



Consumers' Association of Canada  
Association des consommateurs du Canada

Presentation to

Senate  
Standing Committee on Banking, Trade and Commerce

Re: Bill S-202 An Act to amend the  
Payment Card Networks Act

October 9, 2014

The Consumers Association of Canada (CAC) is pleased to have this opportunity to present its views to the Senate Standing Committee with respect to bill s-202.

For over 65 years the Consumers' Association of Canada has represented the interest of ordinary Canadians in their role as consumers of goods and services as provided by both the public and private sectors. Our mandate is to inform and educate consumers on marketplace issues, to advocate for consumers with government and industry, and work to solve marketplace problems in beneficial ways.

We are opposed to this bill.

This is a bill designed for merchants. We are perplexed that government is proposing to intervene in the credit card market in a manner that puts the interests of merchants ahead of those of consumers. We are also tired of hearing claims that both the government and retailers are acting in our (consumers) interest when this is not a consumer concern.

We believe that this bill is not in the best interests of consumers but that they will be net losers. This is based on a number of factors:

- 1 Financial Institutions will attempt to make up for lost revenue by increasing other fees.
- 2 Consumers will lose many of the benefits they have come to associate with their use of credit cards.
- 3 We do not believe that Canadian retailers are as altruistic as they make themselves out to be and savings will not be passed on to consumers.

In their submission, retailers estimated that the cost to Canadian merchants is about \$5 billion annually. It does not take an economist to realize that if that revenue stream is removed from the financial institutions, they will seek other means to replace it. Everybody who has ever tried to balance a budget knows that if your income goes down, you either have to find other sources or reduce your expenditures. The financial institutions are likely to adopt the former route by raising consumer fees both in areas unrelated to credit cards and in credit cards themselves. They may also reduce the benefits associated with their cards, and tighten up on the availability of credit for marginal or less productive accounts.

When the retail Council appeared before you, the chair asked the direct question. "Do you view this as a consumer issue or a merchant issue?" At the same time he asked if

there was evidence that lower acceptance fees resulted in lower consumer prices. The first question was not really addressed and the respondent referred to a study from the U.S. (which I should note was done for the Retail Merchants Association) which reported that 69% of savings was passed on to consumers. I do hope that the Honourable Senators take that information with a huge grain of salt since the conclusions were based on secondary information from an unrelated study and were based on “estimates” rather than any direct evidence.

Our skepticism is based on recent events here at home. Does anyone around the table recall getting a reduction in retail prices following the GST cut? Did you see Canadian prices come down when our dollar reached parity with the US, and even for a while went higher? Of course not – and the Government set up bodies to investigate why – so clearly it has concerns in this area as well.

Adding to our belief that the savings will not be passed on, when Senator Massicote noted “so it will not be passed on to consumers”, the Retail Council appeared to agree that it was unlikely with the response “in some cases it may” and the CFIB agreed that “I don’t think there will be a dollar-for-dollar reduction”.

It should also be noted that, as an alternative approach, in some countries merchants have also been allowed to surcharge on credit card transactions, by governments who ceded to merchant lobbying. It got so bad in Australia and the UK, where merchants took advantage of the situation with surcharges as high as 10% in some cases, that those governments had to step in and put constraints on this practice.

We are surprised that retailers now want to treat merchant fees differently than other costs. For many years Canadians have suggested that customers who wish to pay cash and not avail themselves of the credit card offering should be given a discount equal to that fee. The response was always the same – the merchant fee is simply one of the many costs of doing business and should not be treated in isolation. A customer cannot selectively say “I do not wish to use that cost element and want a discount”.

Also, if merchants now wish to open the door to government interference in the running of their business by legislating how much their suppliers can charge for their services, it would seem appropriate to also legislate how much retailers can charge for their goods and/or to put a ceiling on their margins.

One final thought, we like the suggestion made by Senator Massicote that “ the bill should be amended to make sure that the federal government oversees it to make sure the cost savings goes down and benefits consumers”. In fact we would vary that slightly and recommend that the bill be amended to include a section that requires a reduction in prices. In order to ensure that takes place, we would like to see it stated on the bill – something along the lines of “selling price \$x, less access fee reduction of 1.7% = price \$y”.