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New England Convenience Store
Association

CONNECTICUT
CHAPTER

Testimony Submitted By:
Cathy Barber, NECSA CT Chapter
To the General Law Committee
February 21, 2013

RE: S.B. 440, H.B. 5045, H.B. 5607, and H.B. 6205
Bills before the General Law Committee Regarding Debit Card Purchases

Chairman Doyle, Chairman Baram and members of the committee, thank you for the opportunity to submit testimony in respectful opposition to **S.B. 440, H.B. 5045, H.B. 5607, and H.B. 6205**, bills before the General Law Committee regarding debit card purchases at convenience stores and gas stations.

Since all of these bills deal with the process of making debit card purchases, it is my hope that by providing you with testimony today covering issues raised in all of these bills, I can avoid making duplicate statements and taking up too much of the Committee's time. My name is Cathy Barber and I am the Chairperson of the Connecticut Chapter of the New England Convenience Store Association. We represent convenience and fuel stores throughout Connecticut.

These bills seek to equate purchases made with a debit cards with cash purchases and preclude the retailer from distinguishing between these two types of transaction. **However well-intentioned the proponents of these bills may be, the two payment types are, from a cost perspective for the retailer and banks, fundamentally different.** The merchant incurs a fee when a consumer uses a Debit card; this is not a free transaction nor is it the same as a Cash transaction for Retailers.

While it is true that debit cards provide consumers with convenience when making purchases, that convenience comes with a price which is incurred by the Retailer. In the case of debit cards, Retailers must pay a flat fee plus a percentage of the sale to the processor each time that debit card is processed regardless of the amount that is purchased. Pursuant to passage of the Dodd-Frank Wall Street Reform Act, the Federal Reserve released a final rule on June 29, 2011, that set the fees at 21 cents per transaction, plus 0.05% of the transaction's value, and an additional one cent per transaction to pay for card security compliance to card brand standards. **For an industry with low profit margins and high environmental compliance costs such as the retail gasoline industry, these costs are significant.** For these reasons, we respectfully suggest that legislation such as **S.B. 440, H.B. 5045 and H.B. 5607**, bills which would require these transactions ignore the true cost to the Retailer, would hurt Connecticut businesses and should not be adopted. The proposals could, in fact, hurt the true cash customer as well, forcing cash customers to share in the burden of Debit card fees.

H.B. 6025, seeks to require convenience stores and gas stations to deduct only the exact amount of a debit transaction from a consumer's bank account rather than placing a hold in excess of the exact amount. This asks fuel retailers to address issues beyond their control. We are merchants, gasoline vendors. We have no relationship with consumers' banks or Debit providers. **When a consumer uses a debit card at the pump, the store owner has no idea how much (or little) gasoline the consumer is about to pump. In order to avoid a consumer pumping an amount that could exceed their current bank account balance, a dollar limit or hold is used by the consumer's bank.** Once the gas is paid for, the store owner has no control over how long or when that hold is released by the issuing bank. **The station derives no benefit, financial or otherwise from any hold period. It is simply an issue that the store owner cannot address.**

Thank you very much for the opportunity to testify before you today. I'm happy to try to answer any questions you may have.