



Dear Chair Durbin and members of the Senate Judiciary Committee:

On behalf of the American Booksellers Association (ABA), the not-for-profit trade association of independent bookstores across the country, we are writing in support of the Credit Card Competition Act (S. 1838). We would like to thank the Chair and the committee for holding a hearing on the crucial topic of swipe fee reform, so important to our independent bookstore members.

We submit this written testimony in advance of the November 19 hearing, “Breaking the Visa-Mastercard Duopoly: Bringing Competition and Lower Fees to the Credit Card System.”

The Credit Card Competition Act is a pro-small business bill and would provide tremendous relief to our independent bookstore members. The average independent bookstore paid 2.6% of net sales in swipe fees. And in general, Mastercard and Visa take between 2% and 4% of every sale paid with a credit card, according to the American Economic Liberties Project. Moreover, the average net operating profit of an independent bookstore (as reported in ABA’s annual financial survey) from book sales in 2023 was 0.6%.

But that doesn’t tell the whole story. Let’s say a bookstore makes a \$50 sale and, for this particular store, Mastercard and Visa stipulate that they get 3% of each credit card sale (and given the Mastercard/Visa duopoly, this rate would be non-negotiable and would likely be higher for small stores). That means the credit card company would get \$1.50 from the sale. Now let’s remember that the bookstore may have paid \$30 for the book — so in that case, they are making \$20 in gross profit. As a result, the credit card companies are taking more than 7.5% of the bookstore’s gross profit on that sale. Importantly, this example doesn’t take into account the overhead, insurance, labor, etc., that a bookseller pays to run a store.

More importantly, the average store pays more in credit card fees than its bottom line.

Clearly, it wouldn’t take much to push many profitable stores into the red. It is also a job killer, as we have heard from many bookstores that processing fees have resulted in them making the decision to not hire new employees.

The Credit Card Competition Act would help fix a broken market that has allowed Wall Street megabanks and global card networks to block competition and unfairly profit at the expense of Main Street merchants and American families for far too long. Passing this bill is one of the most

important things Congress can do to provide relief for small businesses and consumers struggling amid near-record inflation in every state and congressional district.

Credit card swipe fees are most merchants' highest cost after labor — far too much to simply absorb — and drive-up consumer prices for families already struggling due to inflation. With most people preferring credit cards today, merchants have no choice but to accept cards for payment.

Swipe fees continue to increase because of lack of competition. Visa and Mastercard control more than 80% of the credit card market. And, unlike with debit cards, they block their competitors from handling many credit transactions. They restrict processing to their own networks, prohibiting competition from innovative, independent payment networks that offer both lower fees and better security.

The short, 10-page Credit Card Competition Act would address this by requiring that credit cards issued by the nation's largest banks be enabled to be processed over at least two unaffiliated networks — Visa or Mastercard plus an independent network such as NYCE, Star or Shazam. Merchants would be allowed to choose which network to use, meaning payment networks would have to compete to offer the best pricing, security and service.

This carefully crafted bill would apply only to financial institutions with \$100 billion or more in assets — fewer than three dozen institutions nationwide, but 90% of Visa and Mastercard credit card volume — and would have no impact whatsoever on small community banks or small credit unions.

Furthermore, this measure would provide redundancy that is essential in a world dependent on credit cards. Currently, there is no backup if Visa or Mastercard's networks are hacked or suffer an outage, leaving millions of consumers with empty pockets and unusable cards. The availability of a second network would protect against such a cataclysmic breakdown of consumers' ability to pay.

ABA urges congress to pass this important bill in the current session.
Thank you for your consideration.

Sincerely,

David Grogan, Director
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American Booksellers Association