would like to take a moment and thank you, both of you, for recognizing the importance of small business in your respective districts.

In some of my civic duties, I served as the chairman of the Dutchess County Economic Development Corporation from 1992 to 1995 after the IBM downsizing in this region lost 12,000 jobs from the IBM Corporation and a tremendous spin-off of other businesses that went down with the loss of those jobs, small business held up and it did fill the building. It's still filling the building, making up for the loss of those jobs.

I'm going to talk today a little bit about costs in the construction industry and also a little bit in the real estate industry, because those industries are really one in the same.

A couple of comments. I'd like to think of—my office is an extremely busy place, as Congressman Sweeney knows, because he's been there many times, and I like to think that I do get a good slice of life in and out of my office doors. So we really get a good feel on things.

In my businesses, I employ five veterans from the U.S. Services, and one thing they all say is, "What we've done to keep Kuwait in the oil business and what we've done to protect the Saudi Arabians, what's wrong with this picture?" It's a disgrace that they're holding a gun to our head with these oil prices. You know, we supply them with military hardware. They sleep well at night because our planes are keeping surveillance of their territory. And there's something wrong when they're holding a gun to our head with these type of fuel increases.

I disagree—one of the earlier presenters said, you know, as far as he knew, companies we're honoring their contracts. I know, down in Dutchess County, we heard that several companies were not honoring their fuel contracts. And there was people that did go without oil. I think two groups of people that were impacted the hardest were the elderly and the poor. And poorer people do not have the luxury to call a big-name oil company and sign up for automatic delivery. The poor residents in this county, they buy their oil on the spot market, meaning that they pick up their local paper and they see fuel oil so many cents a gallon, M and G Oil, B and G Oil, and they call those guys.

Here was the problem. Those oil companies depend on another company to buy. They cannot buy oil direct, so they buy oil from the bigger named companies and the big name companies were not supplying them. So a lot of low income people could not get oil. So what did they have to do? They had to go to kerosene heaters, they had to go to electric heaters and things like that. I don't have the statistics in front of me, but I'm sure that the rate of fire damage and loss of life in the area, in the Northeast, was probably one of the highest it's ever been. And I think that's something that should be looked at.

Also, with—the gentleman from the Department of Energy said that they're looking into a program about insulation, the program to increase insulation. In both of your districts, the majority of the low-income people are renters, not homeowners, so I don't know what the insulation program is going to do for them. Not much.

Okay. As far as the construction industry goes, we are, in all of Mr. Sweeney's district and in a good portion of Miss Kelly's district, we're in a rural community, so if you want to have a house built, you need a road built. The materials, the gravel, the sand, the concrete products, have to be trucked from miles and miles away with heavy trucks that use a lot of fuel.

Last winter, when one night we were hauling snow in one of the villages during a large snow storm, and I had to pull up to the pump—I was driving myself that night, my employees thought that was interesting—I paid $2.29 for diesel fuel. $2.29.

I believe that this will certainly have a big impact on my business this year. In most small construction companies, you can figure an average budget of five percent of your gross for cost of fuel throughout a year. This year I'm figuring it's going to be between nine and 10 percent. For instance, in my construction division, I spend around—last year I spent $18,000 for fuel. I will probably spend this year between 30 and $36,000.

The reality is, if you're in a competitive market, like we're in in this area, you really can't pass that onto the customers. That is absorbed by the small business owner. The big companies, if you hire something from a large company or buy something from a large company, they can put a surcharge, a fuel surcharge on your bill. Small businesses can't do that because the guy down the street isn't going to do it and he'll have your accounts.

I want to get into a little bit and just talk briefly about long-term effects because I think a couple of things that have to be looked at.

We are a bedroom community. And there's two things—I've been in business 26 years this year. And two things that took the bottom out of the construction and the real estate industry: One was the fuel problems that we had in the '70s, and—I believe in the early '70s and the late '70s we had it again, fuel shortages and the stock market crash, and they were both disastrous. We depend on tourism. And a lot of the people that are in business in these areas don't realize how much of their dollar they derive from tourism, but it's a tremendous amount. And I know in Dutchess County it's the second largest employer in the county. And I believe that higher gasoline prices, everybody talks about $2 a gallon for gasoline prices this summer, is strictly going to—it's going to definitely diminish the amount of tourists that are coming into our area. And that's going to have a very large and long lingering effect.

And it's also going to have an effect on the real estate market because, like where we are in northern Dutchess County, probably 35 percent of our buyers are second home buyers. That will diminish. And, by the same token, 35 percent of those buyers, that supplies 35 percent of the independent construction jobs, because those people, they usually are affluent, they buy homes, they renovate them, they fix them up, they build new houses and it supplies a lot of the local trades with business. Big impact. You have to understand that.

And just to wrap up, as far as some solutions. The people I've talked to, and my own personal position is I would really—I don't know if we should tap the Strategic Reserve or not because, you know, when you really need that for an emergency. But I do believe that the Saudis should be put on record that we are going to solve this problem with them or without them. And I think at the same time that we should have a comprehensive energy policy that looks towards fuel efficiency, research dollars, maybe go back and take another look at nuclear energy, things that make sense. But I think we have to do something and we have to do it now.

Chairman SWEENEY. Thank you. Let me say that we are privy to what you've provided in your testimony. As you mentioned, we were in Dutchess County performing miracles at a very critical time. I appreciate your insight.

Mr. LEGRAND. Thank you for having me.

Chairman SWEENEY. Jim Czub will be next.

STATEMENT OF JIM CZUB, NATIONAL CORN GROWERS ASSOCIATION

Mr. CZUB. Thank you, Congresswoman Kelly and Congressman Sweeney, for inviting me to testify here today on the impact of the dramatic increase in fuel prices.

My name is Jim Czub, from WestWind Farms in Schaghticoke, New York. My father, brother and I grow 1800 acres of field crops in the Hudson Valley. I also serve as the Chairman of the New York Corn Growers Association and serve on the national board for the National Corn Growers Association.

I hope to touch on all the impacts of New York and the U.S. agriculture, but more specifically myself today.

The current energy crisis raises serious concerns for my family business in both the long and short term. This product year, diesel fuel and other energy products will cost us about 40 percent more than last year. If the energy crunch had come at a time of our major fuel usage here in the spring, it would have been more about 70 percent. This, translated into dollar figures, will raise my costs an additional $12,000. It amazes me that when I fuel my tractor at the end of an average work day, it will cost me $90 more than last year. Typically, we expect and plan for increases in input costs at the rate of inflation. When any one input exceeds normal rates of increase, it causes havoc with our budget.

The fuel crisis comes at a time of extremely depressed agricultural commodity prices. Corn prices are 50 percent lower than in 1996. When doing our cashflow budgets this winter, we find that we need a 30 percent increase in price to make the budgets work. If we excluded family living expenses, we are able to operate the business and pay our bills. We may be working for free this year. Multiply this by the thousands of farms and millions of acres of cropland in the U.S. and you can see that the overall impact is not dramatic, it is perverse.

This is not a rosy picture. My larger concern is the impact of these high energy prices on next year's inputs. I can be self-assured that my fertilizer, herbicide, insecticide and seed costs will be significantly higher in 2001, as Mr. Marshall indicated. But will the price of commodities? Farmers have a way of passing their costs through to U.S. consumers, who happen to have the lowest food prices in the world. We survive by becoming more efficient, raising our yields and lowering our costs. Many of us don't survive.

The 1959 Federal Census showed that farm land, all uses, in New York to be 13,480,000 acres. The New York State Department of Agriculture and Markets in 1997 statistics show this number to be 7,700,000. Thousands of farming operations in this State have gone out of business. This is a dangerous trend, not only for farm economy, but the rural economy as well.

Efforts must be made to reserve this trend and help agriculture secure new and untraditional markets. Incentives to produce value-added products will help farmers transition and capture more of the commodity value.

A recent value-added study sponsored by the New York State Energy Research Development Authority, in which I participated, demonstrated that corn for ethanol production in New York State is feasible. A 29–million-gallon-a-year plant would create 100 direct jobs, support 250 farm-related jobs and create a market for 100,000 acres of corn production. The necessary investment in such a plant is $30 million, but operation of the plant would support 500 million in on-farm investment and $1 billion in land investment. These are significant numbers, and the benefits go far beyond this. New York residents would gain by reducing our dependence on foreign oil, building new in-state businesses and the environmental benefits of open space and a cleaner burning motor fuel.

Congresswoman Kelly and Congressman Sweeney, I hope I have shed some light on the current fuel price crisis as well as a few other issues confronting my agricultural business.

In the short term, our farming operation will be under great financial pressure from the dramatic increase in fuel prices. Measures to provide immediate relief from this escalating input cost must be secured as soon as possible. And regarding the long term, I ask for your assistance in two ways: One, in monitoring the cost of petroleum-based agricultural inputs over the next several years to determine the other indirect and unforeseen impact of these high energy prices on overall production costs; and, two, in creating incentives to help the farmer-owned small business capture new and emerging value-added markets to receive a better price for his commodity.

Thank you, and I would be happy to answer any questions.

Chairman SWEENEY. Thank you Mr. Czub. Great testimony.

I, as you know, am a strong supporter of ethanol, so I am looking forward to working with you in the future.

Let me just say, Mrs. Kelly has to leave at five o'clock because she has to head back down to Westchester County for another engagement. So if she gets up to leave, Mr. Buhrmaster, it's no reflection on your testimony. I'm going to stay. James Buhrmaster.

STATEMENT OF JAMES BUHRMASTER, EMPIRE STATE PETROLEUM ASSOCIATION, INC.

Mr. BUHRMASTER. Thank you very much, Congressman and Congresswoman. I appreciate the opportunity to speak on behalf of the petroleum industry. And I've heard the comments of small marketers and large marketers, and I think, since the time is so short and you will be leaving in five minutes, my testimony is here, anybody can read it at their leisure.

I've got a couple quick comments that I'll just pass on that I think may be the highlights.

I perceive there were three reasons why we had trouble this winter. The first was low inventories, and that was clearly what the OPEC nations did. Second, we, in the industry, had something called a backwardization, and that was where prices in the future months cost less than what they did in the month we were buying the product. So it didn't make it very profitable for any of us to buy product in the future and store it because it's—we're going to get less for it when we put it away and sell it the following month. And third, and I think maybe the most critical one for those of us in the Northeast, was the interruptible situation. It was an absolute disaster, it's a travesty and I know here in New York we've been working very, very hard for the last four or five years to try and solve this problem. We knew it was coming. It happened four years ago and we've had bills on the hoppers in both the Senate and Assembly in New York, we've addressed it down in Washington and nobody has stood up and really helped us solve the problem, but it's serious.

We've done an awful lot throughout the Northeast, particularly, our backyard, in resolving storage and switching people over to natural gas, and we all know that we've got to have a cross section of goods and services to make this system run, to make it run properly.

What happened this year was the gravest situation of all: Shortage of product, problems with the mercantile exchange and the backwardization and then, ultimately, the natural gas kicking in.

In our own company, we had a small situation where one of our customers who had experienced a problem four years ago went and put in a 10,000–gallon tank, it was actually a local college, and felt that that would take care of them if anything happened.

On the 13th of January, I think it was a Thursday, I got a call at noontime, and they said, "As of tomorrow, we're going to be requiring tractor trailer load of product each day to take care of us. And, unfortunately, our tank's above ground and outside, so it's not going to be fuel oil, it's going to have to be kerosene also to keep it from freezing and gelling if the weather gets as cold as they're promising. So, all of a sudden, 9,000 gallons a day was taken away from our homeowners, our small commercial customers that had to have it every day. Compound that by all of the other people around the Northeast that had the same experience, and we believe it was between four and six million gallons a day, barrels a day were taken out of the New York Harbor for these interrutibles.

And I think if there's anything that you can do to help, not only in Washington, but in the local, here in New York, for instance, to find a way to solve the interruptible problem.

Some of the things that I have in my testimony that I would like to have you take a look at: One, we do have a bill that's been passed in the House last year, passed this year in the Senate, and we're now having it considered by the two houses together, the National Oil Heat Research Alliance. That's Senate 348 and HR–380. And we really wish you would take a long hard look at it and help us get that passed to stabilize what's happening in the industry.

Second, the oil heat industry gets just a minuscule amount of money for oil heat research and development to help consumers do a better job at conserving.

The Department of Energy puts in their bill, or has in the past, about a million dollars for oil heat research and development. There is nothing in the 2001 budget. We would like you to take a look at that. I think that would be a big help to our industry, and it's right here, selfishly, in New York State. It's done at Brookhaven out in Long Island.

Chairman SWEENEY. If I can interrupt. Something you just said is very important. There is nothing in the federal budget, after having gone through what we just went through. I think that speaks volumes about some of the priorities that exist.

Mr. BUHRMASTER. I clearly agree. Certainly, we won't make it political, but the buck always has to stop somewhere, and it goes to the top. We need some direction.

Thirdly, storage incentives. We have gone all up throughout the Northeast in being environmentally conscious, in removing storage tanks, but we've done nothing for incentives for people to store product. And I think that could be very, very helpful.

And, fourth, as I mentioned earlier, interruptible gas. I would like to see you address interruptible gas to the best of your ability on a regional and a statewide and Northeast region situation.

I do thank you very much for the regional reserve. I think that the jury is still out on it. I do have a little bit of a concern that may be taken as a disincentive to our suppliers to bring product and store it, if there is a reasonable reserve that they can tap off. But, again, we are behind you. We will work with you as an industry.

And, finally, I'll leave with you, and it was mentioned twice by two of the earlier speakers, I'm absolutely appalled that we are still held hostage. OPEC said they were going to do it, did it and we paid the price here in the Northeast for their fixing the prices. If we did it, you'd have us in jail. They fixed the prices of crude oil around the country, move it from $10 a barrel. They said they wanted 18 to $21 a barrel a year ago. What they got was 25, 30—we got up to $36 a barrel this year, which has impacted on everybody in this room and particularly us in the Northeast. And I would like someone in government, in Washington, to address the situation where the OPEC countries were able to openly say, "We're going to fix prices and control what's going on and you American consumers will pay the price.".

Thank you very much for your time.

Chairman SWEENEY. Thank you, Mr. Buhrmaster, for your testimony.

I know Mrs. Kelly has to leave. I want to give her one crack at asking questions, if she'd like that.

Mrs. KELLY. I simply want to thank you for being here. I've found your testimony really compelling. And, Mr. Buhrmaster, I want you to know that pussyfooting around, when we're dealing with OPEC, I don't think proved a thing this year. I think that it was very important for us to take a stand, which we did not take, and, when we finally did take a stand, it was too late. I would hope that we can work with you to try to find some resolution.

Mr. Czub, I hope, too, that we're able to work something out maybe with ethanol. Certainly, the MTVE problem is indicating that there may be some issue there that we need to address, and ethanol may very well be one of the things we should take a look at.

Mr. LeGrand, my husband is a general contractor. I know what you're talking about.

Mr. Stevens, I appreciated hearing from you because I think that I, too—well, you probably know—I, too, sit on the National Aviation—I did sit on Aviation, but I am on the Transportation and Infrastructure Committee. And we work very hard.

And Mrs. DeGuzman, I really was—I really enjoyed your testimony, having been a woman who started my own businesses a couple of times.

I want to say that, despite the joking about that I've heard here today about your congressman, Congressman Sweeney, he is a superb addition to Congress. He knows what he's talking about. He works exceptionally hard to represent this district and he is a good friend to you, he is a good friend to New York. And I'm glad he's my friend, too, and I'm very happy to be able to be here with him today and with all of you.

Thank you very much for allowing me to be here and sharing your concerns.

And with that, I'm going to turn it back to you, John.

Chairman SWEENEY. Thank you, Mrs. Kelly. I need to say, before you leave, thank you for this idea and this hearing and coming all the way up here. And I thank you for your leadership in the House and on the Small Business Committee as well as the Transportation Committee.

Sue Kelly and I sit next to one another at most of the hearings in Washington on the Small Business Committee, and I can tell you that she is a principle leader of that committee and for the interest of small businesses.

So thank you for your time.

I only have a few questions that I'd like to get to on the record and I will be submitting some written questions to you as well.

I'll start with Ms. DeGuzman. I heard from a number of your colleagues, a complaint that, it was related to the HEAP funds and the delay in receiving HEAP funds and how it caused such great concern and pain out there.

Do you have similar experiences? Did you have similar experiences?

Ms. DEGUZMAN. Certainly.

Actually, the bulk of our second HEAP awards has just been granted the last two or three weeks. What good is that going to do our customers when it's getting warmer?

What we did do, because there are—again, it's a small community. They're not just our customers, they're our neighbors. We dropped them the 25, 50 gallons. And some of these folks, if they don't pay us, we'll mark it off as, okay, bad business sense. A lot of them will come and stop to the office and pay $5 every week.

We don't want anybody to freeze. I wish that HEAP was granted, I wish when this first came up that people took it seriously and that they had acted quicker because it was needed January, February and not now.

Chairman SWEENEY. I'd like you to think about, and I don't necessarily need it today, but I'd like you to think about improvements that we could bring about or suggestions that you might have in the HEAP process so that we can try to ensure that that doesn't happen again.

Jim Czub, you know, I know the tight margin you operate on, and $12,000 in energy costs, I don't know how you're surviving. It's amazing.

What sort of price increase—I want to be an optimist about this. What sort of price increase will this mean for an acre of corn, corn and farmers, if we are able to move forward on the ethanol proposals?

Mr. CZUB. Typically, the USDA says for every 100 million bushels of corn demand, additional corn demand, the price of corn comes up a nickel. And, obviously, you know, corn is a commodity, but the current prices or the lack, the trend that we've been in, has been down. We—as I said in my testimony, our current price is about 30 percent, which is going to be to me about 60 cents a bushel. Now, whether we pull that out of the market or develop new markets to help use that demand and create that price differential, you know, that's about where we need be.

I think what's more important, and I tried to allude to that in my testimony, is that farmers need to start participating in value-added, in other words, we need to be company owners or stockholders of companies that produce corn value-added products. And I think that's what's critical to try to move the industry in that direction.

Chairman SWEENEY. Thank you for that.

Mr. Stevens, I heard you allude to it, but the sense I got was you don't know yet whether construction of the aircraft parking apron and the taxiway project are going to be delayed. Is that correct?

Mr. STEVENS. At this point, we don't know. We're in the design of the project right now. We are still—we've had a verbal commitment that federal funds would be available for that. Because of the funding bill, we have not had anything in writing.

Chairman SWEENEY. I want to help you on that. I know how important it is. So let's stay in touch on it because it is critical.

Mr. Buhrmaster, I'd also like to work with you on the interruptible issue because I heard it as well pretty substantially. And if we could get together and maybe devise some planning in terms of a resolution of some sort, I'm very interested.

I will not hold this panel any longer. You've already gone over your time.

I want to thank you all.

Tom LeGrand, thank you for your great testimony. You did such a good job, I didn't have a question for you. I actually do. I'll give them to you later.

I appreciate this. I think it's important that we get the message out of the effects. I think we need to look perspectively at avoiding this kind of a problem in the future and I think we need to get the attention of the decision makers in Washington. And the best way to do that, I think, was to bring them here, to home, and you did a superb job of that.

With that, I'll conclude this hearing and thank you.

[Whereupon, at 5:07 p.m., the subcommittee was adjourned.]

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