



September 19, 2022

The Honorable Peter Welch (D-VT-AL)  
U.S. House of Representatives  
2187 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Lance Gooden (R-TX-05)  
U.S. House of Representatives  
1722 Longworth House Office Building  
Washington, D.C. 20515

Dear Representatives Welch and Gooden:

On behalf of FMI – The Food Industry Association, I write with our endorsement of the “Credit Card Competition Act of 2022” to bring competition to the credit card network routing market. Grocery retailers greatly appreciate your leadership on behalf of our businesses and customers to address the lack of competition in the credit card market.

FMI is a trade association representing food retailers, wholesalers, and product suppliers, including nearly 1,000 grocery and supermarket member companies that collectively operate almost 33,000 food retail outlets and 12,000 pharmacies, ultimately touching the lives of more than 100 million U.S. households per week and an industry that employs over 6 million individuals. FMI member companies comprise a critical infrastructure industry in this country, are overwhelmingly consumer-facing businesses, and primarily employ associates serving in in-store or distribution center positions.

The “Credit Card Competition Act of 2022” would inject much needed competition in the credit card routing network market to give grocers of all sizes across the country the choice of vendors on which to route financial data for customer purchases and negotiating power to lower their business operating costs. Under the legislation, a credit card would be required to have more than one network option to route financial data, an important reform that has been successful in the debit card space. Unlike with debit cards, there is no additional network rail option to route financial data on credit cards – it is only routed through Visa for a Visa credit card and Mastercard for a Mastercard credit card. Requiring more than one routing network would foster competition and security – bringing down the cost of the swipe fees, increasing transparency of terms, and encouraging innovative services and fraud protection.

The “Credit Card Competition Act of 2022” is an important step in mitigating the hidden swipe fees levied on merchants. There was a seismic shift to card spending in response to the pandemic and while the grocery industry is committed to serving all their customers, regardless of how they pay, the increase in card usage has several unintended consequences. Retailers pay processing fees to accept credit and debit cards as payments from their customers for goods and services. These processing fees are very expensive and include various fees, such as swipe and routing fees. In 2021, merchants’ card processing fees totaled \$137.8 billion, up over 112% from the previous decade. Swipe fees are most retailers’ highest operating cost after labor and rent.

The hidden processing fees negatively impact U.S. consumers – at an average of \$900 a year for an American family. The \$137.8 billion in hidden processing fees artificially drive up the price consumers pay





for goods and services. Retailers are forced to incorporate these fees in their pricing decisions and sell items at the “credit card” price to cover costs. The impact disproportionately hurts lower income Americans, those who rely on cash, and those who do not have access to high credit card rewards. The current credit card market leaves lower income Americans paying for bloated credit card rewards they will never enjoy.

Additionally, routing competition would bring about more security in the credit card market. We are all very concerned about cybersecurity. Realistically, a hacker could bring down an entire credit card routing network. Without another routing option, the entire network would be unavailable to American consumers and businesses.

FMI member companies negotiate prices on every product they sell and every service they use with vendors. The one area that grocers have no ability to negotiate is with Visa and Mastercard on how much it costs us to use their card networks to accept this form of payment from our customers. Some banks and the credit card networks claim that retailers want the federal government to set a cap on credit card fees. This is completely wrong. The grocery industry is a highly competitive industry, and we operate on very slim profit margins – about 1-2% on average. We are not asking the federal government to step in and cap credit card fees or set prices – what we are asking for is the federal government to establish parameters that would foster competition and transparency so that card networks would compete for our business on fees and terms – just as we have to compete for our customers’ business.

The “Credit Card Competition Act of 2022” is not about picking winners or losers – it is about bringing competition, transparency and fairness to a marketplace that has none. Further, your legislation specifically exempts small and midsize community banks and credit unions, with assets less than \$100 billion, to target routing network reforms directly at the card network companies and the handful of the largest banks in the country that issue credit cards.

Thank you again for your steadfast efforts on behalf of grocers and our customers. FMI and our members of all sizes across the country want to work with Congress in a bipartisan manner to foster competition in the credit card market so we can better serve our customers and communities, especially in these economically challenging times. Implementing network routing competition would be a good first step in addressing the unchecked card fees and lack of transparency and competition retailers face as the condition of accepting credit cards for customer purchases.

Sincerely,

A handwritten signature in black ink that reads 'Jennifer Hatcher'.

Jennifer Hatcher  
Chief Public Policy Officer and Senior Vice President, Government & Public Affairs

