

June 11, 2012

To the Members of the United States Congress:

You may have seen some recent reports, including in [Time magazine](#), of consumer outrage at gas stations charging as much as a \$2-per-gallon price differential for payment with debit and credit cards. As advocates of free-market economics and limited government, we urge caution in your responses and would oppose attempts to solve these problems by using the power of the federal government to force price controls on gasoline retailers.

At the same time, we also urge you to give consumers a break by repealing price controls on banks and credit unions currently in place due to the lobbying efforts of gas stations and other retailers. The Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act has given retailers billions in savings from what they previously paid to process debit card transactions. Yet six months after its implementation, [evidence](#) shows that retailers have not passed along debit-card interchange-fee saving to consumers as proponents of the Durbin Amendment publicly predicted. In the meantime, American families are not only getting socked with high gas prices but higher bank fees wholly attributable to the Durbin Amendment's shifting of the costs of debit card processing to consumers.

It's time to pass the bipartisan [Consumer Debit Card Protection Act, H.R. 3156](#) to repeal the Durbin Amendment, which through Federal Reserve implementation places price caps of no more than 21 cents per debit card transaction that a bank or credit union can charge to a retailer. By law, the Durbin price controls do not even cover a debit card issuer's fixed costs of payment card technology. As a result, much of the costs of the sophisticated equipment to process debit card transactions – including combating the growing threat of identity theft – must be shouldered through increased fees on consumers.

Unfortunately, the retail lobby is doubling down and arguing to expand the disastrous Durbin Amendment with price controls on credit cards, in addition to debit cards. You may have received a paper entitled “Customer Card Fees: Hidden Bank Fees Siphon Money from Customers and Merchants at the Pump” prepared for the National Associations of Convenience Stores (NACS) arguing that higher gasoline prices are owing to customers choosing to pay for fuel with payment cards.

This paper is full of inaccuracies and distortions, such as the claim that interchange fees are the second-highest costs next to those of employees. What the paper doesn't say is that decades before the Durbin Amendment, payment cards were also saving retailers billions precisely by reducing employee costs. It's doubtful that the “self-service” pumps we take for granted today would be even possible without the speed and efficiency of credit and debit cards. Payment cards also greatly reduce the costs of handling cash and protecting against bounced checks.

We understand that the poor economy and an increased regulatory burden are challenging retailers. Again, we would oppose efforts to regulate gas or convenience store prices due to the latest gas station outrages. But what's bad for retailers is just as bad for their financial suppliers.

Americans for Prosperity has accurately captured the views of all of us in the free-market movement: "The solution here is not more regulation or political demagoguery. The solution is the free market. Let banks, merchants, and payment card networks work out interchange fees in a system of free and voluntary exchange. Let consumers decide what products work best for them at what prices, and let competition and innovation (not politicians) drive them to the best products. Repealing the debit card interchange price caps entirely and getting the government out of the way is the only way to restore balance in this market."

Sincerely,

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American Commitment

Andrew Langer
President
Institute for Liberty

James Valvo
Director of Policy
Americans for Prosperity

Seton Motley
President
Less Government

Grover Norquist
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