

**Bill Douglass**

**Chief Executive Officer**

**Douglass Distributing Co.**

**On Behalf of**

**The National Association of Convenience Stores**

**Before the**

**U.S. Senate Committee on the Judiciary**

**On Credit Card Interchange Rates: Antitrust Concerns?**

**July 19, 2006**

Good morning, Mr. Chairman and Members of the Committee. My name is Bill Douglass and I am Chief Executive Officer of Douglass Distributing Company. My company, which is headquartered in Sherman, Texas, operates 15 convenience stores and supplies gasoline and diesel fuel to other retail locations in the Dallas-Fort Worth area.

I am here today representing the National Association of Convenience Stores (NACS). NACS is an international trade association representing the convenience store industry. The industry as a whole includes about 140,000 stores in the United States, sold 145.8 billion gallons of motor fuel in 2005, and employs about 1.5 million workers across the nation. It is truly an industry for small businesses; 60 percent of convenience stores are owned by one-store operators. NACS helped found the Merchants Payments Coalition, which includes about 20 trade associations from diverse industries, to help promote a more competitive and transparent system of credit card interchange fees.

I want to thank you, Mr. Chairman, and the Members of the Committee for holding this hearing. Credit card interchange fees hurt my customers – who, in the end, pay for them – and hurt my business. The rise in these fees in recent years has

made them the third highest operating cost for my business and for my industry as a whole. Only payroll and rent cost more than these fees.

As difficult as this cost is to bear for my business, I know these fees are a terrible burden for my customers – and most of them do not even know these fees exist and take money out of their pockets. I compete with other retailers to try to make my prices attractive to customers. But when these fees are tacked on, prices don't look as attractive. This is a big problem in my industry. We put our prices on the street for everyone to see. No other industry so completely and transparently empowers customers to shop for the best price without even leaving their cars. And our customers are perhaps the most price sensitive of all. They will drive far out of their way just to save a couple of cents per gallon on gas. Well, right now credit card companies charge about 5 cents in interchange on a gallon of gas purchased with their cards. That is a big number; when it is tacked onto our prices it hurts our customers and our business. For many of our customers that is nearly **\$2 per fill up** that goes straight to Visa and Master Card banks. These charges are an outrage, especially at current gasoline prices.

Just one look at a list of the interchange fees that are charged when a consumer fills up any of several 2006 American-made SUVs and pick up trucks shows how bad this problem has become. And this list doesn't include all the older models of cars or trucks with large gas tanks, vehicles that are used millions of times a day by small businesses or by farmers, but it does give you an idea of how much more in credit card charges have come directly from consumers' pockets in just the last 2 years simply from the increase in the price of one product, gasoline.

<b>Model</b>	<b>Type</b>	<b>Gas tank (gallons)</b>	<b>Interchange fill-up (gas=\$3per gallon)</b>
Chevy Suburban (three quarter ton model)	SUV	39	\$1.9110
GMC Yukon (XL) 2500	SUV	39	\$1.9110
2006 Ford F-350 Lariat 4x4 SD Crew Cab	Pickup truck	38	\$1.8620
2006 Ford E-350 Super Duty	Van	35	\$1.7150
GMC Sierre (Longbox)	Pickup truck	34	\$1.6666
Chevy Silverado (Longbox)	Pickup truck	34	\$1.6666
2006 Dodge Ram 3500 SLT (Mega Cab)	Pickup truck	34	\$1.6666

