

## **Debit Card Fast Facts: Consumers Win with Debit Card Fee Reforms**

**Fact #8: Retail, especially certain sectors like gas and grocers, are highly competitive. Any cost savings/increases from any part of the business are passed through to consumers because when companies compete with transparent fees or prices they must keep prices down to compete for customers.**

“All consumers pay more at the store and more at the pump because of non-negotiable, non-transparent interchange fees imposed on merchants,” said Ed Mierzwinski, consumer program director with the U.S. Public Interest Research Groups, on a conference call last week.<sup>1</sup>

In testimony before the House Judiciary Committee in May 2008, when asked if consumers would benefit from lower interchange fees, Tom Robinson, the owner of “Rotten Robbie’s” fuel stations and food stores said:

*“There is not a businessman that doesn’t attempt to keep the margin. But the competition always drives it back out. And when you have a competitive market – and we definitely have a competitive market, unlike some others – those benefits will go to the consumer.”<sup>2</sup>*

The fact of the matter is retailers compete on price and service every day, and ultimately low prices are a driver to get people into a store. If a grocery store owner can lower prices, just like Mr. Robinson explains, they will. In the Food Marketing Institute’s 2010 consumer survey low prices were stated as a very important factor by 75 percent of respondents, up from 64 percent in 2007 and 37 percent of consumers cited having low prices as being the top consideration in deciding a primary grocery store, up from 31 percent in 2007.<sup>3</sup>

Additionally, the Department of Energy found for gasoline retailers, there is a 100% pass-through of costs into retail prices. That means that if interchange costs go down for these merchants, it will be reflected in the price of every gallon of gasoline sold.<sup>4</sup> Right now, the only beneficiaries of higher gas prices are the big banks who are collecting more in interchange fees from each customer who fills up their tank.

Lastly, Robert Shapiro, former Under Secretary of Commerce for Economic Development, estimated that not only could interchange fee reforms put billions back in consumer’s pockets each year, reforms could also add thousands of jobs each year – an estimated 95,000 jobs from debit card fees alone<sup>5</sup>.

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<sup>1</sup> Durbin Girding for Fight Over Interchange Fees. CQ, March 24, 2011

<sup>2</sup> Thomas L. Robinson, Hearing before the Task Force on Competition Policy and Antitrust Laws, House Judiciary Committee, May 15, 2008, House Report No. 110-179, at 162, available at <http://judiciary.house.gov/hearings/printers/110th/42373.PDF>.

<sup>3</sup> Food Marketing Institute, 2010 U.S. Grocery Shopper Trends.

<sup>4</sup> Michael Burdette and John Zyren, Gasoline Price Pass-through, U.S. Department of Energy, January 2003.

[http://www.eia.doe.gov/pub/oil\\_gas/petroleum/feature\\_articles/2003/gasolinepass/gasolinepass.htm](http://www.eia.doe.gov/pub/oil_gas/petroleum/feature_articles/2003/gasolinepass/gasolinepass.htm)).

<sup>5</sup> [http://www.sonecon.com/docs/studies/The\\_Cost\\_of\\_Charging\\_It-Shapiro-Vellucci-Final-Feb\\_22\\_2010.pdf](http://www.sonecon.com/docs/studies/The_Cost_of_Charging_It-Shapiro-Vellucci-Final-Feb_22_2010.pdf)