



February 26, 2009

Co-chair Thomas Colapietro
Co-chair Jim Shapiro
Senator Kevin Witkos
Representative Penny Bacchiochi

General Law Committee:

The Independent Connecticut Petroleum Association (ICPA) represents over 550 petroleum marketers and their associated business in Connecticut. ICPA members employ over 13,000 people in our state and provide our fellow citizens with gasoline and heating oil.

I am submitting testimony in support of section 2 and 3 of H.B. 6518, An Act Concerning the Fair Pricing of Gasoline, but am **adamantly opposed to section 1** as printed in this bill.

This legislation attempts to control gasoline prices through a series of proposals that ignore the economics of the gasoline industry while destroying the investment that Connecticut owned family businesses have made in our state for generations.

Section 1 of H.B. 6518 proposes to do the following:

- **Equal wholesale pricing to all similar volume and branded retailers;**
- **Eliminate discounts.**

Equal wholesale pricing ignores the fact that gasoline retailers in different competitive situations are assisted by their supplier by lowering the price of gas. This help allows them compete with large multi-state big box retailers who use gas as a loss leader, compete in intensely competitive areas (ie. Berlin Turnpike) and compete against retailers in adjacent states who have lower gasoline taxes.

Eliminating discounts by requiring them to be applied equally to all gasoline retailers of the same brand and the same volume effectively eliminates their existence. How can a gasoline wholesaler who offers discounts to high volume retailers financially justify giving them to all 1600 gasoline retailers in Connecticut no matter how much gas they sell? If discounts should be applied equally in the gasoline industry then why should they not apply to small pharmacies competing against CVS, small hardware stores competing against Lowe's or mom and pop grocery stores who compete against Stop & Shop? Discounts may be used to drive down the price of gasoline for competitive reasons to the benefit of consumers.

Equal Wholesaling Pricing

The bill says: *“any other pricing system that would prevent retail sellers of gasoline from paying lower prices on an equal basis with other retail sellers of gasoline in this state.”*

The answer is: **This provision raises the price of gasoline.** According to studies the ultimate effect of equalizing wholesale prices would increase retail gasoline prices at the pump. Even the Federal Trade Commission (FTC) has commented that consumers would be harmed by equal wholesale prices, by providing a disincentive to develop gas stations with relatively weak competition.

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Eliminates Discounts

The bill says: *“If any such discounts or rebates are offered to one such retail seller, all such discounts or rebates shall be disclosed in writing by such person to such retail seller and shall be offered by such person to all of its retail sellers on equal terms and conditions.”*

The answer is: **This provision raises the price of gasoline** as it negatively affects Jobber/Distributors and consumers by practically eliminating discounts and rebates to high volume purchasers of gasoline. If producers and refiners are required to apply discounts and rebates that high volume gasoline purchases (Jobber/Distributors) currently receive to low volume single station retailers, it is likely that no discounts or rebates will be offered at all. A producer or refiner can not afford to grant every purchaser of gasoline the same rebate or discount on equal terms or they will face losing money. If the rebates and discounts that Walgreen's, Wal-Mart, Home Depot and Stop & Shop currently receive had to be applied equally to every small retailer, no discounts would be offered and prices would rise. Jobber/Distributors use discounts and rebates to lower the cost of gasoline to compete with large big box multi-state operators like BJ's, Costco and Stop & Shop. Without rebates and discounts Jobber/Distributors would be forced to raise the price of gasoline and become uncompetitive.