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Small Canadian businesses are subsidizing preferential credit-card fee deals for large multinationals.
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Small retailers also need a break from credit-card fees

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There was a deafening silence from larger players in the business community after the recent announcement that a truce on credit card "swipe fees" had been reached between Visa Inc. and Wal-Mart Canada Corp. This is, without doubt, because other corporate giants will now be lining up to demand similar treatment from Visa.

Once again, this underscores the huge disadvantage for small- and medium-sized businesses in Canada on the issue of credit card swipe fees, paid by the merchant for every transaction involving a consumer and their credit card.

These fees in Canada are, inexplicably, among the highest in the world. While Wal-Mart was correct in raising a public alarm about the fees the company pays, it is widely accepted that these fees have a far greater impact on small business owners. And not a single small business in Canada has the leverage of a Wal-Mart to negotiate the same rates paid by U.S. corporate entities.

Visa itself ran full-page ads in media across the country last year, pointing out they could not give in to Wal-Mart's demands for fees lower than local grocery stores, convenience stores and other small businesses because that would mean Wal-Mart was "using their size and scale to give themselves an unfair advantage." That is now exactly what has happened. This special deal mirrors one negotiated between MasterCard Inc. and Costco Wholesale Corp. in 2015.

That was the same year the Harper government's "solution" went into effect. Under former finance minister Joe Oliver's plan, both Visa and MasterCard would voluntarily bring their rates down to an "overall average" of 1.5 per cent.

That 1.5 per cent may not seem like a lot to the average consumer, but when applied to every single transaction in Canada where a consumer uses a credit card, it amounts to more than $5-billion a year in fees. Many small businesses are still not seeing even that 1.5-per-cent rate because higher-end credit cards with higher fees account for a substantial portion of card usage in many stores. This is due in no small part to the perks offered to users of higher-end premium cards, subsidized by both merchants and lower-income Canadians who have a more basic card or no card at all.

Another sore point for small businesses – when MasterCard and Visa report to Ottawa on the results of their self-audits on voluntary reductions, the preferential fees provided to large retailers such as Wal-Mart and Costco are incorporated into their tally. In other words, small Canadian businesses are subsidizing preferential deals for large multinationals.

Taking billions out of the pockets of small businesses impacts their ability to hire local residents, support their communities, buy local and remain competitive on prices. In the absence of a free market, where competition can provide checks and balances, the almost monolithic dominance of the payments industry by Visa and MasterCard demands a regulatory solution. There has been no rational explanation ever provided as to why Canadian credit card swipe fees are well above the regulated rate of 0.3 per cent that exists in other jurisdictions.

The Small Business Matters Coalition, composed of a number of trade associations representing more than 100,000 Canadian businesses, came together to amplify our voice in this debate. We believe that Canadian small-business owners and consumers need a policy that provides fairness, transparency and realistic fees in our payments industry. In the absence of action by the federal government, instead of the small-business community being able to manage its own future, Canada will allow two credit card companies to manage it.