

FTC Asked to Probe Gas Price Gouging

Friday, September 02, 2005

Associated Press

WASHINGTON — Lawmakers are demanding an investigation into gasoline prices after thousands of motorists called a government hotline to complain of price gouging

The Energy Department reported more than 5,000 calls to its price gouging hotline Thursday from around the country. "In Illinois, prices are reported to have shot up 50 cents per gallon overnight and the state attorney general received more than 500 reports of price gouging," nine Democratic members of the House Judiciary Committee wrote the Federal Trade Commission asking the agency to step up its review of gas markets.

The states with the most complaints were North Carolina, Georgia, New York, Pennsylvania, Texas, Illinois, Tennessee, New Jersey, Michigan and South Carolina. Seesel said the FTC has no jurisdiction over an individual gas station operator raising his price, no matter how high, unless there is some collusion among retailers. A number of states, however, have anti-gouging statutes.

There have been isolated cases of unusually huge price jumps, including a gas station in Georgia that briefly charged \$6 a gallon when competitors ran out of gas. In Michigan, there was a price jump of nearly \$1 a gallon overnight, although prices then receded, according to Rep. Fred Upton, R-Mich., who drove around his district on Thursday to gauge prices.

"Prices are averaging \$3.19. It's as high as \$3.58 from \$2.61 on Tuesday," said Upton in a telephone interview. "My sense is the supply and demand equation does not fit a 60-cent (a gallon) increase in the last 36 hours."

1. Thoroughly define the term *gouging* and explain its relationship to gas prices.
2. An average of about how many calls were made, per hour, this past Thursday to the Energy Department's price gouging hotline?
3. What percentage of U.S. states received the most complaints? Demographically, is there any relationship or consistency amongst states with the most complaints received? Explain. (For example, a majority of the states fall within the SE, NE, NW, etc.)
4. In paragraph form, explain an isolated case of price gouging and your opinion towards the situation.
5. If your family operates two vehicles, which each burns about 30 gallons of gas in a week, compare and contrast their annual gas expense at an average of \$2.61 and \$3.19.
6. One year ago, the Chevron at Highway 155 and Fairview in Stockbridge, Georgia regular unleaded gas was averaging \$1.74 per gallon. Last night at 9:12:19p.m., gas was selling for \$3.29. Using the family data in question five, annually, how much more will they spend?
7. You finally purchased the vehicle you had always wanted. A 2006 Cadillac Escalade with a fuel tank capacity of 31 gallons. The car dealer purchased the first tank of gas however, you drove around to see so many friends, you are on empty. After coasting into an Atlanta gas station on fumes, you realize gas prices are at \$5.76/gallon. Approximately how much will you spend filling up your new vehicle?
8. What new information have you learned in this edition of The Daughtry Times?