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Caution Urged When Signing New Debit Card Agreements

The Canadian Federation of Independent Business (CFIB) has informed CIPH that it has been working hard to fight the massive increases in credit card charges imposed by card companies and banks over the past year. CIPH is pleased to report that with the help of 30,000 signed alerts from CFIB members, significant progress has been made, including on a CFIB initiative for a Credit Card Code of Conduct for small business. However there are similar and imminent concerns with respect to Canada's debit card industry. Visa and MasterCard both have plans to ramp up debit card offerings in direct competition to Interac. While competition is typically a good thing, CFIB has strong concerns that the same bad practices used by card companies and the banks on credit card charges for merchants could be expanded to debit cards.

If they haven't already, card processing companies will be approaching you to offer new equipment with chip technology to replace older machines. In many instances this updating is necessary for improved security. However, during this process, you may also be offered to expand your debit capacity to include MasterCard Maestro or Visa Debit. We urge you to carefully read your contracts to ensure you know all the facts before agreeing to such options. For example, it is our understanding that there are already two million Bank of Montreal (BMO) chip debit cards in the hands of Canadians. Through a practice called priority routing, if your machine is programmed to offer the Maestro network, the machine will automatically process all BMO debit transactions through MasterCard's Maestro debit network. Interac would only be used as a backup.

Currently debit merchant rates are quite similar between Maestro and Interac. However international experience has shown that the entry of credit card companies into the debit card market has pushed out the domestic, low-cost debit network which is then followed by large increases in debit fees for merchants. As an example, average debit card merchant fees in the U.S. are in the 60-75 cent range as a portion of the charge is based on a percentage of the sale (as currently exists for credit cards). It is our understanding that Visa's debit system will use a different process, but will prioritize transactions through its network, leaving Interac as a back-up.

CIPH wants to ensure that you are aware of these changes and asks that you review any new debit contracts carefully. If you would like any further background on this issue, please visit CFIB's web site at <http://www.cfib-fcei.ca/english/index.html> or call their Member Services Department at 1-888-234-2232. For our part, CIPH along with CFIB are lobbying the industry and government for fair and transparent practices in any debit card changes.

Source: Canadian Federation of Independent Business

The Canadian Institute of Plumbing & Heating is a not-for-profit trade association. Founded in 1933, the Institute is a vibrant organization committed to providing members with the tools for success in today's competitive environment. More than 250 companies are members of this influential Canadian industry association. They are the manufacturers, wholesaler distributors, master distributors, manufacturers' agents and allied companies who manufacture and distribute plumbing, hydronic heating, industrial, waterworks and other mechanical products. CIPH wholesalers operate more than 700 warehouses and showrooms across Canada. Total industry sales exceed \$5 billion annually.



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