



State of Connecticut
HOUSE OF REPRESENTATIVES
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MEMBER
COMMERCE COMMITTEE
ENERGY AND TECHNOLOGY COMMITTEE
JUDICIARY COMMITTEE

June 12, 2007

BY REGULAR MAIL

Christopher Ball, Ph. D.
Assistant Professor of Economics
School of Business
Quinnipiac University
275 Mount Carmel Avenue
Hamden, CT 06518-1965

Mark Gius, Ph. D.
Professor of Economics
School of Business
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275 Mount Carmel Avenue
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Matthew Rafferty, Ph. D.
Associate Professor of Economics
School of Business
Quinnipiac University
275 Mount Carmel Avenue
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Re: Gasoline Pricing Study

Dear Professors Ball, Gius and Rafferty:

As you know, Connecticut's gas prices are among the highest in the nation and have lurched again to historic highs. Along with other legislative leaders, I believe the General Assembly must take immediate, well-informed and responsible action to fight what I and many others believe are patently unfair and anti-competitive gas prices in our state. Your testimony and recent public statements concerning the proposed elimination of a practice known as the "zone pricing" of gasoline is of particular interest, and on this important public policy issue, it critically important that we understand the basis of your opinion.

In your testimony to the Energy & Technology Committee on March 6, 2007, and in your recent public statements¹, you conclude that the statewide elimination of "zone pricing" of gasoline would not result in lower retail gas prices. During the March 6th hearing, I asked you several questions about the empirical and methodological bases of your study. Your answers, however, raised serious questions about the quality and integrity of your conclusions, including:

First, you testified that you assumed consumers would pay a uniform "zone" price for gasoline. This is not what I and other legislators propose. Rather, we propose to reintroduce fair competition at the retail level by ensuring that all retail gas stations across the state can buy gasoline at the same wholesale "rack" or "terminal" price offered by a particular brand (*i.e.*, Mobil, Shell, etc.), although prices between brands would continue to vary according to market forces. This way, all gas stations across the state that buy gas from a particular brand would compete against each other on a fair and level basis, thereby promoting a true competitive market and driving retail prices down. You testified that you did not study such a proposal.

Second, you conceded that your study was not based on actual data related to a ban on zone pricing. In fact, you testified that your study was based on an "experimental" or "theoretical" economic model because no economic system exists in which zone pricing has been banned.

Third, you also made conclusions about the effect of a ban on zone pricing on retail prices, but then admitted that you did not have any access to actual retail prices.

Finally, you testified that your study was based on historical zone gas pricing data, even though the legislation at issue proposed to eliminate zone pricing.

Most troubling, however, was your strong reluctance to disclose how much you were paid by the American Petroleum Institute to perform your study. After finally disclosing that information, you testified that you were instructed by the American Petroleum Institute and its members—the major oil companies—to destroy the underlying data. As I am sure you can appreciate, on such an important matter of public policy, we must have access to your underlying data and analysis to test the quality of your conclusions. Accordingly, please produce copies of all documents concerning your study to my office in the General Assembly, including without limitation:

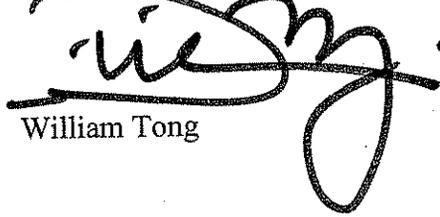
- a. all pricing data provided to you and used in connection with your study;
- b. all reports, conclusions, summaries, and analyses related thereto, in both draft and final form;

¹Christopher Ball, Mark Gius and Matthew Rafferty, "Pumping Out the Numbers," New York Times, April 22, 2007.

- c. all studies completed by other parties that contributed to your analysis;
- d. all agreements concerning the study, including your contract with the American Petroleum Institute; and
- e. your curricula vitae.

Thank you for your cooperation. I look forward working with you further on this important issue.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'William Tong', with a large, stylized flourish extending from the end of the signature.

William Tong

cc: The Honorable James Amann, Speaker of the House
The Honorable Christopher Donovan, Majority Leader
The Honorable Christopher Stone
The Honorable Thomas Colapietro
The Honorable Steve Fontana
The Honorable John Fonfara
The Honorable Andrew McDonald
The Honorable Michael Lawlor
The Honorable John Mazurek
The Honorable Christel Truglia
The Honorable Carlo Leone
The Honorable Gerald Fox
The Honorable James Shapiro
The Honorable Richard Blumenthal, Attorney General