



Born in Canada Between 1951 To 1991? This System Can Get You \$16,350 a Month



Crazy Loophole Gets Canadians \$429/Day. Try Before It's Fixed



Crazy Loophole Gets Canadians \$429/Day. Try Before It's Fixed

FINANCIAL POST

May 8, 2017

Canadian shoppers pay when Visa and MasterCard squeeze small business

By Gary Sands, Special to Financial Post

Counterpoint: Walmart and Costco in Canada cut their own fee deals with credit card giants meanwhile independent retailers suffer from the lack of one...

A recent column from Neil Mohindra ("Competition checks Visa fees," April 7) contained both errors of omission and flat-out inaccuracies. In the past, Mohindra has advocated for slashing securities regulations and also argued in defence of tax havens. So perhaps it is not surprising he is now running his hanky up the flagpole for the banking and payments industry as that near-monopolistic sector faces more intense scrutiny.

In his opinion piece advocating that government take a hands-off approach to regulating the credit card goliaths of Visa and MasterCard, Mohindra states that "merchants worldwide were growing frustrated over interchange fees which are charged to the merchant and passed on to financial institutions."

In the Canadian context, let's be clear, the frustration with interchange fees is not in the past tense, but very much a source of continuing frustration. Fees in Canada, which siphon off an estimated \$5 billion or more, are much higher than in other jurisdictions. In the U.K., Australia and the EU, fees are pegged at 0.3 per cent, while in Canada, premium cards are still hovering around two per cent. As well, the fees are not passed on to the financial institutions, as Mohindra incorrectly asserts, but absorbed entirely by the retailer. This in turn, forces Canadian merchants to decide how much of those billions they must pass on in higher prices.

When the two credit card companies in Canada control over 90 per cent of the market, the landscape is anything but competitive. Particularly for small businesses, their inability to leverage preferential interchange rates such as those negotiated by American corporate giants Costco and Walmart, put them at a decided disadvantage.

Mohindra also cites the recent détente agreement between Visa and Walmart as proof of a "more competitive environment." Perhaps the best rejoinder to that argument is from Visa itself, which ran full-page ads in media across the country last year, pointing out that it could not give in to Walmart's demands for fees lower than local grocery stores, convenience stores and other small businesses, because that would mean Walmart was "using their size and scale to give themselves an unfair advantage." By their own deed, that is now exactly what has happened. That agreement mirrors the one negotiated between MasterCard and Costco Wholesale Corp. in 2015.

Ironically, that was the same year that the Harper government's "solution" to this issue 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, a reduction that even Nesbitt-Burns dismissed as "not meaningful." Yet for many retailers, the continued use of higher-end premium cards and their corresponding higher rate means that even that 1.5-per-cent target is elusive.

Mohindra also cites the recent decision by MasterCard to give Canadian Federation of Independent Business (CFIB) members a rate of 1.26 per cent, which he says is proof companies without the size of Walmart can negotiate better deals. It is difficult to understand how he can make that assertion when the rate Walmart received is kept under wraps. As well, in response to pressure from the Small Business Matters Coalition, which represents over 100,000 businesses, our members were promised that last year their rates would be reduced. In the grocery sector, we were told rates would drop to 1.22 per cent by MasterCard and 1.23 per cent by Visa. Yet in our tracking of members rates, no one is hitting that target. So Mohindra and the CFIB members should know it matters not what the rate is said to be, it matters what the rate actually is.

The reason for that is very simple: As long as the credit card companies continue to entice consumers with loyalty programs and perks through the higher-end premium cards, it becomes a Sisyphean struggle for small business to get the same benefits as their counterparts in other international jurisdictions.

Another sore point for small business that the government needs to address is that when both MasterCard and Visa report to Ottawa on their self-audits on their voluntary reduction targets, the special rates for U.S. giants Walmart and Costco are incorporated into those results. That means the results themselves are not only disingenuous, but that small business is again supporting Visa and Walmart.

Merchants in Canada, particularly smaller businesses, need one regulated rate similar to that which exists in other countries and which is both fair and transparent. If Mohindra truly understood the realities of the credit card business, he would know that, sadly, these two elements are foreign to the Canadian retail experience.

Gary Sands is senior vice president at the Canadian Federation of Independent Grocers and chairman of the Small Business Matters Coalition.

National Post



2017 National Post. Permission granted for up to 5 copies. All rights reserved.

You may forward this article or get additional permissions by typing http://license.icopyright.net/3.12385?icx_id=758955 into any web browser. National Post and Financial Post logos are registered trademarks of National Post. The iCopyright logo is a registered trademark of iCopyright, Inc.