



State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE WILLIAM TONG
ONE HUNDRED AND FORTY-SEVENTH ASSEMBLY DISTRICT

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MEMBER
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ENERGY AND TECHNOLOGY COMMITTEE
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October 11, 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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Matthew Rafferty, Ph. D.
Associate Professor of Economics
School of Business
Quinnipiac University
275 Mount Carmel Avenue
Hamden, CT 06518-1965

Re: Gasoline Pricing Study

Dear Professors Ball, Gius and Rafferty:

I am deeply disappointed by your letter dated June 20, 2007, in which you again refuse to share information concerning your study of the effects of a ban on the zone pricing of gasoline. The public has a right to know whether the price we are paying for gas is fair, and whether the study Big Oil paid you to conduct is sound. If your study was based on relevant data, proper scientific process and sound conclusions, you should have no concern about producing your underlying data. Because you refuse to cooperate, however, you leave many of my colleagues and I little choice but to conclude that Big Oil paid you to step into the middle of this debate, to leverage your academic reputations, and

to sell us Big Oil's story that anticompetitive gas pricing is somehow good for consumers. I cannot understand why you would offer such a strong opinion about a matter of urgent public concern, and then refuse to back it up.

I am particularly disappointed by the tone and substance of your June 20th reply, which are neither serious nor constructive (a copy of which is enclosed). First, you refused to respond to any of my substantive criticisms of your study. Second, your "recommendations" – to cut the gas tax, eliminate divorcement and encourage more gas stations to open – are completely irrelevant to the persistent question of whether zone gas pricing is fair. The legislature revisits the gas tax on a regular basis, but it has nothing to do with the fairness of gas prices. Elimination of divorcement, which may or may not make sense, contemplates further consolidation and vertical integration in the gasoline industry and may further impair competition. As for encouraging more gas stations to open, zone pricing squeezes individual gas station owners; a ban on zone pricing would make the retail gasoline market more competitive and reduce barriers to entry.

Your gas pricing study serves a vital public purpose, and is not a typical opinion-for-hire. By stepping into the center of this debate, voluntarily, you now owe a special responsibility to the people of this state to help us fully understand the consequences of zone gas pricing. You have put your data, your conclusions and your agreement with Big Oil directly at issue, and I believe you have waived any rights you may have had against disclosure. Most contracts containing confidentiality and non-disclosure obligations, moreover, include an exception where disclosure is compelled by government authority or process, as is the case here. It is also my understanding that you received data from the American Petroleum Institute and not individual oil companies, so I assume there is no risk of sharing proprietary data. To the extent you have confidentiality concerns, we can discuss measures to safeguard proprietary and competitive data.

If you remain unwilling to share your data, I hope that you will join me and Attorney General Richard Blumenthal for a public conversation, on radio or television, about the merits of your study and our proposal to eliminate unfair and anticompetitive gas prices. Please email me at william.tong@cga.ct.gov and let me know whether you would be willing to do so, and when you may be available. Perhaps through our discussion, the public will have a meaningful and complete opportunity to understand the basis of your study, and to judge for themselves.

Sincerely,



William Tong
State Representative – 147th District

Enclosure

cc: John L. Lahey, President, Quinnipiac University
The Honorable Attorney General Richard Blumenthal

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 III
The Honorable James Shapiro

June 20, 2007

Dear Representative Tong,

Thank you for your letter. We agree that gasoline prices are an issue in the state of Connecticut and are glad that the state legislators are eager to help. We have three recommendations that will help you as you consider action to lower prices: First, cut the state's gas tax. Second, eliminate divorcement which prevents gas distributors from managing their own stations. Third, encourage more gas stations to open in the state. We've discussed each of these options at length elsewhere.¹

Below we address your specific requests from us.

1. In general you seem less than convinced by the results in the study we did for the American Petroleum Institute.

We believe that our study accurately reflects the consensus of the academic and government studies on the issue of zone pricing. For example, see the letter sent by the Federal Trade Commission to Representative Christopher R. Stone on May 2, 2007 addressing this very issue.

2. "all pricing data provided to you and used in connection with your study"

The pricing data we used was proprietary data provided by private companies. We did not keep any of these companies' private data after the project was completed. We do not have this data. You should contact the American Petroleum Institute if you are interested in contacting the companies themselves for this data.

3. "all reports, conclusions, summaries, and analyses related thereto"

We wrote a report for the American Petroleum Institute. They own all rights to the document. The only document we have at this point is the final draft given back to us from the American Petroleum Institute who owns all rights to the document. You should contact the American Petroleum Institute for this document.

4. "all studies completed by other parties that contributed to your analysis"

All references to all studies are included in the report. They are all available documents through any library and FTC documents can be downloaded for free and without restriction from their website. We suggest simply downloading them from the appropriate sources.

¹ Ball, Christopher, Mark Gius and Matthew Rafferty, "Three ways to bring down gas prices in Connecticut," *New Haven Register*, May 6, 2007.

5. "all agreements concerning the study, including your contract with the American Petroleum Institute"

We respectfully decline. Please contact the American Petroleum Institute for such requests in the future.

6. "your curricula vitae"

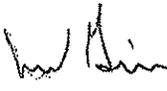
These are again public documents and can be easily downloaded and/or viewed on our websites through the Quinnipiac University website.

Thank you again for your letter. We wish you and the others in the State of Connecticut House of Representatives all the best as you move forward on this issue.

Very Truly Yours,



Christopher P. Ball



Mark Gius



Matthew Rafferty