



February 22, 2021

Hon. Chrystia Freeland, M.P.
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, ON
K1A 0A6

CC. Hon. Mary Ng, M.P, Minister of Small Business & International Trade

Re: Credit Card Processing Fees

Dear Minister Freeland,

Since the COVID-19 pandemic came upon us, the hospitality industry has been devastated. Hospitality businesses were the first to experience the negative impact of the COVID-19 outbreak and will be the last to recover.

The journey for hospitality operators has been painful and the pain for most is now unbearable. While society as a whole went into a health crisis, the economic crisis to the foodservice and accommodation sectors will linger long after the pandemic is over. Now many are facing an emotional crisis much worse than ever. Its unprecedented and very concerning.

Once in recovery mode, many hospitality operations will find it tough to operate due to incurred debt with loans to pay, astronomical insurance rates and rising food prices. Thus, normal expenses need to be scaled down. High on the list of unfair treatment to businesses are the credit card processing fees charged by the credit card companies. An estimate by the Competition Bureau of Canada calculated the interchange fees paid by Canadian businesses to Mastercard and Visa at \$5 billion per year. With the dismal consequences stemming out of the pandemic action is required by the Canadian Government in support of the struggling business sector.

Canada has the highest interchange fees in the western world and although volunteer attempts have been made by the credit card companies, Canada's business community is still unfairly penalized by these fees which have been kept at 1.4%. Canadian retailers pay over \$5 billion in merchant fees each year and with the pandemic impacting business large or small it is an appropriate and ethical time for these companies to support business in the painful road of recovery that lies ahead. Small businesses in Canada are particularly vulnerable to these high rates and a fee reduction will greatly assist with their sustainment. This critical issue is further escalated during the COVID-19 pandemic due to an increase in purchases made by credit card as the consumers and businesses are rapidly moving away from cash payments while the online payments are seeing enormous growth. Online purchases continue to grow at a rapid pace for both hotel reservations and recently for food delivery platforms.

The agreement back in 2018 aimed at a volunteer reduction of credit card fees to an overall rate of 1.4% did not apply to online transactions.

Furthermore, in the last federal election, the Liberal Government promised to eliminate the interchange fees paid on the HST-GST portion of transactions as these charges have no ethical merit and its greedy to continue.

RECOMMENDATION:

- With the recent five-year government contract with credit cards expiring, we call for a reduce credit card interchange fees to 1.0% for a five-year period to enable business to emerge successfully from the current crisis to include loyalty and premium cards for all credit card companies.
- Act upon the elimination of the interchange fees charged on HST-GST.

Thank you for your consideration of these recommendations.

Sincerely,

Tony Elenis
President & CEO
Ontario Restaurant Hotel & Motel Association (ORHMA)