



**Canadian Restaurant  
and Foodservices  
Association**

September 17, 2008

The Honourable James M. Flaherty, PC, MP  
Minister of Finance  
140 O'Connor Street  
Ottawa, Ontario  
K1A 0G5

The Honourable Jim Prentice, PC, MP  
Minister of Industry  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5

Dear Ministers,

I am writing on behalf of Canadian restaurant and foodservices operators to express concern regarding the increase in hidden fees that credit card companies charge to restaurant and foodservice operators in Canada. Additionally, we are concerned that Interac, Canada's national debit service, has applied to the Competition Bureau to change how fees are set and charged. For credit and debit card purchases, Canadian business owners will see their costs increase significantly, leaving no choice but to pass along the higher expenses to their customers. We are calling on the Government of Canada to take action and provide greater oversight over credit card and debit processing fees to ensure that they are reasonable and transparent for both cardholders and merchants.

Canada's foodservice industry generates annual sales of \$58 billion, representing 4% of Canada's GDP, and employs more than one million Canadians. Rising commodity and labour prices are already putting significant financial pressure on foodservice operators in an industry with tight pre-tax profit margins of approximately 4.3%. Increases in credit and debit transaction fees are forcing operators to pass the fees on in the form of higher menu prices at a time when the average Canadian is already facing increasing costs of living.

Recently, both MasterCard and Visa have introduced new "premium" cards for their highest spending customers, along with the promise of greater benefits at no incremental cost to the cardholders. The catch is that these new premium cards carry significantly higher fees that are charged to merchants - even though they will see no increase in benefits. In some instances, the same credit card can attract a different processing fee once it has been deemed "high spend". To make things worse, when merchants enter into agreements for credit card payment processing, they are required to accept all of that issuer's cards and cannot charge cardholders a fee to off-set any of these charges. As a result, "premium" cardholders reap the benefits and the additional costs are reflected in higher menu prices for all restaurant customers and tighter margins for foodservice operators.

Also, since October 2007, MasterCard and Visa have increased or added new processing fees four times. The fee structures are so complex that the average merchant cannot predict what they will be charged and, as a result, cannot control their costs. A recent survey by Nanos Research for the Retail Council of Canada revealed that 77% of Canadians believe that credit card companies are not fully transparent in explaining their fees for credit cards. Through a complicated system of “buckets” and add-on charges, Credit Card companies are driving up the costs for all restaurant goers.

Foodservice operators and consumers all recognize the important benefits that credit cards and debit cards provide. These include convenience, improved efficiency, and payment guarantee. However, the market is dominated by two big players who are using this dominance to force through non-transparent increases in fees. MasterCard estimates that in 2007 net retail transactions made in Canada with MasterCard and Visa cards was \$240 billion. All Canadians who use credit cards to pay for their purchases or accept credit cards as a form of payment deserve fair and transparent rates from credit card companies. It's time to put an end to repeated rate increases that make big profits for a few at the expense of average Canadians.

With two companies dominating the market, the CRFA is calling on the Government to provide greater oversight of the fees charged by credit card companies to ensure that:

- Fees are reasonable and that credit card companies cannot repeatedly and unilaterally increase fees to exorbitant levels.
- Fees charged are clear for both consumers and merchants to allow both to choose how they use credit cards in order to control costs.
- Merchants are aware of any additional fees for “premium” cards and can choose not to accept those cards.

Also, Interac has recently applied to the Competition Bureau to allow it to re-structure and change its fee structure. Under the current structure, Interac is a not for profit business and the fees charged are designed to cover only its costs. The proposed re-structuring is designed to allow Interac to offer more innovative services and to compete with Visa and MasterCard who have been introducing their own debit card systems in Canada. Although it is not yet clear what Interac's re-structuring will look like, the end result will be significantly higher fees charged to restaurant operators and other merchants for accepting debit cards. Again, these higher costs will translate into higher menu prices for restaurant goers.

Interac has served Canadians well as a cost effective non-profit entity. The CRFA is calling on the Government of Canada to step in to ensure that Interac remains a safe, convenient and low cost method of payment and does not follow the lead of Visa and MasterCard in charging high rates for this service. In doing so, we will protect Canadians against further retail price hikes driven by increasing payment processing fees.

I look forward to the opportunity to further discuss the challenges that non-transparent and rapidly increasing payment processing fees are creating for Canadian foodservice operators and trust that you will take action in the best interest of Canadian consumers.

Best regards,

A handwritten signature in blue ink, appearing to read "Justin Taylor". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

Justin Taylor  
Vice President, Labour and Taxation

c.c.: Sheridan Scott  
Commissioner of Competition, Competition Bureau Canada