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# Standing Committee on Industry and Technology

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Chair: Mr. Joël Lightbound





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Thursday, November 7, 2024

• (0815)

[*Translation*]

**The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):** Good morning, everyone. Welcome to meeting number 145 of the House of Commons Standing Committee on Industry and Technology.

Before we begin the meeting, I would like to remind all the in-person participants in the room to read the instructions on the small card in front of them concerning the use of earpieces and microphones. This affects the health and safety of everyone, especially the interpreters, whom we want to thank for their work and assistance.

Pursuant to the motion adopted on Thursday, September 19, 2024, the committee is resuming its study of credit card practices and regulations in Canada.

We're pleased to welcome today, from the Canada Revenue Agency, Luisa Rizzo, director general of the GST/HST rulings directorate.

We're also joined by a number of officials from the Department of Finance. These officials are Judith Hamel, director general, financial services division; Nicolas Marion, senior director, payments policy; Amanda Riddell, director, real property and financial institutions, sales tax division; and Warren Light, expert advisor, sales tax division.

From Statistics Canada, we're joined by Matthew MacDonald, director, consumer prices division; Matthew Hoffarth, assistant director, national economic accounts division; and Jennifer Withington, assistant chief statistician, economic statistics.

I would like to welcome you all to the Standing Committee on Industry and Technology and thank you for taking part in this process.

Without further ado, I'll give the floor to Ms. Rizzo for her five-minute opening remarks.

[*English*]

**Ms. Luisa Rizzo (Director General, GST/HST Rulings Directorate, Canada Revenue Agency):** Thank you, Mr. Chair.

My name is Luisa Rizzo, and I am the director general of the GST/HST rulings directorate in the legislative policy and regulatory affairs branch at the Canada Revenue Agency.

I want to thank you for inviting me to attend your meeting.

To set a helpful context for the discussions today, I would like to briefly describe the role of the Canada Revenue Agency in the administration of the Excise Tax Act relative to that of other federal organizations.

As you are aware, the Department of Finance is responsible for developing and evaluating federal tax policy and the legislation through which policy becomes law.

As administrator, the Canada Revenue Agency is responsible for functions that implement these laws, including providing information to the public and stakeholders, establishing processes through which individuals and businesses may meet their tax obligations and receive benefits and, of course, carrying out our compliance activities to help ensure that everyone respects the law as it was intended by Parliament. The role of the Canada Revenue Agency is to interpret the Excise Tax Act as it is worded. I can thus speak about the application of legislation.

Additionally, please note that the CRA has no role in financial sector policy and no role in credit card regulations.

Chair, this concludes my opening remarks.

Thank you.

[*Translation*]

**The Chair:** Thank you.

I'll now give the floor to Ms. Hamel from the Department of Finance.

**Ms. Judith Hamel (Director General, Financial Services Division, Department of Finance):** Thank you, Mr. Chair.

Good morning. My name is Judith Hamel. I'm the director general of the financial services division at the Department of Finance Canada.

I'm joined today by Nicolas Marion, senior director of payments policy, who is part of my team. We're also joined by our colleagues from the tax policy branch.

[English]

The role of the financial services division is to provide advice and analysis to the Minister of Finance on policies relating to payments and the protection of consumers of financial services and basic payments. Our work is closely aligned with that of the Financial Consumer Agency of Canada, which is responsible for monitoring federally regulated financial institutions' compliance with applicable market conduct obligations. The agency is also responsible for educating consumers of financial products, notably on their rights and responsibilities.

Before I hand it over to Nicolas to talk about our role in payments policy, I'd like to give you a brief overview of the market conduct obligations set out in the Bank Act respecting credit cards. These obligations fall into three categories: disclosure obligations, restrictions on business practices and maximum consumer liability.

[Translation]

Information and disclosure requirements seek to ensure that consumers are well informed, that they understand their credit card agreement and that they receive key ongoing information. For example, banks must provide certain upfront information to consumers when they apply for credit cards, including a summary box that prominently displays the key interest rates and fees associated with the credit card.

Business practice obligations are intended to protect consumers by promoting fair lending terms. For example, under the Bank Act, banks must give credit cardholders a minimum of 21 days to make a minimum payment on their outstanding balance. As another example, banks must obtain the consent of a consumer prior to any credit limit increase.

Liability requirements protect consumers when fraud has occurred. Should an unauthorized credit card transaction occur, the Bank Act sets a maximum customer liability of \$50. However, in practice, Visa, Mastercard and American Express have committed to not impose any financial liability on consumers who fall victim to unauthorized credit card transactions.

● (0820)

[English]

Additionally, in 2022, enhanced principles were introduced in the Bank Act that set a higher standard for bank sales practices when it comes to all products and services, including credit cards. Under these rules, banks must now have policies and procedures in place to ensure the products they offer and sell are appropriate for the financial needs of the consumer.

[Translation]

I'll now give the floor to Nicolas Marion.

**Mr. Nicolas Marion (Senior Director, Payments Policy, Financial Services Division, Department of Finance):** Thank you, Ms. Hamel.

Mr. Chair and committee members, my name is Nicolas Marion. I head the payments policy section at the Department of Finance. Our section plays an important role in supporting a secure, efficient and well-functioning payments ecosystem that serves the needs of

consumers, merchants and businesses. We give the Minister of Finance strategic advice and analyses on issues related to payment cards, payments clearing and settlement systems and the regulation of payment service providers.

With respect to credit and debit cards, I'll highlight two policy instruments. The first is the code of conduct for the payment card industry in Canada. This code was established in 2010 and has been revised twice, in 2015 and this year, as announced by the government on October 1.

[English]

The code of conduct for the payment card industry in Canada provides greater transparency and disclosure to merchants on the fees they pay. It establishes merchant rights regarding fee changes, it allows merchants to freely choose which payment options to accept, and it provides a complaint handling process for merchants. The code has been agreed to by all major payment card network operators and is incorporated into their network rules. The FCAC—the Financial Consumer Agency of Canada—supervises adherence to the code.

[Translation]

The second instrument is the agreed upon commitments by Mastercard and Visa that have materially reduced the interchange rates paid by merchants. There have now been three succeeding sets of agreements, taking effect respectively in 2015, 2020 and, most recently, on October 19.

Our section also supports initiatives related to the payments modernization effort, which aims to improve the security, efficiency and utility of the payments system to better meet the needs of consumers and businesses, particularly in a digital economy.

[English]

These initiatives include expanding the financial sector regulatory perimeter by establishing a supervisory regime for payment service providers, administered by the Bank of Canada under the Retail Payment Activities Act; broadening core payment system access by expanding membership eligibility in Payments Canada to other regulated entities, such as payment service providers supervised by the Bank of Canada; and then, finally, supporting Payments Canada's development of a fast payment system called the "Real-Time Rail".

[Translation]

Thank you for your attention. We look forward to answering your questions.

**The Chair:** Thank you, Ms. Hamel and Mr. Marion.

I'll now give the floor to Ms. Withington from Statistics Canada.

[English]

**Ms. Jennifer Withington (Assistant Chief Statistician, Economic Statistics, Statistics Canada):** Thank you, Chair, for inviting me. I'm Jennifer Withington. I'm the acting assistant chief statistician responsible for economic statistics.

I have two Matthews with me today: Matthew MacDonald, who is responsible for consumer prices, and Matthew Hoffarth, who is responsible for financial accounts.

At Statistics Canada, we're dedicated to delivering accurate and timely information on the economic indicators that reflect Canadians' realities. From the consumer price index, GDP and labour market indicators to our national balance sheet accounts, we provide a clear view of Canada's economic landscape to help inform decisions by policy-makers, businesses and the public.

Today I am here to share recent trends on household debt and credit card usage as tracked through our credit aggregate statistics. We trust this will complement the insights provided to you by previous witnesses, offering the committee further data on the current financial landscape and its impact on household spending and inflation.

Statistics Canada's credit aggregate programs reveal Canadians' financial habits and debt burden, capturing data on credit card and other loan balances, leverage and debt servicing costs, and other borrowing trends. For example, at the end of 2019, Canadian households held nearly \$2.4 trillion in outstanding debt, or \$1.81 in debt for every dollar of disposable income. Credit card debt accounted for one-fifth of all borrowing from banks, with lines of credit, including home equity lines of credit, making up nearly half. By August 2024, household debt had reached nearly \$3 trillion, though the relative debt levels slightly decreased to \$1.76 for every dollar of disposable income, reflecting higher income growth.

Amid rising inflation in 2021-22, credit card balances surpassed 2019 levels, reaching \$104 billion by the end of 2023. Given the fungible nature of money, we cannot directly attribute rising credit card balances to specific pressures from more expensive purchases or to a greater volume of purchases. However, both factors are likely to be at play, particularly more expensive purchases, given recent inflation.

We also track service fees on financial products, such as credit and debit card fees, mortgage fees and other fees for investment management and custodial services. In the second quarter of 2024, households paid \$6.8 billion in these fees, a 35% increase since 2019, though these charges only represent approximately 1.7% of household consumption.

Going forward, elevated interest rates and higher costs of goods and services are likely to further challenge vulnerable households.

Statistics Canada remains committed to monitoring these trends closely to provide a clear and comprehensive picture of Canadians' financial resilience in the face of economic pressures, particularly when it comes to essential expenses.

On that note, we know that inflation has been a major concern for all Canadians, affecting nearly every aspect of daily life. At

Statistics Canada, we capture these price changes, including essential categories like food, through our consumer price index, or CPI.

Allow me to take a moment to explain our approach and the measures we have in place to ensure Canadians have a precise and reliable understanding of inflation.

The CPI measures the change in prices by tracking a fixed basket of goods and services that Canadians regularly purchase. We publish the CPI monthly, adhering to rigorous internationally accepted standards, and we are considered a global leader in this area, as we update our basket every year to reflect Canadians' real spending habits.

Food prices, a major component of the CPI basket, make up 16.7%, with grocery items representing nearly 11%. We capture the actual prices paid by Canadians by using scanner data or point-of-sale data received directly from grocery retailers. These data include discounts, sales and quantities, providing us with tens of thousands of price data points each month from millions of transactions. This approach ensures that we are measuring inflation as Canadians truly experience it.

We also account for shrinkflation, a term recently coined for the practice of reducing a product's quantity while keeping the price the same. For example, laundry detergent has reduced in size from 2.47 litres to as low as 1.85 litres, depending on the brand. Processed cheese slices have gone from 450 grams to 410 grams. Boxed macaroni and cheese has gone from 230 grams to 220 grams or 200 grams, depending on the brand. While the term "shrinkflation" is new, Statistics Canada has been accounting for this in the CPI for decades.

● (0825)

These changes are documented and adjusted monthly to ensure the CPI reflects these quantity changes.

We've also seen the opposite phenomenon: Some things become larger over time, such as televisions and cellphone data plans, which now offer more data for the same price.

Statistics Canada understands the importance of reliable data, especially during challenging economic times. We are here to answer further questions from the committee members.

Thank you.

● (0830)

**The Chair:** Thank you very much.

Now, to start the discussion, I'll turn it over to MP Rempel Garner for six minutes.

**Hon. Michelle Rempel Garner (Calgary Nose Hill, CPC):** Thank you.

Mr. Marion, there's a news story this morning talking about how the Toronto-Dominion Bank had to pay a \$6.5-million fine for cheating—that's the word the article uses—thousands of credit card customers for decades. The article talks about the Financial Consumer Agency of Canada and that it might be a little weak.

Has your department undertaken any sort of review or provided any advice to the government about strengthening regulatory oversight in these areas, particularly through mandate reviews at the Bank of Canada, OSFI or the FCAC?

**Ms. Judith Hamel:** If it's okay, I will answer that question.

As you know, as public servants, we won't talk about the advice we provide to the government. However, the department is always looking at ways to strengthen the financial sector's stability and security, and—

**Hon. Michelle Rempel Garner:** Have you undertaken any sort of landscape review of the adequacy of the regulatory framework?

**Ms. Judith Hamel:** In the summer, a legislative review of the financial sector was launched. The consultation period just ended in September. The department is currently reviewing the submissions.

**Hon. Michelle Rempel Garner:** Would you be able to provide the committee with interim documents or a summary of this, given the nature of the study we're looking at right now?

**Ms. Judith Hamel:** We can't at the moment. As I said, the consultation period closed fairly recently, and the department is still in the process of reviewing the submissions.

**Hon. Michelle Rempel Garner:** Could you provide us with a summary?

**Ms. Judith Hamel:** It's—

**Hon. Michelle Rempel Garner:** There are many of you at the table.

Are you saying your department can't provide a parliamentary committee with the undertakings of a legislative review?

**Ms. Judith Hamel:** We could share the documents for the legislative review.

**Hon. Michelle Rempel Garner:** That's perfect.

Will you table any of the findings with this committee?

**Ms. Judith Hamel:** We're still in the process of—

**Hon. Michelle Rempel Garner:** I just want the documents so that I can read them as a legislator and provide recommendations to the government.

**Ms. Judith Hamel:** We need to go through the documents. Some of them—

**Hon. Michelle Rempel Garner:** Okay, this is ridiculous.

**Ms. Judith Hamel:** We cannot share some of them, because consultation documents—

**Hon. Michelle Rempel Garner:** We'll do a production of documents, because this is ridiculous.

Mr. Marion, the European Union has regulation that limits interchange fees to 0.3% for consumer credit cards and 0.2% for consumer debit cards.

Did you provide advice to the government that Canada should undertake similar regulations?

**Mr. Nicolas Marion:** In our work, particularly that which led to the recent agreements with Visa and Mastercard that saw the reduction of interchange fees for small businesses—

**Hon. Michelle Rempel Garner:** Is that a voluntary agreement?

**Mr. Nicolas Marion:** It is a voluntary agreement, and—

**Hon. Michelle Rempel Garner:** Did you provide—

**Mr. Nicolas Marion:** Having said that, I'd qualify it as a non-regulatory agreement.

It is an agreement, and they adhere to it. They post the fees and—

**Hon. Michelle Rempel Garner:** Did the government provide direction to your department to not pursue a regulatory framework on interchange fees, and a voluntary framework instead?

**Mr. Nicolas Marion:** We've had three sets of these agreements over the years.

The first set was negotiated in 2014 and brought into force in 2015—

**Hon. Michelle Rempel Garner:** There's no formal regulatory framework. Is that correct?

**Mr. Nicolas Marion:** Those requirements are not set in regulations. That is correct.

**Hon. Michelle Rempel Garner:** Did the government provide you with direction to not pursue a formal regulatory framework for interchange fees being capped at a certain level?

**Mr. Nicolas Marion:** We didn't receive any direction saying that it shouldn't be done regulatorily.

**Hon. Michelle Rempel Garner:** Thank you.

Did the government provide you with any direction on working something into the voluntary agreement with Visa and Mastercard to ensure that savings from interchange fees would be passed on to small businesses when a payment processor is involved?

• (0835)

**Mr. Nicolas Marion:** Just to be clear here, at the time of the fall economic statement in 2022, the government announced its intention to negotiate—

**Hon. Michelle Rempel Garner:** I'm running out of time so I want to know—

**Mr. Nicolas Marion:** I appreciate that, but at the time, the draft legislation was tabled concurrently with the announcement, and the announcement said if we cannot achieve this through agreement, we will proceed with regulating this in the short term.

**Hon. Michelle Rempel Garner:** I'm asking particularly with regard to the payment processors like Stripe.

Has the government provided you with direction to ensure that the savings on interchange fees from the deal with Visa and Mastercard are actually passed down to consumers and not hoarded by payment processors?

**Mr. Nicolas Marion:** Right. Most merchants who are on Interchange Plus plans are, de facto, receiving—

**Hon. Michelle Rempel Garner:** We don't know how many there are of those. You get that talking point, but we don't actually know how many of those clients are on Interchange Plus or not.

I'm asking why, if that was to go to small businesses, the government didn't.... Did you provide advice to the government to ensure that those savings were not hoarded by payment processors like Stripe?

**Mr. Nicolas Marion:** We have communicated in very clear terms. The government—

**Hon. Michelle Rempel Garner:** Could you table that communication—anything written to the payment processors—with the committee?

**Mr. Nicolas Marion:** We've spoken with the payment processors. Our expectation was that for any rate reductions—

**Hon. Michelle Rempel Garner:** Did you do that with Stripe?

**Mr. Nicolas Marion:** We did, absolutely.

**Hon. Michelle Rempel Garner:** Can you table that? It was last week, you said.

**Mr. Nicolas Marion:** No, I said “absolutely”.

**Hon. Michelle Rempel Garner:** Okay. Then you can table any emails you've had with them.

**Mr. Nicolas Marion:** It was done through verbal discussion, but at the same time—

**Hon. Michelle Rempel Garner:** When?

**Mr. Nicolas Marion:** We communicated that certainly in July of this year. I'd have to go back—

**Hon. Michelle Rempel Garner:** With whom was it from the company?

**Mr. Nicolas Marion:** It was with Stripe.

**Hon. Michelle Rempel Garner:** With whom?

**Mr. Nicolas Marion:** Brian Peters, I believe is the gentleman.

**Hon. Michelle Rempel Garner:** That's interesting.

I have a last question, and perhaps it's for Mr. Light.

Payment processors are citing the increase in GST/HST and the change in ruling—I won't get into it; you know what we're talking about—on certain fees as the reason they can't or aren't passing the savings from the interchange fees on Visa and Mastercard along to consumers.

Were you lobbied by payment processors? Did you hear a lot of feedback from payment processors that they didn't want that change to GST/HST made? Was there a lobbying effort within the department on behalf of payment processors to have GST applied to the

fees? There was a court ruling, and I believe there was a change in policy to ensure that the GST did apply. Was that something that was heavily lobbied in your department by payment processors?

**Mr. Warren Light (Expert Advisor, Sales Tax Division, Department of Finance):** No, we did not get lobbied. The tax also applied up until a 2021 court ruling. In 2023, we made an amendment to ensure that the tax reapplied.

We did see some communication from acquirers asking for information, but we did not receive heavy lobbying.

**Hon. Michelle Rempel Garner:** Thank you.

**The Chair:** Thank you, Ms. Rempel Garner.

I'll now turn it over to MP Arya for six minutes.

**Mr. Chandra Arya (Nepean, Lib.):** Thank you, Chair, and thank you to the witnesses for coming here today.

I prefer the code of conduct instead of passing regulations to control and manage the various issues with the credit card industry or, for that matter, any other industry.

New regulations require more bureaucracy to manage them and implement them. Instead of that, a voluntary code of conduct between the policy-makers and the industry players is welcome any day.

However, what I want to know is what happens when there are one or more bad apples in the industry who don't follow the code. Specifically, let's talk about Stripe here. Stripe said that it is not going to pass on the benefits, so what do we have in our power to manage Stripe so that it also follows the conduct that is being followed by its peers?

Mr. Nicolas Marion, could you respond specifically to that, please?

● (0840)

**Mr. Nicolas Marion:** Yes.

I think part of the government's responsibility—and that's seen in the code of conduct—is making sure that merchants can make informed decisions at the time that they sign a contract with their—

**Mr. Chandra Arya:** No, Mr. Marion. Unfortunately, my time is limited. Is there any mechanism available to take action against the major players who don't follow this code?

**Mr. Nicolas Marion:** Again, our expectation is that any interchange rate reductions will be passed on. Having said that, I'm fully aware of the situation with Stripe.

**Mr. Chandra Arya:** Again, the expectation and the point is that the whole purpose of the code of conduct is that all major players will implement it. That prevents regulation.

With regulation, for example, we have heard that capping the interchange fee, as has been done in the European Union and Australia at 0.3%, is not effective. The industry players will find other means to charge fees.

I was told at the last meeting that the fees charged to small businesses in France are closer to what Canadian businesses are paying, though the top line says it is regulated at 0.35%.

What mechanism do we have? Let me put it bluntly: Do you have a stick?

**Mr. Nicolas Marion:** In the code of conduct, one, we require all payment providers to notify their merchants well in advance if ever they don't intend to pass on a reduction, or, if there's an increase in fees, they have to provide that well in advance—

**Mr. Chandra Arya:** You're just saying that they pass on that information. They do that. That is not the point. The point is to bring down the fees. Am I right?

**Mr. Nicolas Marion:** That's right, so the second part is that if they don't pass on a reduction in this case, merchants can withdraw themselves from their contracts. They can cancel their contracts without penalty.

**Mr. Chandra Arya:** That is not an option. You can say, "Mr. Arya, if you don't like credit cards, you don't have to take credit cards." That is not practical. Let's put it that way.

Basically, if the code of conduct is violated by major industry players, we don't have any mechanism to manage it. That's what I understand from what you're saying.

**Mr. Nicolas Marion:** We do.

**Mr. Chandra Arya:** I'm sorry. I spoke with you for quite some time, but I did not hear that. If you have any ways to manage it, please put it in writing and give it to us. We can look into that.

With my limited time, I want to go to Ms. Jennifer Withington.

Ms. Withington, you did mention—and previously, we also heard from an economist—that with the increase in inflation and interest rates, credit card balances also went up. That's what we have seen.

I'm surprised that you used the words "going forward, elevated interest rates". We know the interest rates are coming down. Do you have any projection on the impact of lower inflation and lower interest rates? Do you expect the credit card balances of Canadians to go down? Do you have a study or can you make a statement on that?

**Ms. Jennifer Withington:** Certainly credit card interest rates, in general, tend to be stickier than other interest rates. Nonetheless, a reduction in interest rates will put some ease on consumers through lower mortgage rates and in other cases.

**Mr. Chandra Arya:** I'm very clearly talking about credit card balances.

You mentioned that credit card balances have increased due to inflation and interest rates. With inflation and interest rates coming down, do you foresee credit card balances going down?

**Ms. Jennifer Withington:** In general, with lower interest rates and lower inflation, credit card balances could be going down. However, we do see that price levels remain high. Prices are in-

creasing at a slower rate, but they will still remain high, so there might still be some pressure on interest rates.

Matthew, did you want to add anything?

**Mr. Matthew Hoffarth (Assistant Director, National Economic Accounts Division, Statistics Canada):** Thank you.

I would just add that the price change has really been a level shift, so we're seeing those balances rising because of that. As Jennifer said in her opening remarks, we can't really disentangle volume, so with more purchases.... Canada surpassed 40 million people. There are many more people new to credit, so we can't really disentangle that from just pure price change.

I go to the grocery store and I buy all the same things I used to buy, and things cost more. That's the challenge.

**Mr. Chandra Arya:** Thank you.

Ms. Rizzo, I don't know why you're here. Is there anything that comes under your jurisdiction or mandate to manage interchange fees or interest rates? Is there anything at all?

● (0845)

**Ms. Luisa Rizzo:** No, there is not, as far as the Canada Revenue Agency is concerned.

**Mr. Chandra Arya:** Thanks for spending some of your time with us.

[*Translation*]

**The Chair:** Thank you, Mr. Arya.

Mr. Garon, you have the floor.

**Mr. Jean-Denis Garon (Mirabel, BQ):** Thank you, Mr. Chair.

I would like to welcome all the witnesses who have joined us today. Thank you for coming. We greatly appreciate it.

I'll now turn to the officials from the Department of Finance.

Mr. Marion, you referred to the 2022 fall economic statement, which announced the intention to negotiate an agreement with stakeholders, particularly with regard to interchange fees. I would like to read you the excerpt from the statement in question:

The government intends to enter into negotiations with payment card networks, financial institutions, acquirers, payment processors, and businesses to lower credit card transaction fees for small businesses in a manner that does not adversely affect...reward points...

I want to point out that the statement says that the government intends to enter into negotiations with the businesses.



The committee met with representatives of the Retail Council of Quebec. They told us that these agreements were unsatisfactory and that the agreements applied to almost none of their members. We met with representatives of the Retail Council of Canada. They told us that they obviously hadn't been consulted, because they see these agreements as unnecessary and almost crude. We met with representatives of the Convenience Industry Council of Canada. They told us that these agreements affected 0% of their members, since the agreements lower interchange fees for businesses whose sales figures are too low.

Moreover, as I showed here, we can easily deduce that these agreements don't apply to any restaurants. We can also deduce that these agreements don't apply to any hotels, with the possible exception of people who operate short-term rentals, which contribute to the housing crisis.

I don't think that negotiations took place. I think that the minister simply prepared a bill that she never intended to push through, and whereby she could, in any case, impose by regulation a probably unnecessary agreement. I think that the credit card companies made you an offer and that the Department of Finance was quite happy to wipe the slate clean and let them walk away with an agreement that didn't apply to anyone.

I would like you to tell us two things.

First, in the negotiations, when Visa and Mastercard made you an offer, what was the government's counter-offer? Were you satisfied with the credit card companies' first offer?

Second, can you explain why the Canadian Federation of Independent Business, the Retail Council of Quebec, the Retail Council of Canada and the Convenience Industry Council of Canada, for example, say that they weren't consulted? This contradicts the information in the statement.

**Mr. Nicolas Marion:** Thank you for the question. I would like to make a few comments.

First, we conducted consultations following the 2022 fall economic statement. We held discussions with payment card network operators, financial institutions and merchant associations. We spoke with the Convenience Industry Council of Canada, a number of acquirers, a number of payment service providers and a loyalty program operator.

**Mr. Jean-Denis Garon:** If I may, I would like to expand on my question. I think that I've been misunderstood.

There wasn't any talk of consultations. There was talk of negotiations. Can you confirm to the committee that, when Visa and Mastercard made the lenient offer that led to the agreements in place today, the Retail Council of Canada, the Retail Council of Quebec, the Convenience Industry Council of Canada and the Canadian Federation of Independent Business took part in the negotiations described in the statement? Did they say that these agreements were outstanding, that they supported the agreements and that they wanted the agreements implemented?

That's my question. I don't want to know whether you consulted them. Did they negotiate with you as the government promised in the 2022 fall economic statement?

**Mr. Nicolas Marion:** We held discussions with a number of stakeholders and negotiated a great deal with the networks. That said, we have, as I said, held discussions with a number of stakeholders. I think that describing these discussions as negotiations with all the stakeholders might be going a bit too far. However, we did have discussions with a number of participants. These discussions built—

• (0850)

**Mr. Jean-Denis Garon:** Mr. Marion, I must interrupt you since I don't have much time.

You answered my question. The government promised to negotiate with these stakeholders. You didn't promise this. The government did. It was written in the 2022 fall economic statement. Yet you just told us that the government didn't keep its word, that it didn't proceed as set out in the statement and that, as a result, it accepted agreements that weren't the result of the promised negotiations. The government never had any serious intention of passing legislation.

I have about one minute left. A negotiation is a process that leads to offers and counter-offers. At the end of the process, everyone meets halfway. As a result, I want to know the credit card companies' first offer and the government's counter-offer to get us to this point. I want to know whether, on the contrary, the companies simply made a proposal and the government caved in.

**Mr. Nicolas Marion:** There were a number of offers and counter-offers. Moreover, there was a great deal of discussion about—

**Mr. Jean-Denis Garon:** Is it possible to submit them to the committee?

**Mr. Nicolas Marion:** —how to classify small businesses—90% of businesses that accept credit cards benefit from the reductions. There were a number of discussions on how to define or establish the scope of the application.

Obviously, interchange rates are a highly complex matter. We wanted to better understand certain aspects. However, we also had a clear and firm position. We wanted to see substantial reductions. We also wanted to ensure that other businesses wouldn't be punished by a reduction for certain businesses. We also wanted to ensure that Canadians' loyalty programs would be protected.

**Mr. Jean-Denis Garon:** Mr. Chair, I know that my time is up. However, I want to ask Mr. Marion whether he could give the committee some examples of the counter-offers that the Department of Finance made to Visa and Mastercard and that led to the current agreement. Could he submit these documents to the committee? I think that the committee would even be prepared to read these documents in camera if they're classified as secret.

**Mr. Nicolas Marion:** Thank you for the question. However, I don't think that we're authorized to send you the various offers and counter-offers.

**Mr. Jean-Denis Garon:** These documents are too secret for parliamentarians, for members of Parliament and for Parliament, I imagine.

**Mr. Nicolas Marion:** I don't think that we can send you the offers and counter-offers.

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Garon.

Mr. Masse, the floor is yours.

[English]

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

I just want to confirm this, Mr. Marion: Who actually pays your salary?

**Mr. Nicolas Marion:** I work for the Department of Finance, and ultimately it's the government and ultimately the taxpayers.

**Mr. Brian Masse:** Yes. Thank you.

I just want make sure to confirm that, because you said that you give strategic advice to the minister. What is that strategic advice that you provided on this issue?

**Mr. Nicolas Marion:** Well, we provided advice in terms of what we thought we could achieve in some of the considerations around reductions in interchange fees, as well as with respect to as key stakeholders, as well as a strategy in terms of delivering meaningful reductions for a broad group of merchants.

**Mr. Brian Masse:** Okay. Was that verbal or was it written? Is it email?

You've given testimony that you provide all those things, and one that was more surprising was that some of it was just verbal when dealing with the credit card companies. Can you provide us with that? I don't have a lot of time, so I would like the notes and the information that you provided the minister.

**Mr. Nicolas Marion:** We do provide notes to the minister. I'm not at liberty to share advice provided to ministers—

**Mr. Brian Masse:** Why? Where in your job description and your mandate does it actually specifically say that you can't provide members of Parliament—who are members equal to the minister—with that information? If you actually gave me information, if you gave it to me in my office, I would readily share that not only with my constituents but also with other people.

● (0855)

**Mr. Ryan Turnbull (Whitby, Lib.):** I have a point of order, Mr. Chair.

**The Chair:** Just one second, Mr. Masse, please.

**Mr. Ryan Turnbull:** I believe that advice to ministers is covered under cabinet confidence, and I'm not sure why the member is pushing in this direction.

**The Chair:** Yes, Mr. Turnbull, there's a—

**Mr. Brian Masse:** On the point of order, I can respond—

**The Chair:** I'll just advise members that, as you know, for public servants there is a bit of a tension between.... They do provide advice to the cabinet, and there is a limit to what they can share.

There is no limit to what the committee can ask, but understand that there's this tension that the public servants are under when they're testifying before this committee. There's a line....

I have Mr. Masse and then Madam Rempel Garner.

**Mr. Brian Masse:** Well, it depends on the minister and on the department. We can also get briefing books and so forth. I'm trying to get an assertion as to what limits have been prescribed for the public service with regard to the ministers.

For the parliamentary secretaries, that's ordinary business. Each minister is very different in terms of what they will.... You can get the briefing books. You can do all the different things. You can do ATIP. You can do all those different things.

What I'm trying to ascertain is where the guardrails are that have been directing Mr. Marion at this point in time in terms of information. We've already heard right now that some stuff is verbal or on the phone and some stuff is written in notes and is provided that way.

I don't understand it exactly, and I want to know specifically where his mandate for those guardrails is coming from. That's what I would like to know, because that's going to determine how I seek out the information that's necessary for this committee.

**The Chair:** Mr. Masse, I'm listening, and then I'll come back, but we'll go to Madam Rempel Garner.

**Hon. Michelle Rempel Garner:** Briefly, Chair, having been in cabinet, I understand when the information goes into cabinet secrecy and when it doesn't.

However, I had an exchange earlier with a public servant when I was asking for the roll-up of public consultations. That would not be covered under cabinet confidence at all. To be told as a parliamentarian that I can't receive that information is a bit of a misunderstanding within the public service about the fact that they respond to us, and not the other way around. They act at our pleasure, and not the other way around.

Now, I'm not saying that this needs to be a negative relationship, but to be told that we can't get the roll-up of public consultations as parliamentarians is kind of egregious.

Thank you.

**The Chair:** Thank you, MP Rempel Garner.

Go ahead, MP Turnbull.

**Mr. Ryan Turnbull:** Mr. Masse's been around this place for a long time, so I think he knows where the lines are. If he has a question or a request for the minister, maybe he wants to make that request directly to the minister.

**The Chair:** I want to get back to the questioning. I don't want to waste too much time on this.

However, for our witnesses, to Madam Rempel Garner's point, cabinet confidence cannot be used as a shield for all questions.

For the committee, we'll review in the minutes what's been asked for. I propose, as chair, that we can send a letter to the officials who've been asked to submit some information. Then they can review it with a bit of distance.

It can be hard to determine, cold turkey like this, whether something falls or doesn't fall under cabinet confidence, but we can ask, see what they come back with and then decide it from there. That's what I would submit to committee members, if you agree.

Be free to ask while you have the floor, Mr. Masse, but understand the tension that Mr. Turnbull has highlighted and that public servants are not free to share everything.

Go ahead, Mr. Masse.

**Mr. Brian Masse:** To finish on this point of order—so I don't lose my time—I'm asking for the process here, not the information.

**Hon. Michelle Rempel Garner:** He's asking for process. It's not a point of order.

**The Chair:** Mr. Masse, you may pursue your line of questions.

As I've said, on behalf of the committee, I'll ask for the information from the officials, and we'll see what they can share.

**Mr. Brian Masse:** I appreciate that.

What I'm trying to ascertain is exactly what goes into making the entire sausage of credit card interest rates. It's the minister's information, the context and so forth, that takes place as we get there.

You mentioned that many stakeholders were consulted. Can you tell me who those stakeholders were?

**Mr. Nicolas Marion:** Yes, I think we can.

In terms of the payment card networks, we spoke with Visa, Mastercard and American Express.

For financial institutions, we spoke with BMO, TD, CIBC, Scotiabank, RBC, National Bank and Desjardins.

For merchant associations, we spoke with the Canadian Federation of Independent Business, the Canadian Federation of Independent Grocers, the Retail Council of Canada, the Convenience Industry Council of Canada—

• (0900)

**Mr. Brian Masse:** You kind of almost did the same as our study here.

**Mr. Nicolas Marion:** We spoke with all of them following the fall economic statement.

On top of that, in 2021 the government held a public consultation, consulting all Canadians and stakeholders on reducing interchange—

**Mr. Brian Masse:** It was interchange fees, but not interest rates. I appreciate that. That's actually a very good response, in terms of giving me the inventory of the people you consulted with.

Was it just on the interchange fees, or did it also include the interest rates? Absent in some of the testimony you provided just now were furniture stores and other buy-now, pay-later businesses, which are other groups and organizations we've heard from.

Was it just focused mostly on the interchange?

**Mr. Nicolas Marion:** The consultation in 2021 was focused on merchants' interaction with credit cards and payment cards. It was mostly focusing on interchange, but also other elements related to a merchant's interaction with that part of the payments ecosystem.

**Mr. Brian Masse:** Did any of that include the interest rates, though?

**Mr. Nicolas Marion:** It did not.

**Mr. Brian Masse:** Okay. This is part of the reason I wanted this study to begin with.

It didn't cover the interest rates. That's very important.

I think my time's up. That's really what I wanted to get to.

Thank you, Mr. Chair.

[*Translation*]

**The Chair:** Thank you, Mr. Masse.

Mr. Perkins, you have the floor for five minutes.

[*English*]

**Mr. Rick Perkins (South Shore—St. Margarets, CPC):** Thank you, Mr. Chair. Thank you, witnesses.

I'd like to start off where MP Rempel Garner ended her round of questioning with regard to the interchange fees and the tax case.

It's the claim by Stripe that somehow they're uniquely hurt by the GST/HST change, which isn't really a change, as I understand it. Maybe we could tackle that part first.

The GST being applied this year isn't new, is it? They received a 12-month reprieve, essentially, but they're paying what they were paying before.

**Ms. Amanda Riddell (Director, Real Property and Financial Institutions, Sales Tax Division, Department of Finance):** Yes, there's been no change. This is a long-standing policy that's been in place since the GST was introduced in 1991. It was well understood. Banks are often ambitious when it comes to challenging laws, and they took a swing at it. They lost at the Tax Court. They won at the Federal Court of Appeal. We introduced legislation to unwind that decision, which was contrary to long-standing policy, and the tax was reintroduced, so it's not a new tax. It's not a new cost.

**Mr. Rick Perkins:** It's not a new tax.

**Ms. Amanda Riddell:** No.

**Mr. Rick Perkins:** It's not a tax that applies strictly to Stripe, is it?

**Ms. Amanda Riddell:** No. It applies to all acquirers.

**Mr. Rick Perkins:** It applies to all of them.

So far, they are the only company I'm aware of that has come out and said that they are not going to apply the reduction, although a number of other providers have been silent. Are you aware of whether any other company that is providing these interchange services or these processing services is saying that they will not pass it on?

**Ms. Amanda Riddell:** I'm not aware of any others.

**Mr. Rick Perkins:** What has the department done to reverse their perspective on it?

**Ms. Amanda Riddell:** We have had many conversations. In fact, this was quite a hot topic, if you recall, back in budget 2023. We had a lot of conversations with industry. We had a lot of conversations with MPs and parliamentarians. This should be a settled issue by now.

**Mr. Rick Perkins:** There can be only one of two reasons that Stripe is refusing to pass it on: Either they're not as good at doing their job as their competitors and don't have as robust a technology that allows them to absorb this, or they're just gouging consumers. Do you have any idea which it is?

**Ms. Amanda Riddell:** I can't speak to Stripe's business practices, but what I would say is that the GST on the network fee is a very, very small cost as a percentage of the cost. They have many costs they need to absorb—labour costs, technology costs or you name it. To blame one small input to their overall costs for not passing this on to would seem to us to be a bit disingenuous.

**Mr. Rick Perkins:** I think so too. Thank you.

I'm not sure which finance official to pose this one to, but I want to talk about Interac.

You may have been aware that we've had a little chat here around all these Interac fees. We had a board member here in committee who didn't seem to know what the pricing was of the company for which he was a board member. That shocks me. For every company on which I've been a board member, I knew what our pricing structure was, so I'm not sure how truthful he was.

At the end of the day, the e-transfer fees range from six cents to 43¢, apparently. Apparently, if you are on the board of Interac, and in particular if you're a co-chair of Interac, you're one of the two companies, coincidentally, that get the six cents. If you're not there, you have to pay the 43¢ as a provider.

Has the department looked at all into the anti-competitive behaviour of Interac and the way it treats other financial institutions in the pricing?

● (0905)

**Mr. Nicolas Marion:** Thank you for the question.

We do work with Interac. On matters related to competition, we defer to the Competition Bureau. I think the specifics of your question would be better posed to them.

**Mr. Rick Perkins:** But when you're forming public policy.... I served eight years in a minister's office a long time ago. The department is always working with the minister to look at public policy issues. Certainly the Department of Finance and the Minister of Finance should be concerned with competition in financial services, and particularly in fees that are gouging consumers.

Are you telling me that the minister and the department have never looked into this anti-competitive behaviour by Interac that gives preferential treatment to the co-chairs of the board and treats everybody else differently, gouging them at a 98% margin difference?

**Mr. Nicolas Marion:** Again, we do work with Interac. There are a number of areas of interest with respect to pricing and so on. We haven't entertained agreements in terms of setting certain pricing for Interac. It's not something that stakeholders have raised with us. In fact, merchants that I deal with value—

**Mr. Rick Perkins:** Do stakeholders have to raise something for you to look at an issue? I mean, the issue here is that if you're being charged \$1.50 on each end of the transaction—that's three dollars—and Royal Bank and TD are paying six cents. That's a monstrous amount of profit. Has the department not looked into that?

I also take it that the department hasn't looked into the return on equity percentages on credit card business. I worked at a bank. I know that at the bank where I worked, the return on equity was 52% on the credit card business. Their defence of this industry is BS in terms of the fact that generally the return for the entire bank is 10% to 12% to 13% in terms of their target.

Does the department not look into any of these issues? Does it not put forward policy to try to correct when you have usury returns on credit cards or you have usury returns by two of the key banks, if not four, on Interac charges? Do you not look at those issues at all?

**Mr. Nicolas Marion:** We look at a number of issues.

With respect to Interac, as I was going to say, merchants do value the services that it provides and want to maintain their access to Interac, whether it's payment receivable through e-transfer, payment expediency through e-transfer or their debit service offerings.

**Mr. Rick Perkins:** Thank you.

[Translation]

**The Chair:** Thank you.

Mr. Van Bynen, the floor is yours.

[English]

**Mr. Tony Van Bynen (Newmarket—Aurora, Lib.):** Thank you, Mr. Chair.

I want to make sure that we have the proper understanding of the question that was put to you with respect to the letter that would outline the information that we're looking for.

I guess I would ask Ms. Hamel this: If the letter is sent to you from the chair of the committee, will your department respond directly to those questions?

**Ms. Judith Hamel:** Do you mean regarding the consultation?

**Mr. Tony Van Bynen:** Yes, that's correct.

**Ms. Judith Hamel:** Just to clarify, the consultation is being led by another division. They've updated me on the process. I know that they're in the process of reviewing the documents that have been received, and many stakeholders have also asked for discussions, so these discussions are ongoing.

My concern is not as much about sharing the results of the consultation as about the timing in terms of doing it. We can take that question back and come back to you with what's possible and in what time frame.

**Mr. Tony Van Bynen:** The answer is yes. Okay. Thank you very much.

There are two issues that I think we're trying to deal with here. The study was focused on the interchange fees that were being created, but it also highlighted—I believe Mr. Masse raised the concern—the high interest rates that are being imposed by credit cards and how they're taking advantage of the most vulnerable communities that we have.

Has Statistics Canada observed the changes in average interest rates on credit cards over the last five years, especially in relation to the key Bank of Canada interest rates?

• (0910)

**Mr. Matthew Hoffarth:** We don't directly release or publish information on interest rates related to products, but we do have a debt service ratio that measures the debt servicing costs of household debt relative to their income.

We do look at a lot of regulatory data from chartered banks to make sure that we have the correct inputs into this debt service ratio model. When we look at that information—again, coming from regulatory data that's publicly available through CDOR and through the Bank of Canada's website—we can see that rates were around 18% in mid-2016. They've risen slowly over time, and they reached 20.5% in 2024.

In terms of the debt service ratio, the idea is that we generally have persistently... Eighteen per cent or 20% is relatively high. HELOCs are a much larger component of non-mortgage debt for households, and those usually have a variable rate.

That's just to say that we don't see as much pressure on servicing costs as we do on other variable rate products like HELOCs. That said, we have seen credit card balances increase substantially since the start of the pandemic.

**Mr. Tony Van Bynen:** Is there any data that shows how credit card use and debt levels differ across different income brackets?

**Ms. Jennifer Withington:** We do have the distributions of household economic accounts. They measure income consumption,

savings and wealth by income quintile. We have seen some pressures on some of the lower-income quintiles, as a larger percentage of their household disposable income is going towards food, shelter and transportation.

**Mr. Tony Van Bynen:** Can you forward that over to the committee?

**Ms. Jennifer Withington:** We can, absolutely.

**Mr. Tony Van Bynen:** Thank you.

The other part of the issue is that many of the credit cards companies are saying that the balances are paid off within the normal 21 days and that this is simply a payment instrument as opposed to a debt instrument.

Is there any indication of how much of the credit card debt is in relation to lines of credit, auto loans and personal loans?

**Mr. Matthew Hoffarth:** With credit cards, that is actually one of the challenges: understanding how much of that balance is subject to interest costs, knowing that there is this 21-day grace period and that you're not assessed interest if you pay off your balance. We don't have specific statistics on that rollover rate, on how much of that balance gets rolled over into the next period and is then subject to interest.

**Mr. Tony Van Bynen:** What would preclude you from getting that? I heard earlier that all of the debit and credit transactions that go through grocery stores automatically show up within your database. Don't you have access to that data on the utilization of credit cards as the sole payment instrument, as opposed to high-cost consumer debt?

**Mr. Matthew MacDonald (Director, Consumer Prices Division, Statistics Canada):** I think you're referencing the content of our point-of-sale scanner files from our retailers. The contents and variables we get are specific to prices and the characteristics of those prices, but they don't include the payment type.

**Mr. Tony Van Bynen:** Thank you.

Are there any regions or demographics for which debt levels have increased or decreased significantly?

**Ms. Jennifer Withington:** Yes. We see that the largest levels of indebtedness are, not surprisingly, in the largest provinces. In terms of demographics, we see that the youngest households—less than 35 years old—had 18% of outstanding non-mortgage debt in the form of credit card debt.

**Mr. Tony Van Bynen:** Our government is currently in the process of implementing a national framework for consumer-driven banking. Could you speak to the benefits of that and what kind of progress we're making?

The intent here, and I believe it was raised earlier, is that this industry seems to be dominated by a few small players. What kind of progress are we making toward increasing the level of competition in that industry?

**Ms. Judith Hamel:** As it was announced by the government in the last fall economic statement and budget, the department is working toward the development and implementation of the consumer-driven banking framework.

A first set of legislation was tabled with the first budget implementation act, and work is ongoing for the second set of legislation, to be tabled at the earliest opportunity, I guess.

• (0915)

**Mr. Tony Van Bynen:** Is the legislative framework in place to make sure that these new organizations are...?

**Ms. Judith Hamel:** There are many objectives with the consumer-driven banking framework, and there could be many advantages to it, including the ability for consumers to securely share their data between financial institutions. It will enhance the safety of the financial system. It will also make it easier for consumers to seek advice on products and services from various institutions, hence having a positive impact on competition.

**Mr. Tony Van Bynen:** The key is to make sure that the backbone that delivers those payment instruments has enough competition but at the same time has the same stability we need to ensure that the consumers' interests are protected.

**Ms. Judith Hamel:** These are the objectives that we are trying to balance, yes.

**Mr. Tony Van Bynen:** Thank you.

**The Chair:** Thank you, MP Van Bynen.

[Translation]

Mr. Garon, the floor is yours.

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

Mr. Marion, I have a follow-up question about agreements. I don't like that word when it comes to credit card companies because they aren't really agreements. That said, I have a question about the process.

I believe that you spoke earlier about American Express when responding to a question from Mr. Masse. We know that this company isn't the biggest player on the Canadian market. However, we can see that it hasn't signed any agreements. To some extent, it was established earlier that the government had hardly negotiated at all. At least, your responses suggest as much.

What happened when you called the people from American Express? Did they fail to respond? Did the matter end there?

**Mr. Nicolas Marion:** Thank you for the question.

We're still working on an agreement with American Express.

**Mr. Jean-Denis Garon:** I will be brief so that the public understands what this is about and make sure that this information is conveyed.

The department showed up in 2022 and told companies that if they did not quickly negotiate an agreement, the government would table the proposed legislation and give those companies a rap over the knuckles. Visa Corporation tabled an agreement that impacted very few merchants, certainly not in the food sector or the accommodations sector, at least. MasterCard Corporation tabled some-

thing else. We don't know how it happened, since you do not want to give us the details. Therefore, that means the agreements impact very few merchants and, clearly, American Express is failing to respond.

Two years later, you're still negotiating and no bill has been tabled. If I represented a credit card company, I would not take you seriously. Explain to me how these companies could take the Canadian government seriously when they were told they would get a rap over the knuckles if they failed to table an agreement, and you're still at the stage of chatting with the folks at American Express.

**Mr. Nicolas Marion:** Thank you for the question.

I just want to clarify something. The agreements with Visa and MasterCard impact 90% of businesses. Among all those businesses, 90% benefit from reductions. Just to—

**Mr. Jean-Denis Garon:** Mr. Marion, excuse me for interrupting you. I was not talking about the number of businesses. The Canadian Federation of Independent Business is also playing this game by talking about the number of businesses. When you give statistics like that one, you're comparing a grocery store making \$12 million in sales revenue and a hairdresser making \$33,000 in sales revenue, for example.

Instead, could you give us the percentage of Canadian sales revenue impacted by these agreements? I'm clearly stating "sales revenue," so we don't get the impression we're being shortchanged.

**Mr. Nicolas Marion:** Thank you for the question.

The 90% of businesses accepting payment cards will benefit from it. According to estimates, they will be able to achieve savings—

**Mr. Jean-Denis Garon:** I am talking from the point of view of sales revenue. What percentage of sales revenue do these agreements involve? That is what we want to know.

If the percentage of businesses benefiting from them represents just about nothing in Quebecers' and Canadians' market basket, these agreements have no value. What percentage of sales revenue is impacted by these agreements? My question could not be any clearer.

**Mr. Nicolas Marion:** Thank you for the question.

I would advise you to ask payment card networks to provide you with the details on total sales revenue for 90% of those businesses.

• (0920)

**Mr. Jean-Denis Garon:** You negotiated agreements, but either you have no idea whatsoever about the effect those agreements had on Canadians' wallets, or you are refusing to tell the committee.

Mr. Chair, I must tell you that I find this extremely concerning. Thank you very much.

**The Chair:** Thank you, Mr. Garon.

Mr. Masse, you have the floor.

[English]

**Mr. Brian Masse:** Thank you, Mr. Chair.

Mr. Marion, one thing that came out in this committee was the lack of disclosure of credit card profit margins in what the banks and the credit card companies are receiving. Do you provide advice or measure the profit margins of the banks and the credit card companies with regard to the use of the product and the margin of profit they get out of it?

**Mr. Nicolas Marion:** We do not look at specific profit margins. We do not have that information, quite frankly.

**Mr. Brian Masse:** Has that ever been requested?

Part of what I'm trying to find out here is what is getting through in terms of public policy. Has that information been requested from the companies or has the focus been just on the merchant fees? The credit card margins seem quite significantly different from those on the other products they have. We have a question to get some of that information from the banks and the credit card companies themselves. Has that come up as part of your interaction with the groups and organizations?

**Mr. Nicolas Marion:** The question, in this particular case, around interchange fees, for instance, and the impact on the financial institution, including the reward programs they provide, does come up.

In terms of specifics like profit margins for individual institutions, I think the committee would be best advised to ask the individual financial institutions for details on that. We do not have those details.

**Mr. Brian Masse:** That's very helpful. This is where I'm trying to go. Where is the hole in the system in terms of what we see in the profit margins from the use of the credit card itself?

You mentioned in your testimony that there has to be notification by credit card companies about their policy changes. Does that come in the form of the written bill or the electronic one you get? What specifically do you have legislative authority over? Is it font size and whether it's highlighted? What type of financial literacy can you demand when credit cards and their companies unilaterally or with so-called "consent" make changes?

A lot of times, with many companies, if you didn't opt out, then you assume responsibility. It's a negative practice and negative option billing, really. What specifically can you demand from the credit cards—written, electronic or whatever—and how detailed is that notification when they change their financial arrangements?

I'll just conclude with this. I've been after Rogers and others with regard to this practice by telcos of changing the terms of their contract. What can you force them to do?

**Mr. Nicolas Marion:** I'll speak to what merchants can do specifically under the code of conduct for the payment card industry, and perhaps my colleague Madam Hamel can speak to—

**Mr. Brian Masse:** Okay, yes; separate the merchants and consumers, then.

Thank you.

**Mr. Nicolas Marion:** Yes. With respect to merchants, under the code of conduct, there are specific requirements at the time they negotiate with their payment processors about the information that's available so that the merchants can compare processors to other

processors with equivalent levels of information. Then payment processors have to provide information to merchants on a monthly basis, and the details of that information are codified in the code of conduct.

Then, following that, if ever there is an increase in fees or, for instance, a fee that is not reduced, that has to be passed on to the merchant as well. The code of conduct—

**Mr. Brian Masse:** I'm running out of time here. I'm not trying to be rude, but perhaps you can give us specifically what, say, a convenience store operator would get instead of detailing it here. Can you visually give us that exact example you're describing verbally right now so we can see what information they get?

**Mr. Nicolas Marion:** We can, absolutely.

In the annex, there are some forms that demonstrate what merchants must receive under different scenarios.

**Mr. Brian Masse:** It would be helpful if we could get that.

Then, for consumers, what is the distinction or difference?

● (0925)

**Ms. Judith Hamel:** We could also provide an example of the forms for the consumer.

For consumers, there's a very standard information box, when they enter into a credit card contract, that needs to be featured on all the contracts. It has standard information and is easy to comprehend for the consumer, and the forms must all follow the same template.

In terms of changes to features or terms and conditions, for example, if they're changing the annual interest rate, that must be disclosed at least 30 days prior to the change being put into effect.

**Mr. Brian Masse:** If you could give us those so that we have them in written form in front of us, those would be good examples. Also, to finish, what specifically can you mandate them to do, versus options or suggestions?

Thank you.

[*Translation*]

**The Chair:** Thank you very much, Mr. Masse.

Mr. Généreux, you now have the floor.

**Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC):** Thank you, Mr. Chair.

I thank all the witnesses.

Mr. Marion, I'd like to come back to Mr. Garon's request. Several merchant associations testified before our committee. They told us that these merchants do not benefit from the agreement concluded with the government. You say you consulted representatives from convenience stores, for instance. Associations told us their merchants are not benefiting from it. You told us the agreement would apply to 90% of businesses in Canada. In the agreement, rates are cut by 25% or 27%. Do you think this agreement should apply unilaterally or variably?

**Mr. Nicolas Marion:** Thank you for the question.

Businesses with annual sales including a maximum of \$300,000 in payments made with the Visa credit card or \$175,000 in payments made with the MasterCard could benefit from the reduced interchange fee, which is an average of 27% within the framework of the agreement.

**Mr. Bernard Généreux:** If I understand correctly, the 27% reduction applies unilaterally to everyone. In that case, why did representatives from the remaining 10% of businesses, for whom the rate does not vary, testify to the contrary before our committee? When they came here, they told us the agreement did not apply to a single one of their members. Where do you think the misunderstanding lies?

**Mr. Nicolas Marion:** If a merchant's sales revenue includes more than \$300,000 in payments made using the Visa credit card or more than \$175,000 in payments using the MasterCard, the retailer would not be eligible for the reduced interchange fees.

**Mr. Bernard Généreux:** We are therefore not talking about sales revenue, but the number of transactions per MasterCard or Visa credit card. For example, if a company's sales revenue is \$3 million, and at least \$300,000—which is 10%—of those transactions went on a Visa credit card or MasterCard, would this business be automatically deemed ineligible, or does it vary based on sales revenue?

**Mr. Nicolas Marion:** That business would not be eligible.

**Mr. Bernard Généreux:** Merchants who accept credit card payments adding up to \$175,000 or \$300,000, depending on the card, are therefore not eligible for the reduced interchange fee.

**Mr. Nicolas Marion:** That is correct.

**Mr. Bernard Généreux:** Since you said 90% of businesses in Canada are eligible for this reduction, that means nine out of 10 businesses in Canada do under \$300,000 in credit card transactions.

**Mr. Nicolas Marion:** For the transactions using the Visa card, that is the correct deduction, yes.

**Mr. Bernard Généreux:** I see; it is somewhat more understandable.

Are interchange fees taxable under Canada's current tax system?

[English]

**Ms. Amanda Riddell:** No, they're not. They're exempt services under the GST.

• (0930)

[Translation]

**Mr. Bernard Généreux:** You said interchange fees are not taxable according to the current Canadian tax system.

[English]

**Ms. Amanda Riddell:** No, they're not.

[Translation]

**Mr. Bernard Généreux:** Very well.

A representative from the Convenience Industry Council of Canada came here and told us that on average, taxes represent \$0.48 of each dollar spent in a convenience store. There are approximately 22,000 convenience stores in Canada. That adds up to \$14,000 per store, which convenience stores pay in interchange fees on their share of sales taxes, multiplied by 22,000 stores.

Convenience stores told us they are taxed on interchange fees, and it represents a significant amount. They already asked for the elimination of taxes on interchange fees, but you are saying they are not taxed on those fees.

[English]

**Ms. Amanda Riddell:** It's actually the inverse. Tax doesn't apply to the interchange fees, but interchange fees apply to the tax. In other words, the interchange fee, or the merchant fee that gets charged to the merchant, applies to the entire transaction, which does include tax if it's a taxable purchase, or the purchase might be a non-taxable purchase, in which case the interchange fee just applies to the total amount of the transaction.

The interchange fee applies to the transaction amount, which may or may not include tax, but the interchange fee itself is not a service that's subject to GST.

[Translation]

**Mr. Bernard Généreux:** Have you ever been asked to eliminate those taxes when calculating interchange fees? Those interchange fees inevitably apply in the case of a credit card transaction. Have you ever been asked to exclude taxes from the interchange fees calculation?

**Mr. Nicolas Marion:** We explored the issue of applying interchange fees.

**Mr. Bernard Généreux:** If it were asked of you, would you be open to considering it?

**Mr. Nicolas Marion:** I think the committee can ask the Department of Finance questions on different subjects. It is possible there might be a technical aspect to consider with regard to implementing this type of measure. That said, I think members of the committee can ask questions.

**Mr. Bernard Généreux:** Thank you.

**The Chair:** Thank you, Mr. Généreux. I would like to remind everyone that officials are here to talk about applying measures taken by the government. It is not up to officials to decide on the measures that will be implemented.

Mr. Turnbull, you have the floor.

[English]

**Mr. Ryan Turnbull:** Thanks, Mr. Chair.

Thanks to all the witnesses for being here today. It's a really great discussion.



I want to go back to what Mr. Van Bynen talked about, which has been a common element in the discussion today. It's about wanting to see some more documentation and clarity on the consultation process that was undertaken. I think this process is important for the work of this committee. I think all members agree that within the parameters you have, you're able to provide information.

I want to strongly state that we'd like to see more information on the process of consultation and on who is consulted. We would like more information on any specifics you can provide on the negotiations and the agreements made, knowing fully that those were voluntary agreements, as you've made clear.

Also, we would like more information on the conversations with payment processors and on any review of the regulatory environment for credit card companies that may identify additional tools that may be helpful in considering how we move forward.

Ms. Hamel, can I clarify that you will provide that in writing to the committee at the request of the chair?

**Ms. Judith Hamel:** We will need to unpack it a bit. There were various elements in what you provided, but if we receive a request in writing, we'll see how we can address it.

**Mr. Ryan Turnbull:** I need a clear answer, Ms. Hamel. Can it just be a yes or no?

I'm couching this in terms that I think we all understand. It's within the parameters in which you operate as a public servant. I'm not asking you to go outside of the bounds of what you can do; I'm just saying that the committee wants to request the information.

I want to make sure you give us a clear response, on the record here today, and that you will provide this to the committee.

**Ms. Judith Hamel:** Yes, we can provide the committee with information on processes that were followed, as well as on consultations.

• (0935)

**Mr. Ryan Turnbull:** Thank you very much.

Okay. I want to go back to cleaning up something else.

Regarding interchange fees, the desire to have that reduction handed down to merchants has been expressed here. People are concerned, rightly, that Stripe has come out saying they would not hand down that reduction. I want to make sure the government has made a public statement about this. That is the expectation.

Was that not a clear public statement, Ms. Hamel? Can you clarify this?

**Ms. Judith Hamel:** It was a clear public statement, yes.

**Mr. Ryan Turnbull:** The government made a public statement about it.

Mr. Marion, in your response to someone else, I think you said that the department also verbally expressed this in private conversations with Stripe. Is that correct?

**Mr. Nicolas Marion:** That's correct.

**Mr. Ryan Turnbull:** We said it publicly and it was also said privately to Stripe. Okay. That's good. That's helpful. That's clear.

Now I want to go to Ms. Withington.

I note that wages have outpaced inflation for 20 months in a row. That's a significant trend that I'm not sure I've heard other committee members bring up, probably because it's not good for their political narrative.

I want to ask how that is impacting household debt. Are Canadians able to start paying down some of that household debt? Are we seeing any trends there? Are those indicators related? Can we correlate that at this point?

**Ms. Jennifer Withington:** While household debt remains high, it's true that the debt-to-income ratio has decreased because income has outpaced the debt level, so their ability to pay off debt has improved.

**Mr. Ryan Turnbull:** Right, or they could service more debt if they were under more financial pressure, but the financial pressures seem to be coming down.

**Ms. Jennifer Withington:** Yes.

**Mr. Ryan Turnbull:** Therefore, we would anticipate normal behaviour, which would probably be to pay down that debt with any extra disposable income. Is that correct?

**Ms. Jennifer Withington:** That's a possibility. It's up to human behaviour. I can't comment on human behaviour, but yes.

**Mr. Ryan Turnbull:** This highlights why financial literacy might be important, though I don't want to detract from the fact that Canadians have been going through a very tough time with the high inflationary environment following COVID.

You also mentioned that people aged 35 years and under are the ones who are the most exposed to credit card debt. They would also probably be subject to variable rate mortgages—maybe more so.

Could you speak about how those things might be related?

My understanding, from talking to my constituents, is that anyone who is on a variable rate mortgage felt that pressure immediately when the Bank of Canada increased the rates. They probably went to non-mortgage credit card instruments to pay some of their bills, which would be a natural thing to do, I would think.

**Ms. Jennifer Withington:** We have seen some evidence of younger generations deleveraging outside of household mortgage debt because of high housing costs. They've opted out of the housing market a bit.

**Mr. Ryan Turnbull:** We've seen those rates come down four times in a row, which is great news for Canadians. That must alleviate some of the pressure on them. However, they're now carrying more credit card debt, I would think, as a result of coming through a period when their mortgage payments may have increased by \$900 a month, which is significant.

What is our obligation in terms of financial literacy, and who among the panellists today works on that? Can anyone speak about the Government of Canada's work on raising awareness and dealing with financial literacy?

**Ms. Judith Hamel:** The Financial Consumer Agency of Canada is the lead organization on financial literacy at the federal level. I know you've been talking to them. They have developed many tools to foster financial literacy. They have a website that is actually very useful in providing information to Canadians.

On credit cards, they have a comparison tool that compares hundreds of products in Canada, which can guide Canadians in choosing the right card for them.

• (0940)

**Mr. Ryan Turnbull:** I think my time is up, but thank you for that response.

I would highlight that I think financial literacy needs to start young and probably not just include information about which credit card to choose but also develop those skill sets from a very young age.

Thank you.

**The Chair:** Thank you very much, Mr. Turnbull.

[*Translation*]

I now give the floor to Mr. Garon.

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

I am coming back to the Department of Finance representatives on another theme. Some witnesses we heard from gave us documents and made proposals. Some of them talked about how Canada's criminal interest rate must be changed through legislation.

In Quebec, if I'm not mistaken, 35% is the maximum rate considered usurious under the Consumer Protection Act. The federal rate, however, is 60%. I would like to know if there should possibly be a reduction in the maximum criminal interest rate. A rate of 60% seems extremely high to me. It should be reduced in order to better protect consumers. Financial institutions and others may be tempted to constantly increase rates; that was the case for credit cards, with a few points added to the rate in recent years. However, we have to send the message at some point that, ultimately, beyond a certain interest rate, it becomes immoral.

**Ms. Judith Hamel:** Yes, at the federal level, the maximum interest rate is set out in the Criminal Code. The government already announced a reduction in the criminal interest rate. The new rate, which will be 35%, comes into force on January 1, 2025.

**Mr. Jean-Denis Garon:** Thank you.

Under current market conditions, we know all kinds of companies are charging interest. Of course, banks and credit card compa-

nies come to mind, because they are the subject of the study. However, we often forget that consumers are charged very high interest rates on various unpaid bills. Could you tell us which businesses or sectors of activity more frequently go over the famous 35%, with some even reaching a rate of interest of 60%? Which sectors and types of businesses have a tendency to do that?

**Ms. Judith Hamel:** We expect businesses to comply with the new criminal interest rate as of January. The new rate mostly affects certain nontraditional lenders. They are not necessarily lenders under federal jurisdiction, and they often charge rates higher than 35%.

**Mr. Jean-Denis Garon:** Mr. Chair, do I have a few seconds left? I would like to direct a question to Statistics Canada's representatives.

**The Chair:** I will grant them to you, Mr. Garon. Go ahead.

**Mr. Jean-Denis Garon:** That comes from your pure kindness, Mr. Chair.

Ladies and gentlemen from Statistics Canada, Sylvain Charlebois, a witness nicknamed the "Food Professor," recently raised a subject here at committee. In various fora, he accuses you of miscalculating the inflation rate, saying you do not take shrinkflation into account. He said he met with you, but you were not convinced.

Basically, he collects his own data. He publicly stated you do not calculate the inflation rate correctly. It surprises me, because you are one of the few federal institutions in which I still trust. I know this witness does not have the relevant education and is certainly not an economist.

Do you calculate the inflation rate correctly? Do you take shrinkflation into account? How is it that some academics can attack you on that point? Do you think you are not communicating well enough about the way you do things?

**Ms. Jennifer Withington:** Thank you, Mr. Garon.

We were asking ourselves the same question: Why does he think we are not measuring inflation in the right way?

[*English*]

Just to speak clearly, our consumer price index is of very high quality. We follow the best practices. We're world leaders. We follow international methodology.

To be very clear, we do account for shrinkflation. In no way do we measure apples to oranges. We always measure apples to apples and account for any changes in quantity. We have something called quality change, which also incorporates quantities, and we make adjustments to compare like to like, so we do account for shrinkflation.

I would say to your point on communication that we have a number. We've done podcasts. We had an infographic on shrinkflation. We've made many efforts to be clear in our methodology. Our methodology is also up front and very visible to all users; however, we will continue to try to communicate this to ensure that it's 100% clear to all users, including Professor Charlebois.

Thank you.

• (0945)

[*Translation*]

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

[*English*]

**The Chair:** Thank you very much.

Just following up on that, I'll grant myself a bit of time as well.

The CPI, at least in the U.S. and in Canada a little bit, has been very controversial over the years. Does it adequately monitor inflation? There has been a change over the years; it has gone from a fixed basket of goods to the cost of living. Then what is the standard of living? It fluctuates.

How different are the ways we calculate CPI here and in the U.S.? The example I've read would be, for instance, the change in consumer behaviours. If filet mignon goes up, then you change to a T-bone, and that maintains inflation at the same level, because the price of the T-bone has gone up too.

How do you respond to that? How is it different in Canada? Is it different in Canada from what it is in the U.S.?

**Ms. Jennifer Withington:** I will speak to that, and then, Matthew, you can add if there's anything else.

Our consumer price index is one of our critical products. We put in a lot of effort into make sure it's of the highest quality.

What you're talking about is the substitution effect. We used to have fixed baskets every two years, and we would revise the weights, but, to account for the substitution effect, we've moved to an annual basket so that we account for that substitution more frequently.

**The Chair:** Is there, then, a fixed basket that does not account for substitution? Is that a statistic you provide as well, and what would be that statistic?

**Ms. Jennifer Withington:** Within a year, we would maintain the same fixed basket. We would not see the substitution within a given year, but every year we update our weights.

**The Chair:** Okay, so you wouldn't have the stats of the evolution of goods over five years, because every year you're changing to account for substitution. Is that correct?

**Ms. Jennifer Withington:** We would see through the changing weights the evolution in consumer behaviour.

**The Chair:** For instance, consumers used to buy olive oil because it was affordable to do so, but they're changing to canola oil. Would next year's basket potentially have canola oil instead of olive oil to calculate CPI?

**Mr. Matthew MacDonald:** They would both have olive oil in them, but we would update the weights accordingly on an annual

basis, because in the process of collecting the prices and the characteristics, we also collect the quantities purchased. This allows us, on an annual basis, to update those expenditure patterns annually.

**The Chair:** Does that account for the fact that often people don't feel that the CPI reflects what they feel at the grocery store? They make these changes not out of their free will but because they have no choice, because prices have gone up too much.

To me, the gist of the controversy with the CPI is precisely what you've just explained.

**Mr. Matthew MacDonald:** We've seen a significant increase in food inflation since the pandemic, which has since decelerated somewhat, but it's still positive, which means that prices are continuing to rise. While we say that inflation has cooled—and, in fact, for a few months it dipped below headline inflation—it is now creeping back above, and that accumulation of price increases that has occurred over the last three years remains.

You'll often see us improving our communication now to talk not just about one-month or 12-month price change horizons but to include the cumulative effect over the last three or four years, where you see, particularly in food, that it has gone up almost 25%.

• (0950)

**The Chair:** This is my last question.

Wouldn't it be useful, then, to have different methodologies—the official CPI that you're using that accounts for substitution, but also one that's the traditional way before the changes were made?

I don't know when that was agreed to in the U.S. It was the U.S. Bureau of Labor Statistics, I think, under direction from Congress, that changed it from a basket of goods to a cost of living standard. Wouldn't it be useful to have both to alleviate some of the concerns that consumers have?

**Mr. Matthew MacDonald:** Some countries have alternative measures of the CPI. In Canada, we tend to have a one-size-fits-all CPI that tries to accomplish a variety of uses. Those include determination of monetary policy, but it's also included in contract escalations, in escalation of tax brackets and legislative escalations of social security payments like OAS and CPP, etc.

**The Chair:** Understandably, it has an immense impact on various sectors of our economy and on government spending as well, so that's why it's such an important figure and why it's so controversial, I guess.

Thanks for the explanation. I appreciate it.

Next is Mr. Masse.

**Mr. Brian Masse:** Thank you, Mr. Chair.

That was very interesting.

Maybe, Ms. Rizzo, we can use some of your time, or time from anybody else who knows this answer. What is the debt financing percentage the Government of Canada uses right now?

**Ms. Luisa Rizzo:** That's not information I would have in terms of the CRA.

**Mr. Brian Masse:** Okay. Does anybody know? Does Stats Canada know what the Government of Canada pays in interest in terms of its own debt financing?

**Mr. Matthew Hoffarth:** We can provide the numbers that we publish. We measure government sector assets and liabilities and the various interest flows. There is interest on public debt that we measure, and we could share that statistic. It's public.

**Mr. Brian Masse:** That would be great. I'm willing to bet it's somewhere around the Bank of Canada rate, or lower, probably. That's just generally in terms of debt financing for our country.

I'm raising this point because, Ms. Hamel, you mentioned 35%. I'm willing to bet that the Government of Canada does not pay 35% or 60%, which the maximum rate is now, on its debt financing, but it expects Canadians to be able to be in that situation.

On the 35% that it's going to go down to, can you provide a little more detail? Your answer made it sound like this is going to actually happen in the Criminal Code, but it became unclear as to whom this applies to and to whom it doesn't.

I'd also like to know what the repercussions are—whether it's criminal, jail, fines, penalties—for those who aren't going to obey this practice. Can you give us a clear distinction as to how that's going to affect Canadians?

**Ms. Judith Hamel:** Yes, it's in the Criminal Code that this change is being made. It's a criminal offence to charge more than the rate, and there are penalties that can be charged. Depending on the gravity of the situation, it could be a higher penalty or—

**Mr. Brian Masse:** Do you know what they are, though? Are people going to go to jail over this, or is it going to be an administrative monetary penalty?

**Ms. Judith Hamel:** It will be for the courts to decide.

**Mr. Brian Masse:** A judge will determine it. Okay.

Can you outline—

**Ms. Judith Hamel:** It's in the Criminal Code, yes.

**Mr. Brian Masse:** Okay. The Criminal Code will decide, so we can probably get our analysts to give us an idea of the section of the Criminal Code that states the repercussions for those who abuse this.

You have a clear list of distinction, though, of all who are going to be subject to the rate of 35% or lower. What exceptions have been allowed under the legislation? Who is not covered? Can we get those?

**Ms. Judith Hamel:** Yes, it's actually easier to define the exceptions, because it will be very broadly applied to.... By default, it is applied to all lending in Canada. Some commercial loans that are higher than a certain threshold will be exempted. It's for commer-

cial loans, so it's to not impact venture capital activities, for example.

**Mr. Brian Masse:** Okay, it's venture capitalists.... I'd like to see that list.

**Ms. Judith Hamel:** Also, in terms of exemptions, payday loans are exempted—

• (0955)

**Mr. Brian Masse:** Payday loans are exempted.

**Ms. Judith Hamel:** —in provinces that have a regulatory regime for their payday loans. That's all provinces except the Province of Quebec, at the moment.

However, even—

**Mr. Brian Masse:** If payday loans are exempted, that's a huge exemption.

**The Chair:** Thank you, Mr. Masse.

We're running out of time.

I apologize, colleagues. I got too excited with my questions. I skipped the order and I forgot Mr. Patzer, but we did Jean-Denis and Brian earlier. We're going to Mr. Patzer, and then it will be Liberal, Conservative and then Liberal.

Go ahead, Mr. Patzer.

**Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC):** Thank you very much, Mr. Chair.

I'm intrigued sometimes about what your policy objectives at the Department of Finance actually are. What are the guardrails that you guys have in place for your department on setting your policy?

When you compare what's going on in the European Union and some other countries like that, you see that they've been very aggressive in setting real rate cuts and levels. They're way down here and we're way up here. Why is that?

**Mr. Nicolas Marion:** I take it that you're referring to the interchange rates in this particular case.

**Mr. Jeremy Patzer:** Yes.

**Mr. Nicolas Marion:** For Canada, the latest round of agreements is to secure reductions in interchange rates for small businesses. We're really looking at how can we reduce, meaningfully, the interchange rates paid by small businesses. That's number one.

Number two is to make sure that those reductions aren't accompanying increases for other businesses.

Number three is that we wanted to make sure that Canadian consumers' reward programs were protected, as they value those programs quite significantly.

Those were some of the objectives going into the agreements. Then it's about how to structure this. How best do we deliver on those objectives?

**Mr. Jeremy Patzer:** We're looking at multiple things that we have heard in this committee so far.

We look at the credit card companies, for example. All of their interest rates are virtually identical. Sure, there are multiple players in the market, but there's no true competition. If there was, there would be aggressive rate reductions happening.

Why is the Government of Canada's policy not seeking to get that competitive nature restored so that we see a rate reduction and consumers and businesses get a better outcome?

**Mr. Nicolas Marion:** It's a good question in terms of what we're observing in terms of interest rates, for instance. I can attest that there is quite a significant amount of competition, in terms of—

**Mr. Jeremy Patzer:** Not really, because they're all exactly the same.

**Mr. Nicolas Marion:** I agree that they're all the same, and I'd also mention that the gas prices in my neighbourhood are all the same as well, but they compete fiercely with one another.

**Mr. Jeremy Patzer:** If they did, their rates would be way lower.

**A voice:** They don't because they've regulated innovation in the market.

**Mr. Nicolas Marion:** They do compete, fiercely, on their credit card portfolios.

**Mr. Jeremy Patzer:** The rewards are exactly the same too. They all offer generally the same thing. In fact, multiple banks offer rewards from the same companies, like Aeroplan, Avion or all these different things.

Anyway, Mr. Chair, I want to take the last couple of minutes here.

I have a motion I would like to move. It's in relation to the study that we are doing, so it's within scope. This is the motion:

That, in relation to the committee's ongoing study of credit card practices, and given that various departments have refused to answer questions and produce documentation related to the committee's ongoing study, the committee therefore order the department to produce:

(a) Hon. Michelle Rempel Garner's request for any briefing notes and summary documents prepared by the department related to the Government of Canada's consultation process on reducing interchange fees, including any and all written submissions received by stakeholders;

(b) MP Jean-Denis Garon's request for all copies of Visa and MasterCard's initial offer to reduce interchange fees, including any and all counter-offers by the department, as well as any and all email exchanges related to these negotiations between Visa, MasterCard and American Express;

(c) MP Brian Masse's request for any advice letters or memorandums provided to the minister on the matter of reducing interchange fees or credit card reductions more broadly;

and that these documents be produced to the committee within 14 days following the adoption of this motion, unredacted, and in both official languages.

Thank you.

[*Translation*]

**The Chair:** Thank you very much, Mr. Patzer.

Mr. Garon, you have the floor.

• (1000)

**Mr. Jean-Denis Garon:** Mr. Chair, from the outset, I consider my request for the offers and counteroffers to be appropriate. I do not think big trade secrets are in there. This negotiation falls under

the public interest, especially since it was promised in the 2022 Fall Economic Statement.

Considering the conversations held here today, I understand that the Department of Finance still has trouble understanding the ins and outs of what it describes as agreements for Quebecers' and Canadians' pocketbooks. We heard again the fact that 90% of businesses will benefit from the measure, but we don't know anything about its impact in terms of sales revenue.

I remind you that, in 2022, when the Liberal government announced it was negotiating with Visa and MasterCard, it was in a context of high food inflation. However, we now know full well that these agreements don't apply to a single convenience store in Quebec and almost no restaurants. Furthermore, these agreements certainly do not apply to grocery stores, whose business model relies on a large volume of transactions, but small margins. They are excluded.

I therefore think Mr. Patzer's motion is a very good idea. That said, and I know that it's a very sensitive matter, I am pretty sure my colleagues "Brian Perkins" and "Rick Masse" will agree not to call another colleague "Michelle Garon" in the French version of the motion. If it is possible to correct that, I would be grateful.

**The Chair:** Thank you, Mr. "Jean-Denis Patzer."

**Voices:** Oh, oh!

**The Chair:** Mr. Turnbull, you have the floor.

[*English*]

**Mr. Ryan Turnbull:** I'm not sure what the rationale is for a motion, but I know that the witnesses, when asked by me for exactly the same information, committed to providing it to the committee. I feel that there's a bit of a breakdown here in terms of what happened at this committee and that maybe members were too busy writing a motion to pay attention to the testimony that was given.

The witnesses here, Ms. Hamel in particular, committed to providing this information, all of which is similar to the motion. I'm not sure why a motion is needed to put this in writing. We've already said that the chair offered to write a letter requesting that information. We also clarified that on the record, and Ms. Hamel clearly committed to providing that information to the committee.

I don't know what the rationale is for using the committee's time for a motion when the witnesses have already committed to providing the information that was requested. It just seems like a bit of a roundabout here. I'm not sure why the witnesses' testimony isn't satisfactory enough for the members and why their commitment to providing documents is not sufficient. Why would that require a motion? I'm struggling to find and to understand the rationale for the need for a motion when witnesses voluntarily said that they would provide the information.

If Mr. Perkins wants to clarify that on the record, that's great, but—

**Mr. Rick Perkins:** Sure. It's because this government has a habit of not providing documents. We've been stalled in the House for three months because you refuse to provide documents—

**The Chair:** Order. Mr. Perkins, colleagues, order.

I've warned you before. This has happened before. It's not a back-and-forth, even if Mr. Turnbull is asking you a question.

I'll give you the floor, but I have Mr. Badawey first.

Are you done, Mr. Turnbull?

**Mr. Ryan Turnbull:** No, I wasn't quite finished.

There's something I learned in the procedure and House affairs committee called the Simms protocol, which you can invoke, at times, to have these informal exchanges, but I did not give permission to cede the floor to Mr. Perkins. He just jumped in and interrupted me, but that's fine; we're used to that at this committee.

When the witnesses who are public servants, who I think do a great job and work very hard every day to serve in their capacities, commit to providing documents and information that was requested by the committee, I'm not sure that we need to have a motion to compel them to do something they've already voluntarily agreed to. That's my issue with this motion. I'm just not sure what the rationale is, other than the political motivation that might be behind it.

That's all I have to say for the moment, Mr. Chair, but I think I will have more to say on this in just a moment.

• (1005)

**The Chair:** Thank you.

Go ahead, Mr. Badawey.

**Mr. Vance Badawey (Niagara Centre, Lib.):** Thank you, Mr. Chair.

This is not to repeat what Mr. Turnbull alluded to with respect to the expectation of documents being brought forward, which was already confirmed by the witnesses. I want to add that it was also mentioned within the testimony by the witnesses that the ministry is in the process. Ms. Hamel mentioned this earlier.

I can appreciate that you were trying to get as much out as you could, because the process is, to some extent, still under way. You haven't finalized it yet.

With respect to the strategy for meaningful reductions, this government has put forward a mandate to put together a strategy—with respect to your department—for meaningful reductions from the credit card companies.

We've heard a lot of testimony and we've seen a lot of recommendations come out. For example, our government recently negotiated an agreement with credit card companies to provide lower credit card transaction fees for small businesses. Obviously, this will have a benefit for small businesses. We get that. The unfortunate part about it is that not all companies are adhering to what our expectations were.

I look forward to some of that information coming back to us from that strategy, and possibly legislation that will be based on that strategy. Legislation, quite frankly, might be needed to ensure that our expectations are met when we're passing down new negotiations with credit card companies to lower credit card transaction

fees for small businesses. The bottom line is that if companies don't adhere to that, we have to find a mechanism so that they do.

I'm hearing today that not all of them are—there's one in particular—and that just simply pisses me off. That can't be, because we have an expectation and a reason for putting that mandate forward. With that said, of course it should be followed.

Once the process is completed, and with respect to transparency and further deliberations with our stakeholders, I can only expect that a lot of the documents that have been asked for at today's meeting will be passed on so that we can continue that discussion and make sure we get it right. With that, the production of documents would be more fluid.

It was actually going to be part of my questions to you, if I had had that opportunity. Obviously, I'm having that opportunity taken away from me now. I'm trying to get it into my comments to you now for further discussion in the future.

This is the last point I want to make. We often see in government that we move forward based on conversations we have with our stakeholders. By the way, our most important stakeholders are Canadians—businesses, yes, but more so Canadians—who are impacted by what businesses and others do that affect their lives.

Unfortunately, we see a lot of the time that Canadians find themselves simply doing what they have to do to get by. They're forced into these situations. Therefore, what we try to do is mitigate their being put in these situations, or when they're put in those situations, we try to mitigate the effects of what they will resort to. Unfortunately, we have companies that take advantage of that. We then react to that, so we're reacting to reacting.

With all of that said, as we're moving forward with this motion, Mr. Turnbull alluded to the fact that you are going to.... Whether it be through the process of the strategy, possibly the process of new legislation or simply getting this done, I can only expect that this information will come down to us, regardless of whether it's through a motion or the process itself.

Ms. Hamel, you referred to this earlier. I can't ask you that question right now and get a yes or a no. I can tell by the looks on your faces that the answer is yes, it is going to happen. However, I can't ask you that right now because we're talking about a motion.

I think it's safe to say that we're going to receive that information. I'm not prepared to waste more time on this motion.

• (1010)

**Mr. Jeremy Patzer:** Let's vote, then.

**Mr. Vance Badawey:** Quite frankly, I don't appreciate the member across shooting his mouth off while I have the floor.

**Mr. Jeremy Patzer:** I'm just asking to vote.

**Mr. Vance Badawey:** He's a con man, so I can understand why he's doing it.

Mr. Chair—

**Mr. Rick Perkins:** I have a point of order.

**The Chair:** That's okay, Mr. Perkins.

Mr. Badawey, this is not language that I tolerate on this committee.

**Mr. Vance Badawey:** He's a Conservative man.

**Mr. Rick Perkins:** That's no more appropriate than saying "liberal".

**The Chair:** No, Mr. Perkins.

I will ask you to withdraw these comments. You cannot call another member a con man.

**Mr. Vance Badawey:** Mr. Chair, the other member shouldn't be treating members on the opposite side of the floor by shooting his mouth off while we have the floor.

**The Chair:** I agree, but what I'm asking you, Mr. Badawey, is to withdraw your comment.

**Mr. Vance Badawey:** Are we going to have that not happen?

**The Chair:** I will do my best to maintain order.

You're right, Mr. Patzer, and I've said to members many times over the course of the last three years—

**Mr. Vance Badawey:** I'd appreciate him stopping shooting his mouth off from across the floor.

**A voice:** I have a point of order.

**The Chair:** —that this is not the House of Commons, where you can heckle. This is a committee—

**Mr. Vance Badawey:** Thank you, Mr. Chair.

I'll withdraw that comment.

**The Chair:** Thank you, Mr. Badawey.

**Mr. Vance Badawey:** If I can finish, Mr. Chair, to the committee and, more importantly, to the witnesses, again, I appreciate your testimony today.

I appreciate that you are, Ms. Hamel, going through a process right now. I would only expect that once that process is complete, we can continue the dialogue we're having today. I do appreciate the comments from the other witnesses who gave testimony and are going to add to this overall process.

With that, Mr. Chair, again, I agree with Mr. Turnbull. With the process still to be undertaken and the information that's being asked to be produced under the motion, this is simply a waste of time, and therefore I won't be supporting the motion.

**The Chair:** Thank you, MP Badawey.

MP Turnbull, go ahead.

**Mr. Ryan Turnbull:** Standard practice in most committees that I've been to, even when inviting witnesses or asking for documents, is that the first step is often to ask for those documents, which we did in this committee. I think the officials agreed to provide the exact same information, with one exception, which I'll talk about in a moment. That is item (c) in this motion, which I think is problematic.

What's interesting is that the committee members seem to be overzealous in jumping right into compelling our public servants

here, who have offered to provide the very information that's being requested, in most cases, in this motion. Jumping to compelling them to do so is an overexertion of.... The committee can use its power to compel documents, to subpoena and to exert its authority as a parliamentary standing committee, but when it needs to do so.

I think we should be reserving that step for moments when we really feel that witnesses or individuals.... We've seen this with witnesses whom we've invited to the committee and we've issued numerous invites. They get slightly stronger in their language, basically saying, "Look, if you don't come willingly, we're going to compel you to do so."

It's a process. We don't usually jump to saying, "You have to do this" without going through the previous steps. When we have witnesses who are sitting here and are saying, "Yes, we will provide the information," that to me is just an abuse of our parliamentary power. That's my first argument.

The second point I want to make is that Mr. Masse said on the record that he was not asking for cabinet confidence advice to ministers. That's exactly what is being requested in this motion, so if Mr. Masse is supporting this motion but said on the record that he doesn't—

**Mr. Brian Masse:** I have a point of order, Mr. Chair.

**The Chair:** Mr. Masse, go ahead on a point of order.

**Mr. Brian Masse:** I just want to remind the parliamentary secretary, as he wraps himself in the public service flag, that they also blocked whistle-blower legislation for public servants, refused pay equity and made racialized workers go to the Supreme Court to actually have their cases approved—

**The Chair:** Mr. Masse, I'm not sure that's a point of order. It sounds more like a point of debate.

On that note, colleagues, we're nearing the end. It's 10:14.

• (1015)

**Mr. Rick Perkins:** I have a point of order. A cabinet memorandum...a memorandum to a minister is not a cabinet document, just so you know the difference—

**The Chair:** Mr. Perkins, you don't have the floor. Mr. Perkins, I have the floor, and I'm the chair.

This is the end of this committee meeting. If you want to bring this motion back, you can move to resume debate at the next meeting, which will be after constituency week. That is when we will come back on Bill C-27, as a reminder, colleagues.

[*Translation*]

Ladies and gentlemen of the witness panel, we thank you for taking part in this exercise. We are very grateful to you. A parliamentarian's life is not always simple, as you know. We thank you for the work you do for Canadians.

With that, I wish you a good day.

The meeting is adjourned.







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