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VIA EMAIL

May 24, 2022

Kara Dubbs  
Assistant Clerk  
Senate Committee on the Judiciary  
kara\_dubbs@judiciary-dem.senate.gov

Re: Senate Committee on the Judiciary Hearing: “Excessive Swipe Fees and Barriers to Competition in the Credit and Debit Card Systems”

Dear Senate Committee on the Judiciary Members:

I write to address the written question raised in connection with the May 4, 2022 hearing regarding credit and debit card swipe fees. Specifically, you asked that I address the following:

I have heard competing views on whether changes to interchange fees are beneficial for the consumer. Some argue that the consumer benefits through lower prices at the store while others say that the consumer benefits through free checking or rewards through their cards. What is your view on how any changes to interchange fees could benefit the consumer?

To reiterate what I said in the hearing, Giant Eagle operates in a very competitive market. We would place any savings that we would receive from interchange fee changes into lowering, or keeping low, our prices, paying our employees a reasonable wage, and improving our stores. In short, our customers benefit from the competition we face from other merchants, and from the competition among our vendors (other than Visa and Mastercard) because it drives us to do everything possible to deliver low prices and high quality to our customers.

Visa’s and Mastercard’s recent increases in interchange fees place Giant Eagle in the opposite position. Given our small profit margins, these costs (which neither Visa nor Mastercard have sought to justify with the promise of higher rewards or other benefits to card holders) will have to be passed on to all consumers either in the form of higher prices or fewer benefits to our customers. Unlike our other vendors, I have not seen any competition between Visa and Mastercard for our business, or even a willingness to lower prices in response to supposed competition. As I stated at the hearing, Visa’s and Mastercard’s Honor All Cards rules further prevent banks from competing for my business, that is, to accept their cards. We cannot count on competition among credit or debit cards to insure that card prices are as low as possible or that consumers get the benefit of what merchants pay to accept cards.

Simple math suggests that *unless* banks are passing on 100% of their interchange revenue to consumers, then consumers are worse off when merchants, who are operating in a highly competitive market, pay higher interchange (and thus must raise their prices, pay their workers



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less, or reduce quality). I am not aware of any bank that has been willing to open its books to show that it had to eliminate free checking or another benefit, rather than take a slightly smaller profit margin, because of an interchange reduction. At the hearing, Mr. Kim indicated that his bank was highly profitable and was offering free checking to its customers. Other banks that are as well managed should be able to do the same. Again, it is my belief that banks would do so in a competitive world.

Thank you for your question, and for the opportunity to appear before you on May 4.

Respectfully,

A handwritten signature in black ink that reads "Laura Shapira Karet". The signature is written in a cursive, flowing style.

Laura Shapira Karet  
Chair and CEO  
Giant Eagle, Inc.