



Why gasoline prices rocket up, yet drop slowly

By Sonali Kohli, USA TODAY

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WASHINGTON – It's a common complaint among drivers: Gas prices shoot up quickly but take their time floating down.

The phenomenon is called "rockets and feathers," and industry analysts say it has been at work for a long time.

Gasoline retail prices rise four times faster than they fall after the wholesale price changes, according to a 2010 [Federal Trade Commission \(FTC\)](#) study.

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In some places around the country, gasoline retailers sell at a loss when wholesale prices are high, and they try to make up that loss when prices go down, said Matthew Chesnes, the economist who conducted the FTC study. Retailers say keeping prices higher for as long as possible is the only way for them to make a little bit of a

profit or, in some cases, break even.

Why would retailers sell at a loss in the first place?

Gas stations make most of their profit from attached convenience stores, said Jay Ricker, who operates about 50 gas stations in Indiana. If a sign boasting low prices draws drivers to the station, they're more likely to spend money in the store.

"People will go somewhere else to buy their gas if your price is significantly higher," said Jeff Lenard, a spokesman for the [National Association of Convenience Stores](#). "And to some people, a penny is significantly higher."

The competition usually isn't as cutthroat on the way down as it is on the way up, Chesnes said. Some research suggests that when prices are high, buyers search around to find a better deal. Immediately after prices go down, though, buyers don't search as hard. This gives a cushion for the station owners to lower prices in smaller increments.

Gas prices are climbing — Tuesday's national average was \$3.50 per gallon, up 17 cents from a month ago. Before recent increases, the national average had dropped 61 cents from \$3.94 per gallon on April 5 to a low of \$3.33 on July 2.

"It seems like you'll read in the paper that the price for a barrel of oil has fallen, and then you'll have to wait forever" before it hits your pocketbook, said Joan Freyer, a Deposit, N.Y., resident vacationing on the [Jersey Shore](#) last week.

The Federal Trade Commission is still conducting an investigation into the possibility of price manipulation in 2011 after increases in crude oil and refined petroleum product prices.

The FTC has conducted similar investigations in the past — it looked into price spikes

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A motorist fills up his car at a gas station in San Francisco.

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after Hurricane Katrina in 2005 and in the Midwest in 2000 — to find whether members of the gasoline industry were violating antitrust laws. Neither investigation found evidence of wrongdoing.

Washington, D.C., resident Abby Letteres said she is used to the constant swing of gas prices, especially during the summer — but that doesn't mean she likes it.

As she filled gas for \$3.69 a gallon after a swim practice Monday, Letteres said, "I do it out of necessity."

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