

Steven C. Anderson, IOM, CAE
President & Chief Executive Officer

May 15, 2008

The Honorable John Conyers
Chairman
House Judiciary Committee
2138 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Conyers:

413 North Lee Street
P.O. Box 1417-D49
Alexandria, Virginia
22313-1480

On behalf of NACDS, I am writing in support of the H.R. 5546, "The Credit Card Fair Fee Act," bipartisan legislation you have introduced with Representative Chris Cannon that will create a fair process for setting credit card "interchange" fees. Your bill will ensure that these fees are set in open negotiations between retailers and the credit card companies, helping level the playing field for merchants and the customers they serve. We appreciate that you have scheduled a hearing on this issue today, and would urge all members of the Judiciary Committee to support your bill.

Every time a customer uses a Visa or MasterCard in a local drug store, the pharmacy pays almost 2% of the sale in "interchange" fees to the credit card companies.

These fees are supposed to cover the card companies' transaction and processing costs, but only 13% now goes to pay the real cost of the transaction. While credit card economies of scale and technological efficiencies have increased, interchange fees have continued to rise – just the opposite of what should be happening. In 2006, Americans paid over \$36 billion in credit card interchange fees, an increase of 117% since 2001.

Today pharmacies and other retail businesses have no ability to negotiate for lower interchange rates since the major credit card companies set these fees in secret discussions with their member banks. Retailers are then presented with "take it or leave it" contracts where they are forced to either accept the interchange fee imposed, or lose their ability to take credit cards from their

(703) 549-3001

Fax (703) 836-4869

www.nacds.org

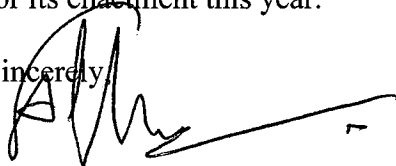
The Honorable John Conyers
May 15, 2008
Page 2

customers. With over 50% of all retail transactions made with plastic, pharmacies cannot afford to refuse to accept credit cards.

Pharmacy is a low margin business. Any money we are forced to pay credit card companies for interchange fees cannot be devoted to helping consumers lower their prescription drug costs, assisting patients with the medication management or other pharmacy services they need.

The bipartisan "Credit Card Fair Fee Act" (H.R. 5546) would use an existing negotiating mechanism proven to work elsewhere to lower these fees. It would require credit card companies to enter into open negotiations with retailers in setting these fees and will mean a better credit card system for consumers and pharmacies alike. Again, we thank you for your leadership on this important legislation and urge all members of the House to cosponsor the bill and work for its enactment this year.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Anderson", with a long horizontal line extending to the right.

Steven C. Anderson, IOM, CAE
President and Chief Executive Officer