

Statement of
The Honorable Patrick Leahy
United States Senator
Vermont

July 19, 2006



Statement of Senator Patrick Leahy,
Ranking Member, Committee on the Judiciary
Hearing On "Credit Card Interchange Fees: Antitrust Concerns?"
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First, I must thank Vermont State Representative, Warren Miller, and his wife, Kathy, for making the trek down from Elmore, Vermont, in order to be here today. I am always glad to see Vermonters here, and especially so when they are able to help us on the Committee as we struggle with the problems confronting businesses and individuals across the country. Kathy, I look forward to hearing from you, and know that you are speaking for many of the small businesses that make Vermont prosper.

Few of us outside the business and banking communities had probably heard much about interchange fees until recently. Those fees, which retailers pay to the banks that process credit card transactions, are ultimately paid by consumers. We are here today because questions are being raised over whether those fees are too high, and whether they are too high because the associations of banks that handle credit cards are behaving unfairly in the marketplace. Just this week, the European Union's Competition Authority announced that unless Visa and MasterCard change those fees, they will face an antitrust action. This is not an issue that we can ignore.

Retailers tell me that interchange fees represent an increasingly large portion of their costs of doing business. They tell me that they are compelled to raise their prices, and shift some of that cost burden onto their customers. They tell me that all of their customers are harmed, whether they pay by cash or check or debit or credit card, because of the fees that force them to raise prices. They tell me that they have no choice but to accept credit cards – and the fees that go along with them – as more and more customers expect to be able to charge their purchases. And they tell me that the entire fee process is utterly opaque; they have not seen the rules for the interchange systems, and cannot decipher the complicated billing schemes of the credit card companies.

Credit cards do bring many benefits to both retailers and consumers – greater access to consumer purchasing power, more rapid payments, and increased payment options for consumers. And certainly, interchange services are necessary, valuable, and worth paying for. But we need to be sure that the cost of accepting credit and debit cards does not outweigh the many possible benefits businesses and consumers should be enjoying. We need to bring more transparency to the entire system. We need to take a closer look.

The livelihood of many Vermonters depends greatly on the success of our small

businesses. I do not want interchange fees to force smaller businesses, like the village grocery store run by the Millers in Elmore, to take a net loss in order to both accept credits cards and sell the ice cream cones, and cups of Green Mountain Coffee that have helped make their store a Vermont treasure.

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