

214<sup>TH</sup> NEW JERSEY LEGISLATURE  
ASSEMBLY CONSUMER AFFAIRS COMMITTEE  
HON. PAUL MORIARTY--CHAIR

# TESTIMONY

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COMMITTEE ROOM 13  
TRENTON, NJ 08625

## Testimony of Sal Risalvato

Chairman Barnes and members of the Committee, my name is Sal Risalvato. I am the Executive Director of the New Jersey Gasoline, Convenience Store, and Automotive Association (NJGCA). There are thousands of gasoline stations and convenience stores in New Jersey, most of which are independently owned and operated. These are America's quintessential small businesses and I thank you for the opportunity to testify on their behalf today regarding a very important matter.

I appreciate that the Assembly Consumer Affairs Committee is hearing from business representatives today, because this issue has wide ranging effects on merchants, who in this case are the consumers, as well as on their customers.

Markets work best when there is competition among services, but when a sector becomes dominated by two major corporations the spirit of and need for competition evaporates. The service these companies provide has become so fundamentally ingrained in the nature of our economy that they are essentially a new form of currency. To turn down Visa or MasterCard as a form of payment is almost as unacceptable as a gas station turning paper currency. In fact, paying obscene fees for accepting credit cards is the same as paying obscene fees for accepting cash. Imagine if a merchant had to calculate 3% of the cash that was collected and deduct it from the daily bank deposit.

I know from personal experience that it's never been easy to run a small business, especially a gas station. Businesses have always had to deal with expenses, customers, competition, and the government. But in the last few years one expense has arisen to place a heavier burden on small businesses than all others: credit card interchange fees.

It was not always like this. Back in 1978, when I opened my first Exxon station it was virtually unheard of to use a Visa or MasterCard to purchase gasoline. A solid 80% of my customers paid in cash, and almost all the rest paid with Exxon credit cards, for which my business was not charged a fee to process. Back then it wasn't unusual for motorists to have 5 or 6 different credit cards for every different brand of gas station around them.

To illustrate the change that's happened with some real numbers, back in 1978 I did approximately \$70,000 a month in gas sales. The amount of money I spent on credit card fees was exactly ZERO. This all changed in 1983 when Exxon began processing Visa, MasterCard, and other major credit cards. These were cards that had traditionally been used only for shopping in department stores for consumer goods, and not for gasoline.

Exxon started charging its dealers a flat 3% fee for every credit card sale including their own proprietary Exxon Card. As the cost to fill up a motorist's tank went up, more

motorists began to pay with credit rather than carry additional cash. In 1978 about 20% of my business was paid for by credit cards. By 1982, a jump in the cost of gas from around 70 cents a gallon to around a dollar meant I had around \$100,000 in revenue, but now I was paying \$600 a month in credit card fees despite having the same volume and same profit margin! Keep in mind barely 20% of my sales at the pump were paid with a credit card.

Before long every other brand of gas instituted the same policy of accepting major credit cards. This began an evolution that today finds us at a point where the average gas station has at times as much as 90% of its gas sales paid with a credit card. Today though, we have gas prices that often near 4 dollars a gallon, while the demands of a competitive market have forced the average profit margin on a gallon of gas to remain largely unchanged.

A station pumping 100,000 gallons a month, unlike my station years ago, could be paying around \$4,000 per month in credit card fees today. That's if only HALF of its customers used credit cards. I would suggest it is nearly impossible to find a station where only half the motorists pay with credit. That cost can be as high as \$7,500 if 90% of customers pay with a credit card. Each time the price of gas increases, motorists tend to lean more on their credit cards and have less cash to use. This drives the fees paid by merchants through the roof.

Today's hearing is helpful because it represents the first time the Legislature has heard the cries of retailers from all walks of business. Certainly in the industry that I represent it has been frustrating to endure harsh scrutiny and unjust criticism every time the price of gas begins rising. Price hikes by the way, which are completely out of the control of the retailers who must then raise the price at the pump.

Within days of prices creeping upward, my phone rings off the hook from reporters who want to write a story that often points a finger of blame at retailers. The media gets all hyped up, motorists get angry, legislators get agitated and a lot of noise is made. Conversations at social gatherings, and in classrooms, and even around the dinner table all circle around to the "high price of gas".

However, while everyone is fixated and preoccupied with what is happening at the pump, and while nobody is watching or even noticing, the credit card companies are quietly grinning and sneaking past everyone's eyes. They sneak by us like a thief in a department store trying to be as inconspicuous as possible and sliding past the door to get beyond the store entrance and make their getaway. They in fact are literally laughing all the way to the bank.

When the price of gas spikes, everyone gets hurt in the process except the credit card companies. They welcome large price increases because it increases their share of the consumers purchase. They do nothing and receive gobs of profit in return.

Gasoline retailers are not looking for something for free. They simply want relief and a means to bargain for a fair deal. Up until today, their story has fallen on deaf ears. I hope that today's hearing is the beginning of crafting legislation that helps consumers and merchants.

I have attached several charts which demonstrate the tremendous burden credit card fees place on motor fuel retailers.

Thank you.