# 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

VALHALLA, NY, APRIL 18, 2000

**Serial No. 106–52**

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
67–557 WASHINGTON : 2000

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# THE IMPACT OF FUEL PRICES ON SMALL BUSINESS

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**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 10:00 a.m., at the Mount Pleasant Town Hall, Valhalla, New York, Hon. Sue W. Kelly (Chairwoman of the Subcommittee) presiding.

Chairwoman KELLY. Good morning. Welcome to the first of two field hearings that are to be held in our area today to discuss the impact of fuel prices on small businesses. I'd really like to thank Congressman John Sweeney for joining me here this morning. I look forward to handing the gavel over to him later this afternoon at our second hearing in Castleton.

A near tripling in the price of crude oil from March 1999 to the first months of 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 must ensure that we avoid another home heating oil crisis. Nevertheless, the northeast and the nation has turned its attention to the new crisis, the price of fuel. Moreover, the possibility of a sharp increase in electricity rates is becoming more and more of a reality. I brought with me this morning and there is available for anybody who wants a copy, this article from the *Wall Street Journal.* It says, "Northeast Faces Electricity Price Surge."

I think it's interesting, because it discusses how costly fuel oil, costly oil-fired plants could drive up electricity rates this summer.

New York is at a major disadvantage because it doesn't have any refineries within its state. We do not have major gas pipelines coming in here. We rely on refineries in other states and overseas to meet our needs. This fact coupled with market forces and the President's inability to compel OPEC to reach a production agreement until two weeks ago, and his continued reluctance to release oil from the Strategic Oil Petroleum Reserve has forced us to examine this problem further.

Caught up in all of these issues are the consumers and small business owners, people who could not have planned for the oil price hike. Particularly with the possibility of rising electricity rates on top of high oil prices, the Administration has to keep its guard up.

The price of oil may have decreased and we may hope that the crisis is over. Regardless, this nation's energy policy remains in crisis. The Energy Information Administration indicated on April 6 that it believed gasoline prices had peaked, and that the national average price during the summer might not exceed $1.51 a gallon, as the price that was observed in mid-March. Unfortunately, the EIA added that the northeast might see some spikes to higher levels. To small business owners producing, distributing and consuming oil, this crisis has really just begun. For this reason, Congress continues to debate possible short-term and long-term courses of action.

That's why we're here today, to take the debate away from the inside the beltway politics, home to New York where the price of oil has had a terrible impact on our daily lives. I'm really happy to welcome the assistant secretary of fossil fuels of the Department of Energy, Mr. Robert W. Gee is here with us today to discuss the Administration's most recent actions regarding oil production and the views of the Department of Energy on where we go from here. I trust he will listen carefully to the testimony of our other witnesses and take their suggestions and their stories back to the President. Please.

We will also hear testimony today from Deborah Martinez, Chair woman of the New York State Consumer Protection Board. She will testify about how the State is responding to consumer concerns, and we will hear from Bill Flynn, Vice President of the New York State Energy Research and Development Authority who will provide us with a historical perspective of the issue and offer some real long term solutions. In addition, we will hear today from witnesses who represent small business owners from the trucking industry, the travel and tourism industry and we'll also hear from a gas station owner. Welcome, he happens to be walking up, welcome, Joe, your seat is right up here in front with your name on it.

We will hear from Joe regarding the impact on fuel prices on the profitability of his business. We thank all of you for being here today, and I look forward to your testimony.

Now I'd like to recognize my colleague, neighbor and good friend, Congressman Joe Sweeney and good friend for whatever opening remarks he'd like to make.

Mr. SWEENEY. Thank you, and let me thank you for this opportunity. It was Ms. Kelly's idea to hold field hearings and I should point out as a colleague of mine on the Small Business Committee, I can't think of a more important use of our time during this recess. I want to thank the panelists as well for being here. It's going to be an interesting and I think exciting bit of testimony that we're going to lend to this issue.

We've come through a winter of incredible economic distress and hardship. My District, which is slightly north of here, and runs almost up to the Canadian border, felt the impact very significantly of the fuel oil crisis, and I have to say that the Administration's response has been somewhat lacking. Nevertheless, Mr. Gee, thank you for joining us. I'm looking forward to your testimony and hope you'll hear some of the words of our constituents in the next couple of hours.

U.S. Production of oil has dropped by nearly 20 percent since our last oil crisis, and in the past seven years we have seen what I think is a disjointed response from the Administration and from those of us with some responsibility, so I'm hoping these hearings are going to lend some opportunity for us to really begin to develop some real concise planning.

During the 25 years since the last oil crisis our reliance on foreign oil has increased from 37 percent to nearly 57 percent today. This is in turn resulted in what we went through this past winter, but has also resulted in some real hardships in my District and I've heard that from my constituents, so I think this hearing is indeed important.

Last week the House reauthorized the Strategic Petroleum Reserve Bill, with a bipartisan vote of 416 to eight. I think we are focused in Congress on many of the issues and that being one of the most important steps towards hopefully developing a more concise and across the board policy.

With that, I'll seek a motion or I'll ask for unanimous consent to submit my full statement to the record, Ms. Kelly, and I'm looking forward to the testimony of our experts, because I think the real story lies with their testimony, and I yield my time.

Chairwoman KELLY. So moved. Thank you very much, John.

Let's begin the hearing today by listening to the testimony of Mr. Robert W. Gee. Mr. Gee.

## STATEMENT OF ROBERT W. GEE, ASSISTANT SECRETARY FOR FOSSIL ENERGY, U.S. DEPARTMENT OF ENERGY

Mr. GEE. Thank you, Madam Chairman and Congressman Sweeney. I submitted a formal statement for the record and with the Committee's permission I'll take a few seconds to summarize its key points. The Department, primarily through its Energy Information Administration, monitors patterns of fuel supply and demand in the U.S. Economy. Our data, however do not always reflect the individual impacts on specific market 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 is taking to address this situation.

Our goal has not been 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 more oil will be flowing into global markets is good for consumers. It will build inventories and as we have already seen in the last couple of weeks, will reduce prices. But the recent price spike reminds us that individuals can be affected by actions and decisions that occur outside our borders. The recent volatility in all markets is yet in another of a series of cycles, this being more extreme in its roller coaster effects than others in our past. It's a cycle that actually began in 1997 when OPEC substantially increased production at just about the time when 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 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 down 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 3 percent in oil supply and demand.

Today the world consumes 75 million barrels of crude oil per day. A 2 million barrel supply overhang led to the price plunge in 1998. A 2 million barrel supply shortfall contributed to the price hike of this year. This 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. Demand. Our petroleum appetite has increased more than 20 percent since 1985.

There are some short-term global actions that can help. We have diversified our international sources of oil supply. Last year we imported oil from 40 different countries. We have engaging in global diplomacy and I believe Secretary Richardson deserves an amount of credit for the moves he's made in recent weeks. But in the longer run we must continue to take action that strengthen our own domestic security and to protect those Americans who have been harmed most by price hike fluctuations. That is what the Department of Energy has been doing in the last couple of months.

To ease the financial hardship caused by the winter runup in price for distillate fuels in the Northeast, the Administration 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 improved cash flow in order to meet contractual obligations and make deliveries.

In all, I've cited fifteen separate actions on pages 3 and 4 of my formal statement that the Administration took following this winter's runup in fuel prices.

Within the last month the President proposed additional measure. In his March 18 radio address to the nation he called on Congress to support the establishment of a regional reserve in the northeast. This would be a 2 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 also called on Congress to extend the Energy Policy and Conservation Act, the legislation that provides organic authority for our strategic petroleum reserves. 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 31. We were encouraged last week when the House passed an extension of the act through fiscal year 2003 and included provisions for the heating oil reserve. The legislation has now been returned to the Senate which previously passed a similar extension. It is critical that Congress act soon to extend this legislation to make certain the President has the opportunity to use all available tools to respond to the needs of the United States economy.

There are also opportunities to reduce our economy's appetite for petroleum and supply a greater proportion of our oil from domestic sources. Again in his radio address the President announced several tax incentives to support domestic oil production as well as reiterating his support for tax credits that would encourage greater use of renewable fuels and improve energy efficiency.

For the longer term we are strong believers in technology both to make our economy more efficient and to develop strategies to utilize domestic resources. One of our key energy efficiency initiatives is to develop a prototype full size automobile by 2004 that will 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 insuring that these vehicles meet new air quality regulations. These efforts will not only benefit millions of 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, let me make a final point that often gets overlooked in a discussion about small businesses. We correctly focus most of our attention on the small companies and family owned businesses that consume petroleum. However, the majority of today's oil producing companies in our country are small businesses. Today's petroleum industry is not the industry of big oil that existed in the 1950's, '60s and '70s. For the most part, the large oil companies have turned their attention to more lucrative prospects overseas. I'll certainly be happy to share more information with you on that.

Today 85 percent of the new oil and gas wells drilled in the United States are drilled by the smaller independent companies. Independents 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 supplies, 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 have witnessed is good for neither the oil consumer nor the oil producer. Consequently, Madam Chairwoman, we believe a truly comprehensive national energy strategy must address both ends of the fuel spectrum; the producer in the field and the consumer in the home or business. There are remarkable opportunities at both ends of the 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 stop.

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 towards that goal the greater the likelihood that the cost of a barrel of oil in the future will be dictated by markets not by cartels.

This concludes my opening statement, Madam Chairwoman, and I'll be pleased to answer any questions you and Congressman Sweeney may have. Thank you very much.

Chairwoman KELLY. Thank you very much, Mr. Gee.

Next we go to Ms. Martinez and Ms. Martinez we are glad to have you here. The New York State Consumer Protection Board I'm sure has some interesting things to say about this.

**STATEMENT OF DEBRA MARTINEZ, CHAIRWOMAN AND EXECUTIVE DIRECTOR, NEW YORK STATE CONSUMER PROTECTION BOARD**

Ms. MARTINEZ. Good morning Congresswoman Kelly and Congressman Sweeney. My name is Debra Martinez and I am chairwoman and executive director of the New York State Consumer Protection Board. Thank you for the opportunity to appear this morning to testify on this important subject.

The consumers and small businesses of New York State have just endured a winter heating season that saw the price of home heating oil propane, diesel fuel and gasoline at very high levels. Many of our senior citizens, persons on fixed incomes and low income families experienced difficulties making payments for their home heating oil deliveries. To protect consumers and small businesses and promote the health and safety of all New Yorkers during this difficult period, Governor George E. Pataki took quick and decisive steps, one, to secure the release of 73.2 million in funding for the Home Energy Assistance Program, HEAP, to assist New York State's low income families; two, established a Governor's consumer action line as an outlet for consumers to contact state officials and report potentially unwarranted price hikes and suspected fuel price gouging, and three, direct the appropriate state agencies, authorities and personnel to insure that home owners receive the critical supplies of heating oil that they needed.

In conjunction with Governor Pataki's efforts, the State Consumer Protection Board responded to numerous complaints from consumers and small businesses during the period regarding the pricing, delivery, availability and billing for home heating oil, propane, kerosene and diesel fuel. To date, a majority of these complaints have been investigated, successfully mediated and resolved.

We can use the lessons learned from the recent and sudden increase in heating oil prices and apply them to the current escalation in national gasoline prices. However, while price increases in home heating oil, gasoline and diesel fuel can be explained in part by the decision of the Organization of Petroleum Exporting Countries, OPEC, member nations to limit oil production, the problems faced by consumers as a result of these circumstances are not necessarily the same. The principle difference is that unlike the home heating oil, there are no federal or state government assistance programs to help individuals and small businesses who are unable to afford the sharp and sudden increases in gasoline and diesel prices. Consumers and businesses cannot lock in a gasoline price for the driving season the way they can for home heating fuels, and while not all households are heated with oil, almost all motor vehicles must utilize gasoline or diesel fuel in order to operate.

Nearly everyone in New York State will be affected by high fuel prices in one way or another. The pricing and supply of gasoline and diesel fuel impacts different regions of the country in different ways, and unfortunately, there is little that individual states can do to favorably impact the supply of gasoline. New York like other states must rely on the federal government to take the necessary steps to insure that ample fuel supplies are available and that prices are stable and fair.

Fortunately, it appears that recent negotiations between the Federal Government and OPEC ministers will result in an increase in the production of crude oil. With this development, consumers will see and in some cases are already seeing, a stabilization of gasoline and diesel prices at the pumps.

The Energy Information Agency, EIA, recently presented further justification for increased consumer confidence regarding the stabilization of fuel prices. The EIA revises fuel cost estimates for its upcoming summer driving season. Fuel prices are now expected to peak during April and May and then gradually decline to an average price of $1.46 per gallon during the summer months. This is promising news for consumers, considering EIA's fuel cost projections of nearly $2 per gallon by July.

Even with some limited relief on the horizon, consumers and businesses will still pay about 25 percent more at the pumps this year than they did last summer. The typical two car family in the United States logs an average of approximately 12,000 total miles during the six month period between April and September each year. This year the same family can expect to pay an additional $170 for fuel during this period.

The Energy Information Agency has also warned that any disruptions related to unexpected regional fuel refinery problems would have a dramatic impact on the effected region. Unanticipated refinery problems could be compounded during the summer of 2000 due to record low fuel reserve levels across the northeast. Preliminary figures from the Consumer Protection Board's monthly gasoline pricing survey for the month of April indicate that the price of gasoline in some regions of New York State has increased by an average of 15 cents a gallon above February prices, resulting in an average statewide increase of about 50 cents per gallon above last year's prices during the same period.

According to national figures released by EIA earlier this month, New York State's figures are consistent with increases in other places across the country. The recent increase in fuel prices has had a definite impact on consumers and businesses across New York State. The sudden nature of increases has added significant cost to the daily operations of many businesses. These increases have been particularly difficult for the airline, trucking, including garbage and solid waste haulers and delivery service industry who in many cases have been forced to add a fuel surcharge to improve cash flow and stabilize operational course. We are hopeful that as the price of fuel decreases, the needs for these fuel surcharges will also decrease.

It is encouraging that price relief is on the horizon for consumers and businesses alike in New York State. In fact, in many regions of our state and across the northeast, fuel prices have begun to stabilize. At the direction of Governor Pataki, the New York State Consumer Protection Board and all other appropriate New York State agencies will continue to monitor fuel costs, help to prevent price gouging and work to identify creative solutions to minimize the impact of fuel cost increases on New York's consumers and businesses.

To this end the Consumer Protection Board supports other state consumer boards and the American Automobile Association in offering the following common sense consumer tips to help minimize fuel consumption during the upcoming summer driving season.

Accelerate at a steady pace and avoid sudden throttle starts. Drive and maintain moderate and safe speeds, always adhering to posted speed limits. Avoid excessive or prolonged vehicle idling. Make sure your vehicle is properly tuned. Check the tire pressure at least once each month to insure proper inflation. Make sure the vehicles wheels are properly aligned. Change the oil and all filters at recommended intervals. Plan all trips with efficiency and safety in mind. Refrain from pumping the accelerator or racing the engine when the vehicle is not in motion and avoid unnecessary braking and acceleration by anticipating the traffic ahead.

While these tips may appear simple and obvious, if followed by all New York State drivers, they will help reduce the amount of fuel consumed and translate to significant cost savings for consumers and businesses. Furthermore, these tips will help insure the safety of all New Yorkers and those from outside our state that use New York State's highways and byways.

In conclusion, I applaud Chairwoman Kelly and Congressman Sweeney for their leadership and concern over this important issue. By investigating the impact of fuel costs on New York State's consumers and small businesses, Congresswoman Kelly and Congressman Sweeney have demonstrated the leadership necessary to address this important issue. It is also very encouraging to have the participation and support of the assistant Secretary of Energy, Robert Gee, as this and other testimony is presented here today. As Chairwoman of the Consumer Protection Board, I will report the information from these proceedings back to Governor Pataki, and I stand ready to assist our Congressional delegation and other appropriate parties in working to resolve this situation for the benefit of New York consumers and businesses.

On behalf of New York State consumers, I thank you for the opportunity to appear before you today.

Chairwoman KELLY. Thank you very much, Ms. Martinez.

Now we move on to Mr. Flynn, from the New York State Energy Research and Development Authority. We look forward to your testimony.

**STATEMENT OF WILLIAM M. FLYNN, VICE PRESIDENT, NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY**

Mr. FLYNN. Good morning, Chairman Kelly and Congressman Sweeney. Thank you for the opportunity to testify here today on the petroleum supply and price problems. As all the data isn't in yet, I hope to frame some of the issues for you here today from a historical perspective and hopefully looking forward.

New York State relies on heating oil more than any other state in the nation for meeting its heating needs. We use 20 percent of the total United States distillate demand, and are the largest consumer of heating oil and kerosene in the nation. 43 percent of New York State's households use oil for space heating, over 2.9 million households.

In February retail heating prices soared to record levels from $1.24 on January 17, to record breaking $2.02 a gallon February 27, with New York City metropolitan area customers paying $2.25 a gallon. For the lower Hudson valley, the heating oil peaked at $2.14 a gallon during the first week of February. As of April 10, the statewide average price declined to $1.39 a gallon, but the retail price is still more than 50 percent above a year ago levels. In the lower Hudson Valley, the prices declined to $1.41 a gallon as compared to 83 cents a gallon last year at this time.

The economic burden of spiralling oil prices is not confined to heating oil. New York motorists annually consume over 5.6 billion gallons of gasoline and nearly 1 billion gallons of diesel fuel. This higher priced oil is significantly increasing the cost of transporting people and goods of New York. There is no single definable factor that we can point to as the ultimate cause of the spike in heating oil and diesel fuel prices and the current runup in gasoline prices. There are, however, a number of market factors that contribute which do bear mentioning.

One, economic growth and the strengthening economics of the Pacific rim contributes to the resurgence in demand for petroleum at the same time OPEC and non-OPEC countries reduce production.

Two, the petroleum industry, like other industries, has adopted just in time resupply of inventories. As a result New York State's bulk storage capacity reduced 25 percent in the past five years. There's not a lot of heating oil in storage to ride out any disruption in the petroleum distribution chain. Over the same period, in-state gasoline storage capacity fell by 17 percent. During the best of times, there's only about four days of heating oil supply in New York harbor.

Three, New York and New England do not have any refineries. We rely on refineries in New Jersey, Pennsylvania, the gulf coast and imports to meet our needs.

Four, weather. When the extreme cold weather arrived in mid-January, we experienced a sharp increase in demand by all sectors, creating greater competition among buyers, including interruptible natural gas customers and electric generators.

Five, we experienced problems caused by icing on the Hudson River and high seas and strong winds on Long Island Sound which delayed barge shipments to keep coastal and inland oil terminals exasperating the already tight supply situation. Terminal operators on Long Island and New York harbor told us this is the first time they experienced completely running out of product for an extended period of time.

Assisting the resupply effort was the Coast Guard. The Federal Government must insure there's adequate funding in place for Coast Guard icebreakers. These icebreakers are essential in keeping New York's waterways clear for the movement of petroleum. Cost Guard icebreakers helped to move 105 million gallons of petroleum products from New York State harbors to oil terminals on the Hudson River as far north as Troy and Congressman Sweeney's District. We estimate these products had a retail value of over $750 million.

As for gasoline, nationwide refinery outputs at the start of April was about 8.4 million barrels a day, about 6 percent more than last year, although national inventories are currently 6 percent lower than year ago levels. The average retail price for a gallon of regular gasoline in New York escalated 18 cents a gallon in recent weeks from $1.43 a gallon at the end of January to $1.61 in late March exceeding the previous all time high of $1.51 a gallon at the end of the Persian gulf war. This situation definitely bears watching as we enter the summer driving season.

I know we have somebody here from the trucking industry today, and truckers in New York and throughout the nation are also feeling the pinch of high diesel prices. Although diesel prices have dropped from the $2.30 to $2.70 range in February, the full effect of these higher transportation costs have yet to be felt in stores and by producers that rely on the trucking industry to deliver their products.

Needless to say, Governor Pataki continues to be concerned about the economic consequences of this unprecedented rise in petroleum prices on New York citizens, particularly our elderly, working poor and low income customers. Governor Pataki moved quickly to insure no one was cut off from HEAP and directed the following initiatives:

He established emergency provisions for shelter and heating by working with our State Emergency Management Office and the American Red Cross. NYSERDA was in constant contact with emergency medical coordinators, U.S. Coast Guard, oil distributors, terminal operators and oil operators;

Directed the New York State Public Service Commission to work with public utilities to voluntarily keep their interruptible natural gas customers who could switch to oil or natural gas;.

Directed the State Department of Taxation and Finance to issue temporary certificates to heating oil distributors and trucking companies to allow them to buy heating oil from other states.

The New York State Department of Environmental Conservation granted a one week waiver to allow New York City municipal facilities to use slightly higher sulfur oil to meet their heating needs.

Governor Pataki asked the Consumer Protection Board and NYSERDA to investigate causes of the current shortage and recommend measures to prevent a reoccurrence. In response to the Governor's directive, NYSERDA and the Consumer Protection Board under the direction of Chairman Martinez are surveying heating oil distributors, terminal operators, refiners, electric generators, natural gas utilities and interruptible customers to determine the causes and we expect to issue a report later this spring which at that time we'll make available to this Committee. Based on these initiatives, New York State's response showed that communication and coordination are effective strategies that do work. Besides the actions that Governor Pataki took here at home, he also worked for necessary federal action to safeguard New Yorkers.

We estimate that the heating oil price increase will cost New York's economy about $650 million dollars more than last year with nearly $450 million of this increase felt by residential heating oil customers. Based on that, Governor Pataki asked for emergency HEAP funds. The Governor also raised the HEAP limits to help the elderly and working poor receive assistance in funds to pay their heating bills.

Governor Pataki also asked for the release of oil from the Strategic Petroleum Reserve. While that never happened, last week the House passed legislation to establish a reasonable product reserve, which I know Congressman Sweeney was one of the leading proponents.

There are a number of policy options that the New York State Government can pursue working with the marketplace to better meet our future energy needs.

Once again, I wish to thank you, Congressman Kelly and Congressman Sweeney for the opportunity to testify today, and obviously I'll be more happy to answer any of your questions.

Chairwoman KELLY. Thank you very much Mr. Flynn. We appreciate your testimony.

Now we're going to move to, I just noticed a huge 18 wheeler move around the circle here, so it's very appropriate, Mr. Spencer, we have you here to testify this morning on behalf of the trucking industry. Please proceed.

**TESTIMONY OF TODD SPENCER, OWNER-OPERATOR, INDEPENDENT DRIVERS ASSOCIATION**

Mr. SPENCER. Thank you and good morning, Madam Chairman, Congress Sweeney. I am delighted to be here, and I did note with interest the comment of my colleague from New York talking about most New Yorkers have not seen the cost for higher diesel fuel show up in the products that they buy, and that's simply because our people have been eating those costs, and eating that cost is quickly turning into a poison pill for many small business truckers.

Simply put, the skyrocketing cost of the diesel fuel and the inability of small business truckers to pass on those costs to customers is causing financial ruin throughout the industry. Small business truckers who own six or fewer trucks make up 70 percent of the industry. That's 70 percent here in New York, and nationwide. Right now, they are paying hundreds of dollars more per week for the diesel that is essential to them being able to operate their trucks and meet the needs of society and each one of us.

Under present circumstances, it is difficult for most truckers to break even and many are operating at a loss. In recent weeks, many small business truckers have simply gone out of business, with thousands more approaching financial ruin. Unless something is done, those hundreds will turn into thousands and the entire country will face a real crisis. Many members have told us that when they lose their business, they are losing everything they have worked for.

The effects of the problems of truckers have begun to show up in other areas of the economy. Truckers are missing their insurance payments and not making truck payments. Truckers are turning back their trucks to truck dealers in record numbers. With a glut in the used truck market, and there certainly is one now, truckers are only getting cents on the dollar for the equity they hoped they were building up in the equipment they have. This means that as they exit the industry, they exit the industry with a significant debt that they have to carry with them.

This morning here with me is one of our members from the area, Mr. Brad Chadwick from Shrub Oak, who is one of those people that's out there meeting the needs of principally people in New York. Brad's been a dump truck operator for thirteen years, and I suppose he might say it's better now than it was, but during February, the price of diesel fuel for truckers in New York and in much of New England increased by a dollar a gallon, and it had been building up prior to that, and of course I noticed the dollar figures that were mentioned for heating oil obviously don't include myriad of taxes that truckers pay, so for many truckers, the price of a gallon of diesel fuel was $2.50 a gallon, and that diesel fuel for a trucker is the largest single cost they will have every year, day in and day out, and it's essential to them being able to operate their business.

And the difficulty our people have is in passing along those costs. Brad tells me that his experience in the customers that he has is that he's been able to increase his rates a little, and about half of those customers have agreed to pay it. The other half just simply said no, we'll just simply find somebody else.

So another member that I hoped would be here today is Fred Ferber, who runs Smith Avenue Moving Company. Fred's been in the moving business for 43 years, right in New York. He reports to me that the highest diesel prices he paid were $2.15 a gallon, and he operates his business, and this is an old business, an old family business on a 1 to 3 percent profit margin, and with a 1 to 3 percent profit margin, he can't even get a loan to keep his business going, and he's looking right now at increased costs of about $15,000, just attributable to fuel, and the net result of that for him is that for smaller people, smaller moves, he just can't perform the service anymore. He just can't simply afford to.

This morning, I talked to him early this morning, he's on his way up to Venetia, delivering some people's goods, and he told me that if he were here, he'd like to say he'd play the tape, "The Little Man" by Alan Jackson, that he said that for him——

Mr. SWEENEY. If I could interrupt you, I was going to start my questioning citing that song.

Mr. SPENCER. And for literally hundreds of thousands of small business truckers, they can relate to that song. Because it's tough, and it's a struggle, and as I mentioned, Brad's a relative newcomer. Fred's been 43 years in the business, he's never done anything different. He typifies what a family business is all about. His 82 year old mother answers the phone if you call Smith Avenue Moving. These people have hope, but now they need action. If we don't fix this problem soon, more truckers will continue to lose their businesses or will refuse to drive unprofitably and just stop trucking. When they do, we are going to begin to see greater disruptions and increased costs in our economy as goods do not get to market and just in time deliveries to manufacturers cease to be just in time.

OIDA would like to recommend three proposals to address this problem. First, we believe Congress should create a mandatory fuel surcharge program to be imposed by motor carriers, brokers and freight forwarders that takes effect when there are sharp increases in fuel prices, and it's sufficient to compensate for those higher costs and is automatically passed through to the person who pays for the fuel. Both before and since deregulation of the trucking industry, fuel crises have had a devastating effect on small business truckers. During each oil crisis, a fuel surcharge was the remedy used to help the small business trucker, and in every instance, it did have to be mandated. This is a much needed short-term solution that would immediately help owner operators and small carriers recover their additional costs, but it will also be a long term solution that would respond to unpredictable fuel price increase without requiring additional legislative or regulatory action.

Such legislation would give truckers the ability to pass along their increased costs to the people who benefit from their services, the public at large. In this way the burden of increased fuel costs will be spread thinly among a greater number of people, rather than heaped solely on small business truckers that quite simply can't afford it.

Second, we would also ask Congress to invest, to launch a Government investigation into destructive and predatory rate making processes that have been raging through the trucking industry. If truckers are operating at a loss, there is the substantial risk that they will not have the necessary resources to properly maintain their vehicles. We do believe that safety is a factor.

Third, it would be helpful to our members if there could be an emergency low interest SBA loan to help truckers who have come under financial hardship due to the fuel crisis. As I've said, independent truckers pay for the cost of fuel out of their own pockets. Desperate truckers trying to stay in business have had to go into debt or face foreclosure on their vehicles or even homes trying to stay in business during this difficult time. The introduction of a mandatory fuel surcharge alone would not make up for all these men and women have lost in the last few months. An SBA loan specific for truckers at a low interest rate and made quickly would help.

In the longer term, on our rate investigation, if drivers were properly compensated for their costs, this fuel prices would be a mere bump in the road. A fuel surcharge is clearly a viable solution for today's and future fuel crises. SBA loans would be an excellent complement to a fuel surcharge. And I need to add too that our organization, OIDA was formed in the 1970's as a result of the very first Arab oil embargo, which literally changed America, we thought forever. I can tell you, it rocked the trucking industry, and it stopped it, and for all of these years, then, in the '70s, the only way to make an impact that truckers have would be to stop, to create disruptions, to make a scene as a cry for help. The only leverage they had was to do that.

Our organization was formed from that situation, from that melting pot, so to speak, and with the message to truckers that if we worked within the system, the system will respond. Our lawmakers care, and we believe me, it's hard to maintain that and it's hard to sell that when it seems like the smallest things take forever, and that the system in so many instances really doesn't respond.

I certainly beg the members of the Congress and I thank this Committee for having this hearing, to focus attention on these issues, because they do need to be focused on. Truckers are essential. Those that you don't know, I mentioned Fred Ferber earlier. I don't know, I'm sure there may be some people in the room that know Ed Arace, who is the economic director for Empire State. Fred has moved Ed three times. He's also moved Congressman Maurice Henche three times. Owner operators provide professional services every one of us needs in every area of our economy. Thank you.

Chairwoman KELLY. Thank you very much, Mr. Spencer. As you mentioned that question of whether or not we could do some special SBA loans, I just turned to our special counsel, Mr. Harry Katrichis, who is here this morning. He is counsel for the Small Business Committee. So we will, I think this is an interesting situation and I think we can explore that further. Don't you think so, Mr. Sweeney?

Mr. SWEENEY. I do.

Chairwoman KELLY. We'll move now to Mr. Morse. Mr. Morse, we're delighted to have you here and we're delighted to hear testimony from, I assume you're here representing ASTA.

Mr. MORSE. That's correct.

Chairwoman KELLY. Please proceed.

## STATEMENT OF STANLEY MORSE, CHAPTER PRESIDENT, AMERICAN SOCIETY OF TRAVEL AGENTS

Mr. MORSE. Congresswoman Kelly, Congressman Sweeney, thank you very much for inviting me here. This is a wonderful democracy that we can be here to have a sharing of ideas.

Thank you for the opportunity to address the subject of fuel prices as they concern the travel agent community of the Hudson Valley, New York. As the elected president of the Hudson Valley chapter of the American Society of Travel Agents, ASTA, my organization of over 100 agencies and membership exceeding 250 has been impacted in two distinct and significant ways during the winter and spring of year 2000.

The way we are most affected involves the airlines' continuing failure to include fuel and other surcharges in air fare displays. It is these air fare displays which are used to research, book and ultimately ticket an airline reservation for a client traveling anywhere by air. If fuel charges were listed openly and honestly, there are three places they should appear. One, in the air fair displays filed with the airline tariff publishing Corporation, ATPCO; they should appear in the airline computer reservation systems used by travel agencies and in the airline owned or managed web sites which are available to the open public.

The airline practice of excluding fuel surcharges is deceptive mainly to the consumer. May I digress to say here that my presentation focuses on the consumer, not the travel agents. We'll take care of ourselves.

When a client requests an airline ticket quote, the travel agent uses the computer reservation system to research the quote. Since fuel surcharges are not posted in the system, the quotes we provide the client are often understated. The surcharge can be anywhere up to $20 per ticket. Fuel surcharges are not consistent by amount, geographical location, that is, city payers as known by travel agents, and the airlines, and not all airlines have apparently imposed the surcharge.

When the client is quoted an air fare, it's the travel agent's view that the fare quoted should be the actual price charged at ticketing. When the agent has to make a followup call to the client, however, often a toll call, to tell them about the new ticket cost, client frustration and mistrust of the travel agent set in. After all, shouldn't a professional travel adviser know and be expected to be accurate in quoting an air fare? And all the explanations in the world often do not satisfy the frustrated client.

The travel agent in this example plays the unwitting and unnecessary messenger of bad news. We don't like this role, although we're forced to play it daily.

Since the airlines have not posted surcharges openly and honestly, it is anyone's guess whether and how much they apply. What's most troubling in this practice is that it lures customers by listing fares which are actually lower than those really available for purchase. Also, by airlines not listing their surcharges, those with self imposed surcharges are listed on a par with airlines which don't charge such surcharges or fees. Its deception by any stretch of the imagination.

But the second and perhaps more galling aspect of fuel surcharges is that they are commissionable to travel agents. Since a travel agent benefits, however small in nature, from a cut of the fuel surcharge, we might be expected to shut up, take the money and run. Now, in fact, the average benefit to the travel agent measures in pennies on a ticket, given the algorithm of ticket costing. To the contrary, though, I found most agents in my organization to be upset with the practice. It's not what we learned at our mother's knee. After all, a fuel surcharge should be meant to cover unacceptable costs of airline fuel. It should not be used as a ruse for making more money, but this is not how the system works.

Rather, fuel surcharges are apparently another method of lining the pockets of the airlines. While fuel costs are higher this year than last, and while surcharges will probably go to offset fuel cost increases, most agents are highly suspicious of the amount airlines really need to cover increased surcharges. If the airlines are willing to kick back a portion of the surcharge in the form of travel agent commission, it doesn't take a college education to conclude there's something also in it to the airlines. And given the highest levels of airline profits in history, the current fuel surcharges are suspect at the least.

The six major U.S. Carriers; American, Continental, Delta, Northwest, United and U.S. Airways control over 80 percent of airline tickets issued in the United States. As such, the big six are an oligopoly headed swiftly for a monopoly and it is the big six which have lead the fuel surcharges.

The flying public is to a large measure unaware of what's happening. In the short run, fuel surcharges are expected to be present through the summer of year 2000. In the long run, and assuming fuel surcharges are really necessary, travel agents can only hope the airlines will remove the surcharges when no longer applicable. We express this hope with skepticism.

In closing, self-imposed fuel surcharges are the latest in a growing list of actions used by the airlines to relentlessly pursue profitability to the significant detriment of the American consumer. End of prepared remarks. I can only add to that, in the travel trade news education, one of our publications, it indicates in the month of March as reported by AAA, the cost of leisure air fares are up 7 percent.

Thank you very much for a chance to testify.

Chairwoman KELLY. Thank you very much Mr. Morse. Would you like to have us insert the travel piece into the record, that newsletter into the record?

Mr. MORSE. Certainly.

Chairwoman KELLY. Thank you very much. So moved.

Finally we have Mr. Joe Fanelli, the owner of Joe's Body Shop. Mr. Fanelli, thank you.

**STATEMENT OF JOE FANELLI, OWNER, JOE'S BODY SHOP**

Mr. FANELLI. Hi, Miss Kelly, Congressman Sweeney. I own a gas station, and when gas went up, it would usually go up one, two cents a gallon, but the prices from each gas load were going up 10 to 12 cents a gallon, and there's no way that people in service stations would raise their prices immediately because of being scared they're going to lose gas volume, which means, you know, you lose profit, and you have a lot of people get mad at you coming in and yelling at us as gas station owners, blaming us that gas is going up.

I think people drive their cars less, because, which hurts our business, because they don't have as much maintenance on the cars, and I think the mom and pop store gas stations which are smaller volume gas stations, which I have, I don't have ten pumps, I have two pumps, and we can't afford to hold the price down too long, because we have to pay people. I have a full service station, and really the profit margin is very small to begin with, it's only 10 to 12 cents, if that, if we can do that going outside, and I don't think too many people would want to work for that kind of profit.

I think the big major oil companies, they tend to go up slower than the little guy, because they're the ones that own the oil, and they can afford to keep the prices down. They control the rack prices which fuel distributors get gas from. Fuel distributors are the middlemen that try to move gas for bigger companies, and I think the government should release oil in the wintertime for heating oil. A lot of these things are nice that they're releasing money, but it's kind of a little too late. It's almost getting warm out and a lot of people suffer already.

Gas problems, you know, the demand was, when the demand is high, the gas prices go up.

We as repair shops, we have to take waste oil for free. When gas went way down last year, they wouldn't take our waste oil for free. We had to pay for it. And by law, we have to take waste oil, Gene Perro's office gave us a letter that we were going to get a $10,000 fine if we don't take the oil from the public. We certainly don't want people to flush it down the toilet, but we don't want to pay to get rid of other people's oil. You know, I must have had to empty two or three times already. I just pay for it. This is money that's coming out of my pocket.

On the credit cards, gas was going up to, we were paying over a $1.60 a gallon and people paying with credit card, so we lose 3 percent of the total sale. So at $1.60 at our cost, we're losing almost 5 cents a gallon to begin with before we make any kind of profit at all.

The sales tax, they were only charging 7 cents a gallon prepaid sales tax. At the end of this quarter, a lot of gas stations got rude awakenings when they had to pay thousands of dollars back to the state because it was only 7 percent on the dollar.

The commercial tax on heating oil with garage doors always going up and down, were paying over $2 a gallon, and the gas stations were usually, you know, were poorly insulated and the doors, you use a lot of heating oil because the doors are always going up and down. And the gas stations are all being forced to sell candy bars and milk and everything else, because there's not any kind of profit in gas.

You know, all's we want is to have a steady price, if they can have at least oil that's sold at a price that stays steady, and I think it's all mental in the public's eyes, because they see the price going up and down and I think they get aggravated more than anything else. And I hear a lot of people with their big Suburbans, they're going to buy smaller cars. So that means different kind of cars, and big G M and stuff are going to have a problem selling these cars and that's going to impact their selling of bigger vehicles, because you know, we had to buy an emission machine, inspection machine that costs us a lot of money, maybe a couple of years ago. It's not that far down the road and people are just starting to rebound a little bit from this, and now this winter we got hit with the higher fuel prices and gas prices.

I just hope that they can have a steady price at some point. Thank you.

Chairwoman KELLY. Thank you very much, Mr. Fanelli, we really appreciate your testimony. I think it's important that we hear from somebody who is actually pumping the gas at the gas pump and having to face the public. And now I'd like to begin some questioning.

Mr. Gee, I noticed in hearing your written testimony, some allusions to Secretary Richardson's recent, and I'm putting those in quotes, success in working with foreign oil ministers to increase production. What I really find interesting about this is that your agency head, who just months ago admitted that the Administration was caught napping on the issue, is now heralding success in addressing the resultant problem. I'd like to know how you respond to that.

Mr. GEE. Thank you very much, Madam Chairwoman for the question. I know a lot of people had questions about what the Department has been doing, what Secretary Richardson has been doing over the course of last year. As you recall, we began the year last year with oil prices actually down at ten dollars a barrel. A lot of our attention was focused on economic conditions and where the oil was being produced domestically to try to maintain our productive capacity. What Secretary Richardson was alluding to was the fact that around September or October of last year, if you look at where we were in terms of home heating oil inventories going into the winter heating season, there wasn't really anything that our EIA, our Energy Information Administration saw to raise concern at that time based on their then expectations of weather and inventory stocks. And in fact, even going into December, they began to see a decline in the availability of heating oil stocks, but they had assumed that that was because largely of the Y2K problem, where they thought a lot of inventory was being removed from the primary level of inventory down to the secondary and tertiary level of stock.

So what Secretary Richardson was referring to, was that based upon known market indicators and expectations of how heating oil was being deployed at that time, there wasn't anything that anybody could have expected that would cause a severe problem.

The other thing, as you know, is that OPEC did decide around, I believe, springtime, to tighten up on the amount of oil that they would produce. And again, that didn't raise any suspicions in anybody's mind, because that was an ordinary market response to the fact that they weren't fetching a global price that was satisfactory. The price had been so low for a sustained period of time, nobody really thought that the price would spike that rapidly. I think all indication showed that this administration was acting in a way that could have only been anticipated based upon market indicators at the time. Since then, as my testimony explains, we've taken a number of actions to try to alleviate the problems within the northeast about the distribution of home heating oil, to insure that relief was secured sometime in January.

Again, this obviously is after the fact, but it's as best as we could do, given what we know at that point in time, going into the winter heating season.

Chairwoman KELLY. Mr. Gee, the Administration's admission, basically is what you just did, you admitted that there was a complacency. It's really, I have to say that's no surprise to me. I wrote early, I wrote, I believe my first letter went out to the President asking for a release of oil sometime late January, first part of February, like around February 3rd. I wrote six letters just as an individual talking about my District, and I have to say, I'm not the only one. I know Congressman Sweeney wrote letters. I know a lot of us wrote letters. We built a coalition. We were writing letters and signing lots of other people's letters as well, begging for action. I had a meeting with Secretary Richardson and I told him directly what was happening in my District, what was happening in the northeast, what was happening to the whole of New York. Nothing happened. His comment to us at that time was, "I will take it to the President.".

And I think it's a good thing that foreign countries have increased their production, but I think we need to keep in mind the so-called success did very little to help the small business owner like Mr. Fanelli, who experiences serious hardships; to the trucking industry which Mr. Spencer is representing. These folks had serious hardships, while Secretary Richardson was trying to sweet talk OPEC. And the President refused to release our strategic petroleum reserve oil, which could have been done. We need to make sure this sort of thing doesn't happen again. I know that in recent weeks, there's been talk about the worst being passed, but I hope this Administration has learned a lesson about the cost of inaction, and what we in the northeast have experienced, we have really paid a price.

I think now is not the time to let your guard down. I think the problem may be with the EIA, and I'm sure that NYSERDA warned the Administration of problems. Just because we were applying free market principles doesn't mean we need to ignore other factors. We were in trouble up here. We have a man here who just told you what he experiences when he goes out to pump a gallon of gas. We have a trucker here who has talked about what he experiences when he has to buy a gallon of diesel.

Now is not the time to let your guard down. It's the time to strengthen the commitment to our energy policy, because my concern is we don't want to see this issue crop up this summer with high electricity rates. Just think how this is going to translate. We in this region already have been told our electricity rates are going up. That's energy, sir. Had these electric companies been able to prepare earlier when we were begging for relief, and we were going directly to the President, and directly to Secretary Richardson, I believe honestly that our energy, electricity rates and our home heating oil prices now would be lower, and I am very concerned about this.

I want to ask you a further question. Does the Department of Energy still expect the gasoline price to peak during the driving season of summer, because that's what there was a prediction about.

Mr. GEE. I believe the EIA's near term outlook for the summer, is that they believe that the gasoline, the price of gasoline should go up, let me get that figure. I'm just looking it up for the hearing. They believe that it should peak at about 1.52 on average throughout the rest of the country in April and decline to around 1.39 a gallon by September, after the summer driving season, so I think nationally, I don't know exactly where that number is as of today, I think here in New York, I was looking at some numbers, it's around, New York State average is around 1.57 per gallon as of today, as of yesterday. I don't know how that would factor into the overall national number that EIA released just about a week ago, but we do anticipate that there would be ultimately by the end of the summer a decline of some 12 to 13 cents per gallon average.

Chairwoman KELLY. Mr. Flynn, would you like to address this? I'm sure your figures may not show exactly the same thing.

Mr. FLYNN. I think that the figures that we have are around 1.59 a gallon. But I think that what I would like to comment on is your view that there needs to be something done, don't let your guard down. I think what we have had is a situation of, the Department of Energy has lack of coordination between EIA and the Department itself. Last October we were able to put together at our urging a winter outlook in October, and at this winter outlook conference, we were able to pull together some people who I have a list of here. Home heating oil dealers, propane dealers, U.S. Coast Guard, the pipeline industry, EIA, the trucking industry, Department of Public Service, Department of Transportation, New York City Emergency Management Office and reps from some three or four northeastern states.

We had the Governor's director of state operations be our keynote speaker, Jim Natoli, and we do this on an annual basis and the thought behind putting this meeting together is to look at long range weather forecasts, delivery driver hours, coast guard operations, supply disruptions and price.

The point I'm trying to make here as I stated in some of my comments, is coordination and strategy. I think at the federal level that's what's lacking not only at Department of Energy but EPA and others and it all starts at the top. Luckily we have a Governor that pays attention to cooperation, coordination and strategy, and based upon his leadership in this area, not only in this situation here, but as soon as people started writing that this situation was over, we have the Administration still reminding the people at our authority and at CPB that don't let your guard down. I mean, we know that it's just April, but the summer driving season is around the corner and before we know it, the winter is going to be here again and the last thing we want to hear is excuses that we unanticipated the situation.

So I think that the best message that we get from these hearings today to the Administration at the Federal level is that there has to be at least on behalf of the northeastern states, better coordination between the Federal government, DOE, EPA, EIE within DOE so we're all on the same page and we anticipate the problems in the future so we're not back here next year in Mount Pleasant, much as I love being here today, talking about this issue again.

Chairwoman KELLY. Thank you very much, Mr. Flynn. I have one more question for Mr. Gee.

Mr. GEE. Certainly.

Chairwoman KELLY. I have many questions for you, sir, but in the interests of time I'm going to hold it to this one question. Just last Friday we experienced black Friday, the stock market went down, and some people have speculated that this country may be on the verge of an economic downturn. If that were true, how would a period of recession have an impact on fuel prices and does the Administration have any plans to mitigate problems that could be caused by rising fuel prices, if that is the case?

Mr. GEE. If we undergo an economic recession, is that your question?

Chairwoman KELLY. Yes, and economic downturn. I didn't use the word "recession" I said "downturn".

Mr. GEE. Downturn. Do we have—this, I'm going to give you a straight answer as I can, since I am only responsible for a narrow sliver of the pie as you know. I'm not with the Commerce Department and I'm certainly not with our Office of Management and Budget.

Chairwoman KELLY. Which probably points out the point that Mr. Flynn was trying to make.

Mr. GEE. Right. I think the best way to address the problems of market price volatility that we're talking about here is to have fuel diversity and a broad comprehensive effort under any market condition, whether it's a robust economic environment or recessionary economic environment to be able to have stable prices like Mr. Fanelli said. I think that's best insured by having fuel diversity, having an intelligent program to encourage wise, efficient use of energy, to be able to rely upon both domestic resources, to put the proper tax incentives that the President has proposed to stimulate domestic production, and also insure that our lines of communication with our diverse sources of foreign supply are open and communicated more broadly on an ongoing basis. I think that's exactly what President Clinton has done and that's what this administration has done.

Chairwoman KELLY. Well, there are some of us who really feel that the Administration has not fulfilled that promise.

Mr. GEE. I understand that, certainly.

Chairwoman KELLY. Especially in the area, of when you speak of fuel diversity that doesn't help us here in the northeast, we don't have access to fuel diversity and that is a problem for us.

Mr. GEE. May I address that?

Chairwoman KELLY. Yes.

Mr. GEE. The President has directed the Department to undertake a study that is due within the next couple of weeks to determine what are the options for the northeast to minimize reliance on home heating oil as a heating resource, because we are very aware of the limitations or lack of fuel diversity that this region has to labor under during home heating oil or during the winter heating season, and that is something that we're working on to seeing what types of policies would best promote greater options for consumers in the northeast.

Chairwoman KELLY. I think that's a positive step, but I think what the message is, you basically heard Mr. Flynn from the northeast, and that is, we want you to take to the Administration our concern and our need to have an increased communication between agencies, and a productive plan in place.

Mr. GEE. Certainly.

Chairwoman KELLY. And that can only be done with the kind of thing that our Governor has initiated. You need to do that kind of thing.

Mr. GEE. Again, may I respond?

Chairwoman KELLY. Yes.

Mr. GEE. I understand Mr. Flynn's opinions and will take them under advisement. I think that we do have communication within our Government. We've had communication between our Government and the state officials. I recall at the time of the home heating oil crisis we in fact invited and welcomed the participation of state officials where the Chairman of your Public Service Commission came and spoke to us about the occasion of interruptible customers on natural gas resorting back to home heating oil use, thereby driving up demand for home heating oil. We've had those lines of communication open. We're certainly open and willing to continue working with Governor Pataki's administration and with all the members of the New York State Government.

Chairwoman KELLY. Good. But please carry our message to the administration as well. Thank you, sir.

Mr. GEE. I will.

Chairwoman KELLY. With that, Congressman Sweeney, I will turn the questioning over to you. I actually have questions for some of these other people that I'll go back to, but I thought perhaps we could go one at a time.

Mr. SWEENEY. I thank the distinguished Chairwoman. Let me say that the testimony of this panel, I've been at a number of hearings, as a witness myself, in Commerce, on energy, and as a witness on the Ways And Means Committee, as a member of the Transportation Committee, we conducted hearings, and I have to say that this is the most compelling testimony that I have been subjected to, and I want to congratulate each of you.

Secretary Gee, I don't want to turn this into a gratuitous feeding frenzy on the Department of Energy and I appreciate you being here. I'm trying to compose myself up here, because as I sit here and listen as you nobly are trying to defend the Administration's seven years of inactivity, and as someone who represents a District that has been pounded in the past several months, I find it very difficult.

And if I could, Madam Chairwoman, let me, I kind of wanted to turn it back into a different focus and start with a question to Mr. Fanelli, because I think the important thing here, as Mr. Spencer pointed out, actually I had written a note I was going to quote that song by Alan Jackson, Mr. Chadwick is here, this is really about the little people, my constituents. I consider myself one, but when I go to Washington, I am honored to be able to represent them. This is really about putting food on the table. This is really about them being able to pay for their children's tuition, college, or save for their children's tuition to college. This has an incredible impact and last December I met Secretary Richardson who admitted at that time and subsequently publicly admitted that the Administration was not focused and was not coordinated. I think maybe I'm biased in this sense, but I think it relates to a different agenda, one that has negated the importance of developing independence from foreign markets and one that is driven by other political concerns, and I think that if indeed that is true, and I hope I'm wrong, that it is devastating and shame on the Administration for that kind of notion.

Let me ask Mr. Fanelli, you gave great testimony, and you talked about in real life terms what the effect this past fall and winter's fuel crisis was on you. If you can as honestly as you can on tax day, can you tell us what kind of margin you operate under?

Mr. FANELLI. It was at some point averaged 12 cents and some points I'd average as low as 8. My business is really repairs. I was never, I was an auto mechanic, I was never really into the gas business, I didn't know that much about it until I had a gas station. When I first started, I really didn't like gas, but you know, you want to keep the price down because people believe and all the people that come in believe there's plenty of oil, and that it's just another way for price gauging to go on.

Mr. SWEENEY. That's how you get consumers in your shop, correct?

Mr. FANELLI. Yeah, they're mad, they say there's plenty of oil, what are they doing. The only question I have, I've been in business for twenty years, I did okay, I've been able to go on vacations, and the only boats I'd see in the water when I was oversees was Esso, which is Exxon. The only question I've been asking myself is the merger between Exxon and Mobil have anything to do with the oil prices shooting up the way they did, at 10 to 12, 13 cents a day from one day to the next. I just couldn't believe what was happening.

Mr. SWEENEY. If I could, you have a concern that there isn't enough diversity in the market?

Mr. FANELLI. Yeah.

Mr. SWEENEY. Let me ask you one more question. What effect did this have on your margin, what effect did this crisis have on your business, how much did you lose, percentage, rough?

Mr. FANELLI. There was a point where I sell diesel, I couldn't even get it. 6,000, 7,000? I can't even, you know, for, within a few months. Between the gas part and just selling it, I guess at least $7,000.

Chairwoman KELLY. If you don't mind, Mr. Sweeney, Mr. Fanelli, would you describe zone pricing and talk to us about how that has an impact on your business?

Mr. FANELLI. Zone pricing gives the oil companies the opportunity to charge a station higher price than the next station maybe on the same block, because they believe that's more of an area where they're going to sell gas more and I think it's just an excuse, if say if an oil company doesn't like you, they can raise the price on you and drop it on somebody else, for whatever reason they have.

Chairwoman KELLY. You're saying the company that sells you, the wholesale, the product, can sell it to you at a certain price per gallon and then go two blocks down and sell it to someone else at a lower price or an increased price?

Mr. FANELLI. Right, increased price where they make more money and they justify that it's in that type of an area where maybe there's more money in that area, or it's in a better spot that it's going to pump more gas, for whatever, but it really should be all the same price. Everybody should really get a chance to get the same price, this way everybody has a fair shot at making the same kind of living as the guy down the street. I mean, that's, you're actually being penalized for being in maybe a certain area or you're being overcharged for whatever reason, that, you know, it's just really, it could be an excuse for price gouging, and—.

Chairwoman KELLY. What effect does that have on your business?

Mr. FANELLI. Gasoline has been slowly, I did okay, when I first started maybe twelve years ago. I really don't make hardly anything on it anymore, and I kind of concentrate in the garage.

Chairwoman KELLY. Is that because of zone pricing?

Mr. FANELLI. Zone pricing, different kinds of pricing. Some of this pricing is because of environmental reasons. They may have a problem with a station that had an environmental problem, which is legitimately I guess there should be some kind of fund to make up for that, but to have different prices at all different stations is really the kind of controlling everybody, I think the oil company's controlling everybody.

Chairwoman KELLY. Thank you.

Mr. SWEENEY. If I could, I think as well as Mr. Chadwick and Mr. Fanelli, there are other little people that we need to remember, and I'm sure Chairman Martinez appreciates the fact that we understand that they're the alternatives. So I'll turn some questions to you, Mr. Spencer.

Your testimony is true. Especially because you were tangible and direct, three solid proposals. Two of which I wholeheartedly support, one of which I'm a bit apprehensive, so I'm going to turn on you.

We are debating in Congress whether we should repeal certain transportation taxes on fuel costs, and some believe that to repeal such taxes would have a short-term minimal impact, long term very negative impact in terms of rebuilding our infrastructures and things like that. Others believe that at least it will provide some immediate relief to the consumers. In imposing a mandatory fuel surcharge program brings some apprehension because many would view it as just an additional tax on the consumer, so I just say to you there is a great apprehension. Let me ask you this question, because I'd like to look at it from a different side and how we can insure that one segment of the people we represent is indeed protected to some degree as best we can in a long term energy plan, and that is that I'm considering drafting legislation that would allow independent truckers and some other entities a deduction. We made the tax code so complicated, I understand, this gets people nervous, but until we get to real simplification, we're looking for ways to make it easy, to make America work, a deduction or tax credit directly attached to increases in fuel prices. My question to you is would your membership support such a move and at what level, how much of a tax credit would you guess would be applicable?

Mr. SPENCER. Well to answer your question, yes, our members small business truckers are going to be open to relief wherever they find it, whether it be through the tax code. As I mentioned in my testimony, we believe that the only viable real answer is for increased fuel costs to simply be reflected fairly, not exorbitant, but we understand there are others who see things differently.

I guess the idea of a change in the tax code to provide a credit, again, it would be a benefit, but the thought that I have in my head is that this is not going to be immediate relief that actually is really needed right now. If we're going to wait until the end of this year for a credit on a return, I mean, there may be, the return that's filed may be on a bankrupt business. That's the concern that I have.

Mr. SWEENEY. It's a great point. That in conjunction, though, with your third proposal, which is developing an emergency low interest SBA loan program, might be able to provide some sort of short-term stop gaps, and I'll say this, on the record, that if Madam Chairwoman wants to be the original sponsor on that, I'll join her.

Chairwoman KELLY. I've already discussed it with counsel.

Mr. SWEENEY. I understand that, understanding that the House operates pretty much on seniority, she gets to make that call and I would follow her on that.

Let me ask Mr. Flynn a question, if I can, thank you for your testimony. You mention in your testimony that we do not have in New York in any capacity any refineries, a capacity thereof. What do you think the greatest impediments to establishing New York refineries is?

Mr. FLYNN. I think that you yourself has answered that question by a piece of legislation that I think you introduced recently with a regional product reserve and I think that's one of the answers. And I've had the honor to testify about this in front of some other Congressional committees. I believe that an RPR would be an invaluable asset not only to New York State but to the northeast, in situations when we do find ourselves in a crisis situation, and I believe this issue has been studied on and off for the last twenty years at the Department of Energy and other levels of the Federal Government. When it was first brought to our attention and the Governor sought our advice as to the up sides and the down sides of it, it's not just as simple as saying it's the thing to do, because there are a lot of issues that are behind just placing this regional reserve.

I think some of the issues that you as a leader in this area should make sure that we all address is how much and what kind of petroleum products would be left at this reserve, the environmental requirements and regulations that would go along with siting something like this, the sulfur context that would be stored here, whether there would be enough storage capacity for all the northeast, who would administer the reserve, who would make the call as to when we would release reserves, who would pay for it, and these are just a few of the questions that as you and Congresswoman Kelly go forward on looking at something like this, make sure that you look at those areas and always NYSERDA is there for you to help you answer those questions, and I think that's one area that we can really help out in fuel diversity.

Mr. SWEENEY. Let me turn to you, Secretary, and say that now six months after we called for a reserve, I'm happy to see that the Administration has now seemingly endorsed such a policy. I won't belabor the point at this hearing, but I'd like to work with you and I know Chairwoman Kelly would like to work with you.

Mr. GEE. Let me say something, and I'm happy you brought this up. It was the Department that undertook a study just about two years ago on the merits of a regional product reserve. So I understand your view that we haven't done enough, but in fact we were doing something.

Mr. SWEENEY. If I can reclaim my time, six months ago the Secretary punted on that.

Chairwoman KELLY. Will you yield a point? Why has it taken you so long?

Mr. GEE. So long——

Chairwoman KELLY. To develop this, you say you started way back——

Mr. GEE. To commission a study.

Chairwoman KELLY. Why did it take so long to get a study?

Mr. GEE. The study started out with different options, how large the reserve, what the cost would be, and whether the cost would outweigh the benefits. That was a 1998 study that was brought out by a smaller price spike in 1996. We originally took the position that based upon certain scenarios that were undertaken in the study, such as the likelihood of the need for drawdown of the product reserve, that there was no immediacy to developing one because of the prospect that the costs would outweigh the benefits again based on certain scenarios. We concluded that if one could be down to 2 million barrels of inventory, because of the likelihood, particularly because of what we experienced this winter, because of a very cold winter accompanied by short inventory, that in fact one could be justified on a cost benefit basis. It wasn't simply the fact that we sat there and decided to do nothing. What the study said was that depending upon the size and configuration of the research, the cost would not justify the benefits. But we concluded if you can configure it down to 2 million barrels which is one of the scenarios and given the likelihood of what we experienced this past winter where there was a temperature plunge, that one could be cost justified under certain assumptions, and that's how we proceeded, that's why the President decided to go ahead and call for its creation and that's what our department is working on. I might add for Mr. Flynn's benefit, we'll certainly be happy to work with New York State. The very questions that he's raised are being looked at very intensively by our staff at this moment.

Mr. SWEENEY. When would you, if I could, when would you anticipate action?

Mr. GEE. We're gratified to see that Congress, rather, the House, passed legislation that would create one. As the President said, he would like to have the legislation enacted that would authorize its creation. Failing Congressional action, he still holds the option of going ahead and administratively going forward under existing law, under EPCA, assuming it's reauthorized, as you know it now lapsed. If the Energy Policy Conservation Act is authorized, he does have the authority to create one under existing law. We have our staff working full tilt right now working on it.

Mr. SWEENEY. You do not have a defined time line?

Mr. GEE. Not a defined time line but we're under orders, instructions from Secretary Richardson to get one going as soon as possible to get it ironed out.

Mr. SWEENEY. Let me pull things back a little bit. Explain for me how you compare U.S. Inventories to world inventories, and is there a greater vulnerability here in America than there is in other parts of the world?

Mr. GEE. You're talking about production quantities as opposed to refined inventories?

Mr. SWEENEY. Mm-hmm.

Mr. GEE. It's certainly having a decline. We experienced a decline in domestic production since 1985. It did not begin with this Administration, midpoint in the Reagan Administration.

Mr. SWEENEY. You will concede that the Administration though has not been an enthusiastic supporter of increased domestic production?

Mr. GEE. I would disagree with that, Mr. Congressman, because I in fact personally have been involved in working, I spent an awful lot of time with domestic producers, that's my job. I know what their positions are. When the price plunged 10 dollars a barrel I was spending a lot of time with people from east Texas, west taxes California, Oklahoma, we were pushing and gratified to see the President announced his support for tax incentives to maintain an increased domestic production.

Mr. SWEENEY. I'll extremely disagree with you and I'll send you a list of pieces of legislation that the Administration has either blocked or proposed that are contrary to that position.

Let me ask you this question, then, if you've been a proponent and you studied the issues, what are the capacities for domestic production? What's the potential?

Mr. GEE. I think right now our domestic production is around the mid 40's, 40 percentile of what we currently consume. We're hopeful that the decline in production can be arrested and ultimately would be brought to a halt sometime around the midpoint of this decade.

Mr. SWEENEY. What are the greatest impediments to that?

Mr. GEE. Greatest impediments are economic forces and the issues of production which to a certain extent are not directly within any government's control.

I'll give you an example. Oil is just much more expensive to produce in the United States today than it was a couple of decades ago. The types of fields that we're now exploring are largely for the most part very extensively explored and developed as opposed to foreign sources, which as I mentioned a lot of the large majors are going to because it's simply cheaper to produce.

One thing we're doing is trying to lower the cost of the production. We've been working very closely to try to lower the oil production costs, lowering the cost of electricity which makes up 40 percent of the production costs. Those are some of the things that we've been focussing on, that I've been personally focussing on.

Mr. SWEENEY. Let me thank you for that and point out that you contradicted yourself saying it's not as simple as government doing something. I think it is. A lot of smaller refineries have been put out of business based on tax policy, environmental policy, based on a whole bunch of restrictions. If I can move on——

Mr. GEE. You're not going to resume the volume of production we once had. That was my point. We already explored that.

Chairwoman KELLY. I just want to ask, we are short on time, obviously always, we never have enough time. So just so you all understand, I'm going to hold the hearings open for fourteen days. You may get written, additional written questions from us to answer in writing and I appreciate the fact that you will get them back to us fairly soon, we have fourteen days to do all that.

I want to turn to Ms. Martinez. I'm really pleased that you are there, and I bet your agency works as well as it does. You do a great deal of good for all consumers. I'm wondering about whether or not you think there's merit to the possibility that the oil price increase is going to have a significant impact on electricity rates. I've raised that issue and I'm wondering what you think. Do you feel that that's going to happen?

Ms. MARTINEZ. Well I'm not sure of how much of an effect that will have but I do know consumers have called us about letters that they have received warning them of greater electricity rates in the next few months and offering them to lock into a fixed price for the winter heating season. I'm not sure, we have not had enough investigation in this area, whether they are creating a condition where they want a consumer to make a decision about a fixed price using their market power to encourage the consumer to come back to the major producer of electricity and challenging the free market, the available newcomers into the electric market. So we've seen many of these letters come out from the major producers of electricity. As a matter of fact we've gotten several of them and several calls from Syracuse area, journalists asking us questions and we're in the midst of figuring out why now are they sending these questionnaires or marketing strategy fliers to consumers at this time. So they seem to be indicating it's going to happen, but we've seen no other indication in the market that it's happening. So we really don't have an answer this time, but I'll share with you what information we get back from our investigation.

But one of the beauties of the Consumer Protection Board is we have a complaint line, and real people answer and real people speak to you and real people hear your complaint, similar to you, when they come in and are exasperated to prices. So we get a really good feel of the market before sometimes big events happen, and that's why we're very glad to work with, especially this Governor, asked for the information, we work with NYSERDA, we share information to try to get ahead of the problem instead of waiting for it to happen and trying to get redress once people have been negatively impacted.

Chairwoman KELLY. You've heard Mr. Fanelli testify to the irritation he sees in his customers when they see the oil prices are so volatile, the gas prices are so volatile. Have you had a majority of your complaints about that particular aspect? What kind of, what are the majority of complaints about?

Ms. MARTINEZ. We get a lot of complaints about utilities, the changes in market forces of having electric choice, telephone choice and the agreements that people make with each other.

Chairwoman KELLY. What about this?

Ms. MARTINEZ. In terms of oil and gas, we have seen an increase over the last year. We've been seeing a constant increase in gas prices over the last year, we've been speaking to the public about it, trying to share tips, trying to encourage them to look for the best price. Now you've given me one of the reasons why it could be 12 cents different if you drive around your neighborhood, you can save 12 cents a gallon if you shop around. Now I see there's a reason why. We're asking consumers to shop wisely, buy more conservatively using other options of pairing up to drive, trying to cut the edge off their pocket books so it won't be so damaging to especially people on fixed incomes, we get a lot of complaints from our individuals who don't have the flexibility, they have to make the decision to buy either food or gas or this item or that, and we get a lot of that exasperation from consumers in New York State.

Chairwoman KELLY. It's really a conundrum when you're thinking you're advising people to drive around and find the lowest price and Mr. Fanelli is locked into a price because of the zone pricing. So it really is very difficult to get this resolved, so Mr. Gee, we do need your help.

I want to move just quickly to Mr. Morse. Moving away from the fuel charge issue that you had talked about, I wonder if you could tell us about the impact of fuel prices on companies you work with and travel and tourism industry. For example, the small limo companies, the cab drivers, the bus drivers, the bed and breakfast people. Are they experiencing a difficulty?

Mr. MORSE. They're probably experiencing incremental changes, but not major. Remember that when you go on vacations, you're generally using discretionary monies. We feel the impact in our industry, particularly my agency is almost unmeasurable. We're so small, the volumes are so small, the number of clients are not voluminous enough to statistically get an impact on what's happening there. Yes, we have complaints from our limo drivers, but they've held their prices so far. They're anticipating perhaps some downturns or stabilization, they're hoping for it. In fact there was a startup in our town in the last few months.

The B & B's, we don't have contact with them, they're not commissionable to a travel agent, so there isn't a strong relationship, so I can't comment on that there.

Chairwoman KELLY. What about the bus companies. We see a lot of people going by bus now to Atlantic City or up to the Catskills Adirondack areas.

Mr. MORSE. So far the touring companies seem to have held their prices. Once they announce a price for the given year, they put out the brochure for 2000 back in 1999, midsummer. They're locked in at that point, they have to absorb what it is. We've not experienced any considerable number of them saying oh, by the way there's a fuel surcharge increase in the price. That we've not experienced. So we're not seeing a lot of it.

I think for the small travel agent we're probably seeing some incremental loss of business. We just don't know what it is or how to measure it. In a given week you might have a good sale that would overcome the loss of one or two clients that week. We do realize statistically our industry follows the rest of the country and when you have a price increase, let's say 7 percent in March, you will probably lose some small portion of the business, people who were just on that border who can't afford it. You see a ticket at 19 0 is maybe saleable. 210, 2 15, it's not. It's hard to measure exactly what that impact is.

Chairwoman KELLY. Thank you. Mr. Fanelli, I see you nodding your head. I'm sure you pump gas for some limo companies and I'm sure you probably have heard them comment. Would you like to make a comment?

Mr. FANELLI. A lot of taxi and limo guys said the prices stayed the same and they're eating the additional prices that it costs them to go out, and that's why I think if there was some way to make a price range where it would stabilize for a period of time, a long period of time, I know it was cold this year for three weeks, but it kind of warmed up. I don't think I used any more heating oil last year than I did this year. That's what makes me wonder a little bit what happened.

Chairwoman KELLY. I think that's a very important point you just made. Because it got warm and the prices were still high. And I know that we wrote four letters and I co-sponsored Chairman Sweeney's——

Mr. SWEENEY. Thank you.

Chairwoman KELLY. I co-sponsored Mr. Sweeney's bill in Congress and a few others, all of which the Administration never acted on. I think that it's very important that the message go back to the administration that as Mr. Sweeney was talking about, it is individuals. It's every person in this area, in the Northeast, who is on a fixed income, and I have had people come to my office, senior citizens on fixed incomes, saying they no longer can drive back and forth, to have some joy in their life. They volunteer. They no longer can drive to their volunteer job.

So there's a spillover effect of the Administration's oil policy, and I feel that they really dragged their feet in December. I think that spillover effect is magnified time after time, possibly person by person here in the Northeast. It is critical that we get some relief, and we can't really wait for new technology. We really can't wait for anything except a very hard look and some increase in our gas and oil that's being pumped into this area.

I think with that said, I'm going to, I think we're going to head up to Castleton where we have another hearing. Mr. Gee will join us again and we can continue this dialogue. I really want to say—Mr. Flynn?

Mr. FLYNN. Can I just say two things here? Mr. Fanelli asked a question concerning the Exxon Mobil merger, I would ask, being a former prosecutor this Committee may want to contact the Department of Justice Attorney General Reno and asked on behalf of Mr. Fanelli and New York State and ask the Department of Justice to look into whether there's been any collusion between——

Mr. SWEENEY. May I state, I was going to reframe my question and make comments and they were going to be directed to you, and Mr. Morse, too. We have asked the Attorney General to look at price fixing allegations. I wanted to get this on the record, I don't have much confidence there's going to be much movement on the part of the Attorney General to do anything here, so I would encourage you Chairwoman and your 49 other colleagues to do it at the state level as best you can to maybe create that impetus. Mr. Morse, I'm the vice chairman of the Aviation Committee, principal sponsor of the Passenger's Bill of Rights, anti price gouging legislation, I want you to know I agree with you on the full disclosure of the airlines. Big six have been predators from pricing and services, as Congresswoman Kelly will attest to we in upstate New York pay a heavy, heavy price being as underserved as we are, so not to necessarily ask you a question, let you know that we are aware and I'm going to continue to pursue with the Aviation Committee and through Transportation those requests and desires.

Mr. MORSE. Thank you. We love your Passenger Bill of Rights.

Mr. FLYNN. I've testified now at three Congressional committees and state committees each time there's been a Department of Energy official. I think we're lucky to have Mr. Gee come here today because from my own humble experience he's been the most forthcoming official from the Department of Energy. There have been E I A officials who don't get into policy or there have been other officials who say they're too low on the chain to do policy. It seems Mr. Gee is in a position that he does policy and I think this Committee is lucky to have him here today. Whether you agree with him or not, he's forthcoming.

Mr. GEE. Just part of my job.

Chairwoman KELLY. Well, Mr. Flynn, you've just taken the words out of my mouth, this is what I was about to say. I'm glad you did say them. Please continue.

Mr. FLYNN. The regional product reserve I agree on that issue, but 2 million barrels on that reserve would not be enough.

Chairwoman KELLY. Mr. Gee, we do thank you for being here, it's a choice you've made to be with us, and I hope you've learned something from listening to our witnesses. I'm also very pleased that the Governor saw fit to allow we have two state agencies here that are very important agencies, and I'm delighted that they were willing to share with us their knowledge, so, and we're going to move on to Castleton. Mr. Spencer, I can't tell you how just relieved and delighted I was when I heard you were going to come and testify, because I think your testimony is very strong and I think that you speak very well for the truckers, and I think it's important that the general public understand that the truckers are really hurting because they're having to eat that difference in their contracts when they're doing such simple things as helping a family make a move, bringing fresh vegetables to the supermarkets, and doing numerous other things, because as I know and Mr. Sweeney knows, because we're both on the Transportation Committee in Congress, we understand how much of the goods and services actually of much of what we're able to do in the United States move by truck, so we're pleased to be here today.

Mr. Morse, I thank you very much for your testimony, and as you know, I too am very interested in the airline passenger rights, and Mr. Fanelli, you have been really illuminating in what you've had to say. I think you brought in some very important issues before us today. I hope we can all learn from your testimony and I very much appreciate your taking time out from your business to be here, to be with us today.

Mr. FANELLI. Thank you.

Chairwoman KELLY. I thank all of you, and with that, I'm going to conclude the hearing. Thank you.

[Whereupon, at 12:05 p.m., the Subcommittee was adjourned.]

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