

March 26, 2008

To: All Members of Congress

Re: HR 5546, The Credit Card Fair Fee Act

Dear Member of Congress,

We are writing to you today on behalf of the millions of taxpayers and consumers that we represent to express our deep concerns over HR 5546 recently introduced by Congressman John Conyers (D-MI), the Credit Card Fair Fee Act. The bill would replace the current, market-determined credit card interchange fees with a centrally-planned fee-structure created by an unelected three judge panel. This is a form of price control, and is contrary to fundamental free market principles.

Under the current free-market system, retailers are free to either accept credit cards or not, and are free to negotiate terms, including fees. Customers can and have adapted to businesses that choose to operate on a cash only basis or use PIN-based debit networks, but most merchants choose to accept credit cards because it is in their interest to do so. If retailers think the fees credit card companies charge are too high, they can choose not to accept any or all credit cards, or attempt to negotiate a lower fee. While small businesses will claim they do not have the leverage of larger chains, there is always the option of banding together through trade associations to gain that leverage.

Retailers also have the option of offering a cash discount for customers that avoid the credit card system altogether. Some retailers do this, but most choose not to because they know that accepting credit cards with existing market fees is in their best interest.

Many “large box” stores negotiate lower interchange fees with one credit card company in exchange for only accepting that credit card. This is another free market option retailers could avail themselves of without resorting to government imposed price controls.

Australia recently imposed a similar regulatory scheme in their credit card market, justified by the claim that lower interchange fees would mean lower prices for consumers. Those lower prices did not materialize. In fact, consumers lost out on many benefits credit card companies routinely offer in this country, such as frequent flyer miles, cash back, affinity programs, and so on, because the artificially low prices imposed by regulators reduced or eliminated the companies' ability to afford these incentives.

We urge you to learn from the mistakes of Australia and the mistakes made every time government tries to impose price controls. We, as a coalition, strongly support the idea of retailers and credit card companies negotiating the best deal available for both sides, but for that to happen the government should stay out of the way, not play the pivotal role of deciding winners and losers.

For these reasons we urge you not to co-sponsor the Credit Card Fair Fee Act and to oppose its passage.

Sincerely,



Grover Norquist
President,
Americans for Tax Reform



Matt Kibbe
President,
Freedomworks



Tim Phillips
President,
Americans for Prosperity



James L. Martin
President,
The 60 Plus Association




Terry Kibbe
Chief Public Advocate
Consumers Rights League



David A. Keene
Chairman,
American Conservative Union



Ryan Ellis
Executive Director
American Shareholders Association



Andy Quinlan
President,
Center for Freedom and Prosperity