



Opening Statement of John Conyers, Jr.
Hearing on: H.R. 5546, the "Credit Card Fair Fee Act of 2008"
May 15, 2008

Last year, when I chaired a hearing on the topic of credit card interchange fees, I was taken aback by the depth of the problem facing merchants. Members on both sides of the aisle were equally concerned about these fees and the effects they ultimately have on consumers.

After some deliberation, I, along with my colleague Chris Cannon, introduced the "Credit Card Fair Fee Act of 2008." We believe this legislation will go a long way toward restoring some measure of balance between retailers and the credit card companies.

Let me explain what this legislation does and does not do.

First, H.R. 5546 does not regulate the industry.

Critics of the legislation claim that it sets "price controls," but nothing could be further from the truth. Encouraging two parties to voluntarily negotiate is not regulation. The aim of the bill is to simply give retailers a seat at the table that they currently do not have. Currently, the retailers are forced to enter take-it-or-leave-it contracts before they can accept Visa and MasterCard at their stores.

H.R. 5546 simply levels the playing field and encourages negotiation. It is if and only if negotiations break down or a voluntary agreement cannot be reached that the parties will go into a baseball-style arbitration process. Each side will present their final offer for what the rates and terms should be. Clearly it is in the interests of both parties to be reasonable. A panel of DOJ and FTC appointed judges will choose which of the offers represents the rates that should exist in a competitive market. This is based on rate boards which exist in other legal contexts.

Second, H.R. 5546 addresses the potential anticompetitive aspect of interchange fees.

I believe our legislation will go a long way towards addressing concerns about anti-competitive practices in the credit card industry. Exhibit one is the fact that the banks who issue the credit cards with Visa or MasterCard's name on them all charge the same schedule of fees.

In a competitive marketplace, I would hope that banks would be incentivized to compete for merchant customers by offering different rates and other benefits.

Third, lower interchange fees will help merchants and consumers in many ways, particularly in the form of lower prices.

In 2006, U.S. households paid an average of more than \$300 for hidden interchange fees, including households that do not even use credit cards. I believe this legislation will lower those costs for all households. I have not seen any credible evidence to support the credit card industry's claim that the bill will force them to increase costs to consumers.

I approached this issue with an open mind at the last hearing but said that the credit card companies needed to convince Congress that increasing interchange fees are not harming merchants and consumers. We introduced this bill because the credit card companies have not yet met this burden. Today's hearing offers the parties another opportunity to address this critical issue.

I appreciate the testimony from each of our witnesses today, and I look forward to a full and frank discussion.