

RESTAURANT

BUSINESS

Restaurants in disbelief after news of another swipe-fee hike

The charges for U.S. operators are already the highest in the world. Now Mastercard and Visa are said to be planning hikes.

By **Peter Romeo**

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Reports of a coming increase in credit-card swipe fees weren't much of a surprise for the restaurant industry's government watchdogs, who've been pressing lawmakers for years to moderate the charges through legislation. But the prospect of paying even higher charges for credit card transactions—already higher in the U.S. than in any other country—was too much for many rank-and-file operators to grasp, as the National Restaurant Association discovered.

“After the story appeared, we heard from many of our members,” said EVP of Public Affairs Sean Kennedy, referring to a Wall Street Journal report that Mastercard and Visa are planning to raise their transaction fees possibly as early as October. The article was quickly picked up by a slew of other media.

“The most common email I got, by far, was ‘Are you kidding me?’” reports Kennedy.

The fees charged by the credit-card giants and the affiliated banks that issue Mastercard and Visa plastic are already a typical restaurant's third highest cost, behind food and labor, according to the association.

The Journal story quoted a consultancy called CMSPI as predicting the increases would cost restaurants and other merchants an additional \$502 million in swipe fees per year.

The charges levied on merchants accepting Mastercard and Visa charge cards amounted to \$93 billion last year, according to Nilson Report, a business newsletter.

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Restaurants and retailers would face a choice of eating another fee increase or passing along the additional cost to customers, who are already balking at where menu prices have been left by food and labor inflation.

Tempering the fees is one of the NRA's top three lobbying priorities. But Kennedy acknowledges it'll be a tough fight. "David and Goliath' doesn't begin to explain the might big banks have in advocacy compared to everyone else," he says.

The association has been educating Capitol Hill lawmakers on how swipe fees affect restaurants of all size in the areas they represent. In the spring, the group took members to Congress to explain the impact firsthand to their representatives.

Part of the grassroots effort was asking the congressmen and senators to support legislation that aims to temper swipe fees by fostering competition among processors. Currently, Mastercard and Visa figure into about 80% of transactions involving a credit card. The Credit Card Competition Act would require that merchants have at least one alternative to those processing giants.

Mastercard and Visa have countered that the change would draw a number of fly-by-night processors into the field to make a quick buck. They also allege that credit-card users would stand a greater chance of having their personal information stolen and misused because the new entrants could not deliver the level of security that the giants provide as a matter of course.

Kennedy says the association will continue to push for the legislation through its grassroots efforts—having rank-and-file operators explain the importance directly to their congressional representatives of tightening the reins on swipe fees.

“An increase in the fees will not change the need for legislation to address the issue,” says Kennedy. “It gives us another talking point on the Hill, but it doesn’t change a lot. It’s still a matter of explaining the local impact, of operators explaining how they’re affected on a grassroots level.”

Mastercard and Visa could not be reached for comment by the time of this posting. Neither has yet publicly confirmed nor denied the Wall Street Journal report.

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