



Testimony Submitted By:

**Kevin Pimental, Xtramart Convenience Stores of North Grosvenordale, CT
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

Good afternoon, my name is Kevin Pimental of Xtramart Convenience Stores. I am here in opposition to S.B. 440, House Bills. 5045, 5607, and 6205, bills regarding debit card purchases at convenience stores and gas stations.

For retailers, Debit cards are NOT the same as Cash. Retailers pay a fee when consumers use Debit cards. A Debit card transaction, similar to a Credit Card transaction, results in Retailers being charged a fee by the processor. Banks promote Debit Card use to Consumers as fee-free, that is, fee-free to consumers only. Retailers pay fees for the consumers' use of Debit cards.

Since Retailers incur fees for Debit as well as Credit Card use, many offer a "Discount for Cash" to consumers who tender cash. If we are forced to offer the Cash Discount to fee-based users, the likely consequence would be a reduction of the Cash Discount amount, resulting in increased prices to loyal cash customers. Quite simply, to the Retailer, plastic is plastic and Cash is Cash.

These bills seek to equate debit card purchases with cash purchases, precluding the retailer from distinguishing between these two types of transactions. However well-intentioned the proponents of these bills may be, the two payment types are, from a cost perspective for the retailer, fundamentally different.

While it is true that debit cards provide consumers with convenience when making purchases, that convenience comes with a price. In the case of debit cards, merchants must pay a fee each time that debit card is processed regardless of the amount purchased. Pursuant to passage of the Dodd-Frank Wall Street Reform Act, the Federal Reserve released a final rule on June 29, 2011, that sets the Debit transaction fees. For an industry with low profit margins and high environmental compliance costs such as the retail gasoline industry, these costs are significant. Legislation such as S.B. 440, H.B. 5045 and H.B. 5607, would hurt Connecticut businesses and should not be adopted.

H.B. 6205 requires 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 proposal asks fuel retailers to address issues beyond their control. When a consumer uses a debit card at the pump, the store owner has no idea how much gas the consumer is about to pump. Reserves are created by the consumer's bank, not the Retailer. In order to avoid a consumer pumping an amount that could exceed their current bank account balance, a hold is used. Once the gas is paid for, the store owner has no control on 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.