EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 23, 2007
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 1252 – Federal Price Gouging Prevention Act of 2007
(Rep. Stupak (D) Michigan and 106 cosponsors)

The Administration strongly opposes House passage of H.R. 1252. The Administration is greatly concerned about the difficulty high gas prices are creating for both families and businesses; however, this bill will not alleviate this problem. This bill could result in gasoline price controls and in some cases bring back long gas lines reminiscent of the 1970s. Gasoline price controls are an old – and failed – policy choice that will exacerbate shortages and increase fuel hoarding after natural disasters, denying fuel to people when they most need it. If H.R. 1252 or any similar price control bill were presented to the President, his senior advisors would recommend that he veto the bill.

H.R. 1252 and similar price control legislation would harm consumers – the very people the bill is touted to protect. By controlling prices, it would interfere with normal market mechanisms and distort price signals that encourage suppliers to supply more gasoline.

The bill would attempt to outlaw "price gouging" and "unconscionable" prices without defining these terms. By creating a vague and arbitrary regulatory regime the bill would lead to high litigation costs and uncertainty for sellers, enforcement agencies, and the courts. These added costs and uncertainties could deter investment in new supply, increasing prices.

In supply emergencies such as those caused by natural disasters or infrastructure issues such as pipeline breaks, the quickest way to solve the problem is to get additional supplies into the market from suppliers who ordinarily do not serve the affected market. For example, in the days after Hurricane Katrina, post-disaster price increases induced foreign suppliers to ship additional gasoline rapidly to affected areas. Gasoline price controls, such as those required under H.R. 1252, would misallocate the available supply, prevent relief workers and others with emergency needs from getting access to gasoline, and could increase hoarding.

The Administration is committed to protecting consumers from anti-competitive actions that can cause gasoline prices to increase. It is already illegal for companies to collude to raise gas prices or for a single firm with market power to engage in anti-competitive behavior to exploit consumers. The Department of Justice and the Federal Trade Commission remain vigilant in monitoring the markets and prosecuting any such behavior. A majority of States and the District of Columbia currently have some form of price-gouging statute on their books. The Department of Justice, the Federal Trade Commission, and the Department of Energy are ready and willing to work with States to protect consumers.

The Administration again urges Congress instead to take actions that address the root causes of high gas prices and consider initiatives like the President's Advanced Energy Initiative and "Twenty in Ten" to diversify our energy resources and promote advanced technologies to strengthen our energy security and address environmental challenges. To address gasoline prices, we need legislation that will allow environmentally-responsible domestic oil production, encourage refinery expansion, increase the supply of alternative fuels, expand the Strategic Petroleum Reserve, and modernize the Corporate Average Fuel Economy program.

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