SAFEWAY

February 22, 2011

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Durbin Amendment to Wall Street Reform Act

Dear Ms. Johnson:

Safeway Inc. is a supermarket chain employing over 150,000 individuals in 21 states and the District of Columbia. Grocery retailing is one of the most competitive industries in this country. As an operator of over 1,500 stores in those states, Safeway welcomes fair competition and does not take governmental intervention in the free market lightly.

Unfortunately, debit (and credit) card pricing is not currently operating as a free market because of the abusive exercise of market power by the card associations. They impose rules to restrain merchant interaction with their customers to benefit card issuers at the expense of merchants. The Durbin Amendment to the Wall Street Reform Act would not have been necessary if those rules and practices were not in place and card fees were competitively set. As stated in comments submitted by the Merchants Payments Coalition ("MPC") and Food Marketing Institute, which we support, the Durbin Amendment and your proposed rules are an important step toward instilling reasonable and fair competition into the debit card market.

The Board has suggested delaying implementation of the Durbin Amendment in whole or in part for two reasons: insufficient information to develop the required fraud adjustment and concerns about multi-network routing. Safeway opposes a delay in rule implementation for either reason.

1. Fraud Adjustment

The legislation provides for an adjustment to the Board's proposed "safe harbor" (which Safeway agrees is the proper methodology) for costs associated with preventing fraud, provided the issuer complies with the standards the Board establishes. In view of the negligible fraud associated with PIN transactions, banks can effectively reduce fraud by simply ending their practices of encouraging signature authorizations, or discouraging PIN authorizations to debit transactions.

Safeway Inc.
5918 Stoneridge Mall Road
Pleasanton, CA 94588-3229

As for standards, the Merchants Payments Coalition has provided a well-reasoned plan for compensating financial institutions, at merchant expense, for implementing a methodology that would reduce fraud below the PIN authorization rate. If the Board elects not to accept that recommendation, it should develop an alternative within the mandated time window, but not delay implementation.

We understand the Board may be considering a delay, in part, because of a lack of input from financial institutions, over 30% of which elected to not respond to the Board's survey. These institutions have received adequate opportunity to provide input, and if they chose not to comment that is (of course) their prerogative. We believe their failure to act does not justify any further delays

2. Multiple-Routing

The multiple-routing option is a very critical component of the legislation. Safeway favors the Board issuing guidelines in April in conjunction with the pricing directives but realizes the legislation allows the Board until July for those regulations.

Safeway supports the MPC position that multiple PIN networks are required ninety days after the Board issues the routing guidelines whether that is in April or July. Additionally, we see no compelling reason to delay implementation for multiple networks on signature-based authorizations until 2013 as has been suggested. The MPC suggests an April 2012 implementation to coincide with the two major card networks' normal rules release cycle. Safeway supports that suggestion.

While some networks have claimed that implementation would be difficult, we are not aware of any compelling support for that assertion. We are concerned their true motivation is to delay implementation as long as possible, regardless of whether the deadline is reasonable.

Thank you for the opportunity to comment on the proposed rulemaking.

Sincerely,

Robert L. Edwards
Executive Vice President
Chief Financial Officer