

Going cashless a boon for banks

Banks and credit-card companies should reduce their fees,

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The post-COVID-19 landscape will be a much different one and will clearly benefit credit-card companies in a way that could not have been foreseen, Gary Sands writes.

Over the past few months, businesses in every sector have been navigating the rough and uncharted waters of COVID-19. Particularly for small and medium-size enterprises, these rough waters have been more like a tsunami and, unfortunately, many will not make it to shore. For those that do make it to dry land and are just beginning to reopen, there are going to be changes that will come as an unwelcome surprise.

Customers will have changed their buying habits, at least for the foreseeable future. Additional expenditures will be required for new in-store health and safety measures, such as the installation of Plexiglas, enhanced cleaning protocols, face masks, sanitizers, in-store limits on customers, curbside pickup or delivery options.

These small businesses have already invested in the bricks and mortar of physical stores, buying local and supporting the communities they themselves live in. Now, they must also compete even more than before COVID-19 with the heightened competition of online e-commerce giants whose tentacles reach far, and who provide shopping options at all hours and on all days.

Conversely, small businesses must cope with myriad regulations, fees, zoning restrictions, taxes, higher labour costs, premiums, and outdated, confusing and contradictory holiday closing laws. All of this within the context of an economy that has been ravaged by serious job losses and displacements. The road ahead will be a tough one for Main Street Canada.

Notwithstanding these challenges, yet another large pothole on this road to recovery has appeared — but this hazard is unavoidable. There has been a big bump in credit and contactless payment, fuelled by a precipitous drop in cash transactions, with many employees and consumers reluctant to handle currency. It's a fairly safe assumption this migration from cash to credit will be permanent.

So what does that mean for businesses and consumers? Many Canadians are perhaps not aware that for the billions of credit-card transactions that take place across Canada, some \$5 billion annually is siphoned out of the pockets of those businesses in interchange fees. These fees provide a windfall to banks, credit-card companies and payment processors. Ninety-nine per cent of all Canadians belong to at least one of the loyalty programs that these windfalls, courtesy of your local business, help fund. The Trudeau government brought forward changes to reduce these fees and lighten the burden for small and mediumsize enterprises across Canada. These measures, yet to be implemented, were improvements on what the Harper government had brought forward but, while appreciated by the small-business community, more needs to be done.

The framework that will take effect in the weeks ahead brings fees down to an overall average of 1.4 per cent, still indefensibly and inexplicably higher than what other retailers such as Walmart and Costco pay. It is also a rate far higher than that paid by businesses in other jurisdictions. Most critical and relevant is the fact that those reductions were announced in the pre-coronavirus world. The post-COVID-19 landscape will be a much different one and will clearly benefit the card companies in a way that could not have been foreseen even a few months ago. But COVID-19 should not translate into a win for credit. The card companies don't need more. But small and medium businesses in Canada will.

Further reductions have an added benefit: They help our brick-and-mortar Canadian businesses and save jobs, all without costing the taxpayer a cent.

It is naive to believe that billions of dollars in interchange fees do not, in turn, have a huge impact on what Canadian consumers pay for a plethora of goods and services. Of course it does. Can our government and indeed, Canadians, allow that on our cratered road to recovery? COVID-19 has wreaked terrible and long lasting damage. In the spirit of being in this together, some would hope the banks and card companies would step up and voluntarily reduce their fees. But one would be advised to keep the car running while dropping by any of those financial head offices to discuss that suggestion. Clearly it is Ottawa that needs to recalibrate its approach to the payments industry.

Small and medium-size businesses, such as independent grocery stores, restaurants, tourist venues and others, are all part of the fabric that makes up the diverse tapestry we call Canada.

That tapestry has been frayed by COVID-19. We can and we will repair it. But all of us must be part of the solution — and yes, that includes creditcard companies and banks.

Loyalty programs are a great perk. But on our behalf, the federal government and indeed, all of us, should view support for Canada's largest job creators — small and medium-size businesses — as trumping any reward a credit-card company throws at consumers.