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## 7-Eleven Fights Card Costs

CONVENIENCE STORE CHAIN TAPS CONSUMER ANGST IN FIGHT OVER CREDIT CARD FEES.

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*by Sara Jerome*

Over the summer, 7-Eleven stores enlisted customers in a crusade against credit card transaction fees, hoping to harness the public's discontent with the banking industry.

At issue is how much money retailers must hand over to banks each time a customer pays with plastic. 7-Eleven officials argue that the cost is too high -- representing its franchise owners' third-biggest outlay after rent and labor. And the burden is growing fast, from \$40 million in 2003 to \$160 million last year, says Keith Jones, the company's director of government relations.

Card issuers attribute the higher "interchange" costs to purchasers' increased use of their charge plates and say it's a small price for the stores to pay for rising sales. (Currently, 7-Eleven surrenders between 1.8 and 2 percent of each purchase to interchange fees, according to estimates from the company and MasterCard.)

"Intuitively, everyone should be able to acknowledge that people are likely to spend more with a credit card than with the limited amount of cash they have in their pocket," said Shawn Miles, group head of global public policy for MasterCard.

Retailers and banks have fought over interchange fees for years, and now the issue is back on Capitol Hill. In May, Reps. Bill Shuster, R-Pa., and Peter Welch, D-Vt., introduced a measure to allow the Federal Trade Commission to review and eliminate certain credit card company operating rules that drive up fees. And in June, Shuster and House Judiciary Committee Chairman John Conyers, D-Mich., tried a different tack with legislation that would amend antitrust law to allow retailers to band together to negotiate the charges. Sen. Richard Durbin, D-Ill., introduced a similar bill in June that goes a step further, mandating that deadlocked negotiations be resolved before a three-judge panel.

7-Eleven is waiting until fall to back specific legislation. In the meantime, the company tried to make some headway of its own. It ran a petition drive in stores asking

customers to support lower interchange costs. The effort repackages a formerly business-to-business dispute as a grassroots concern. The chain estimates that it gathered more than 1 million signatures, although it's still counting them up. Officials plan to present them to lawmakers soon, first at district offices to underscore the local roots of the campaign, then in Washington.

The effort has "struck a nerve with our customers," Jones said. "They've experienced what Visa and MasterCard do on fees in their own lives, so when we ask them to help us it's a pretty easy task."

Andrew Berhane, the assistant manager at a 7-Eleven in D.C.'s Van Ness neighborhood, supported the campaign, gathering more than 200 signatures. He says it isn't hard to muster customers' anger toward credit card companies, which Berhane contended are "just like another IRS. They don't give you nothing in return. People know this." That's exactly the sentiment that 7-Eleven wants to tap into to help it ride the wave of bailout fatigue and bank-directed frustration.

"Politics changed in November, and we have a government that could be a little more sympathetic to this issue for us, we hope," Jones said.

Advocates in the credit card industry call the petition effort deceptive. Interchange fees, they say, are just a business cost for retailers, not some great consumer cause. "This whole campaign is really a smoke screen," said Trish Wexler, a spokeswoman for the Electronic Payments Coalition, calling it a "new low."

Disputing 7-Eleven's claim that interchange fees cost the stores' customers \$400 a year, Wexler argued that the proposed regulations would actually threaten consumers with shouldering more of the burden by potentially forcing banks and credit unions to raise other fees, stop rewards programs, or cancel debit or credit programs.

Nevertheless, 7-Eleven's effort has made credit card companies take notice. MasterCard commissioned a study looking at whether the company's petition puts one over on consumers. According to MasterCard's findings, "After reading the 7-Eleven petition, two in three Americans mistakenly believed that consumers would directly and immediately benefit from a reduction in merchant service fees, as it would lead to lower fees on their own credit cards or lower retail prices."

Visa also ordered a study driven in part by 7-Eleven's consumer-based efforts and those of another convenience store, Circle K. Visa says it found that consumers believe that retailers should be responsible for interchange fees.

But regulation advocates defend 7-Eleven's consumer-centric approach, arguing that customers sympathize with small business -- and that each 7-Eleven franchise falls into that category. "The public understands there is something wrong with the system," said John Emling, senior vice president of government affairs at the Retail Industry Leaders Association. "And 7-Eleven has done an excellent job of highlighting how it hurts the retailers in our communities."