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# Standing Committee on Industry and Technology

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Chair: Mr. Joël Lightbound





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• (0815)

[Translation]

**The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):** I call this meeting to order.

Good morning, everyone. Welcome to meeting number 141 of the House of Commons Standing Committee on Industry and Technology.

I would like to remind all members and all witnesses to review the instructions concerning the use of microphones and earphones, because this is a matter of everyone's health and safety, particularly the interpreters'. I would also like to take this opportunity to thank the interpreters for their work.

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

Today, we are pleased to have several witnesses with us. We welcome Alexandre Lampron, director, government affairs, for the Conseil québécois du commerce de détail, who is testifying by video conference. Thank you for being here, Mr. Lampron.

From the Convenience Industry Council of Canada, we have Jeff Brownlee, who is here in Ottawa.

[English]

From Interac Corp., we have Bryan Bossin, head of government relations and external affairs.

Finally, from Stripe, we have Brian Peters, director of public policy.

Thanks for joining us. As you all know, you will get five minutes for your opening remarks, and then we'll start the discussion.

[Translation]

Without further ado, Mr. Lampron, the floor is yours for five minutes.

**Mr. Alexandre Lampron (Director, Government Affairs, Conseil québécois du commerce de détail):** Thank you, Mr. Chair.

Good morning, members of the committee.

I would first like to thank the committee for allowing the CQCD, the Conseil québécois du commerce de détail, to present its views on credit card practices and the regulation of credit cards in Canada.

I would like to remind you that the CQCD is the most important player in the retail ecosystem in Quebec. Its membership consists of 45,000 businesses throughout Quebec, some of whom have their headquarters here in Quebec, that employ over 483,000 people.

Credit card issues are nothing new for us, but we think it is important that we reiterate our views. First, contrary to popular belief, using payment cards, especially credit cards, does not come without a charge. Fees are billed to the retailer for using these services. We believe this is a disguised private tax that penalizes all retailers and consumers.

Our first proposal is therefore to ask the federal government to limit credit card transaction fees to the same rate as in Europe, which is 0.5%. More than 27 countries, such as Australia, France and Germany, to name just those few, have capped that rate at 0.5% for what is now approaching ten years. In fact, there is a consensus among organizations that represent retailers in Canada that these fees need to be capped right away.

By keeping interchange fees so high, the government contributes to further impoverishing consumers and our economy. These fees have an influence on the price of the goods sold in stores by adding to the retailer's operating expenses. This puts further upward pressure on the prices charged in the retail trade. In 2023, the federal government signed an agreement with Visa and Mastercard to reduce credit card interchange fees for small businesses. This came into effect last Saturday, October 19, 2024. The problem has not gone away, however. Fees are still too high compared to the target we are asking for. The CQCD also believes that the interchange fee reduction should apply to all retailers and not just small businesses.

No retailer, regardless of sales volume and size, should have to finance the credit cards' and banks' marketing programs. We acknowledge that credit card issuers are entitled to pay and bill the costs of the digital system that is needed for setting that system up. However, we have serious reservations regarding the need to keep fees so high where a system has already been put in place. The CQCD believes that retailers are being held to ransom.

The practice of paying cash is disappearing. Smart phones are also making paying in cash increasingly rare. Electronic payment has exploded. The “2024 Canadian Payment Methods and Trends” report released by Payments Canada in October confirms this. In 2023, retail payment transactions by card amounted to 63%, or almost two thirds, of the total volume of payments: 33% by credit card and 30% by debit card. The CQCD believes that credit cards are an essential, easy-to-use tool.

However, issuers of “premium” credit cards offer cardholders points, rewards or special benefits. Because retail prices are going up for all consumers, the wealthiest people are earning more points on the backs of ordinary consumers, who have access only to a non-rewards credit card. This system is enormously unfair to retailers and consumers in Quebec and Canada. The cost of points programs should be borne by the people who benefit from them. At present, it is lower-income retailers and consumers who are ultimately suffering the harm. Our second proposal is therefore to recommend that the federal government apply the user-pay principle and require transparency when it comes to the costs associated with these programs.

In conclusion, the CQCD advocates capping credit card fees at 0.5%, whatever type of credit card is chosen by the customer. This is also one of the recommendations the CQCD made in its brief during the federal government's 2022-23 pre-budget consultations.

• (0820)

Action to ensure better control of credit card fees for all retailers would be beneficial for several reasons: greater fairness among consumers, an injection of funds for retailers and into the Canadian economy, enabling retailers to offer better prices, and better competitiveness generally for our businesses.

Thank you for your attention.

**The Chair:** Thank you very much for your very clear and concise presentation, Mr. Lampron.

I will now give the floor to Mr. Brownlee from the Convenience Industry Council of Canada.

[*English*]

**Mr. Jeff Brownlee (Vice-President, Stakeholder Relations, Convenience Industry Council of Canada):** Thank you, Mr. Chair and members of the committee, for your time today.

On behalf of Canada's 22,000 convenience stores, which employ 188,000 people in communities across the country, I want to highlight the significant costs credit card fees are to the daily operations of our retail stores.

In a nutshell, these fees, second only to payroll, have a direct impact on our ability to invest in our stores and the workers who serve Canadian communities 24-7, 365.

Convenience matters to communities. Recent data collected by our industry found that six out of 10 Canadians—by the way an overwhelming majority under the age of 40—believe convenience stores are important to meeting their weekly needs. Canadians also believe that our stores are responsible, safe and trustworthy, all at-

tributes that we definitely take a lot of pride in. While we are essential to so many Canadians, they may not know that convenience stores collect more taxes than any other retail sector.

Unlike your local bakery, coffee shop or clothing boutique, which collect about 13% in HST, convenience stores collect approximately 48% in tax because we sell high-tax products such as lottery, fuel and tobacco. To put this into perspective, our members collected more than \$11 billion in taxes last year just for the federal government alone. That works out to about \$525,000 per store.

Adding to this is the shift to touchless digital payments. More than 70% of all gas purchases at our retail outlets were made by credit card last year and that number is increasing daily. Contactless payments are the new normal for our stores, and that means new pressures for our businesses.

Convenience stores also face what we call a double whammy with credit card fees. Not only do we pay an interchange fee on the products sold, but we also pay interchange fees on the taxes applied to those products. That means our retailers are swamped by excessive fees that punish our stores for no other reason than to be tax collectors for government.

Regrettably, a 2019 promise to eliminate interchange fees from the tax portion of retail sales remains unfulfilled. The result is that each convenience store is out of pocket close to \$14,000 annually, courtesy of the tax portion of sales made by credit cards.

Some committee members may be wondering why our stores do not surcharge customers to help offset these rising costs. The answer is simple: competitiveness. If we want to compete with big box stores and offer products at prices customers demand, our members have no other choice than to absorb the cost of collecting taxes.

I also want to be extremely clear that recent changes to cap interchange fees for small businesses will not help the convenience store industry. This measure only helps the smallest of businesses, micro-businesses, in Canada and leaves out our mid-sized operations. What's worse is that large corporations like Walmart and Costco have the negotiating power to demand better rates with credit card companies and processors, leaving a huge swath of SMEs without any solution to this growing business cost.

I also want to make it abundantly clear for committee members that these fees have a direct impact on the survivability of our stores. Last year in Canada 1.5 convenience stores closed their doors every day. The majority of these unfortunately are located in rural and remote areas where corner stores are often the sole place for essentials for Canadians.

Our stores are urging decision-makers to take action on this issue. Convenience store owners should not be out-of-pocket because they are required to pay interchange fees on taxes. That's not only unnecessary, but that's also just bad policy.

Removing the interchange fee from the tax portion of sales could be done via a tax credit for qualifying businesses where retailers are reimbursed for the fees they pay exclusively on the tax portion of sales.

Of course, we would welcome a broad-based fee reduction, but that must be accompanied by strict rules that prevent acquirers from passing through additional costs directly to the merchants.

To conclude, it is absolutely perverse that an essential industry like convenience stores/gas stations are paying out-of-pocket for the privilege of collecting taxes. Imagine if Canadians were told that the federal government was going to charge taxpayers a 2.5% administrative fee every time they remitted their taxes. There would be outrage. Quite honestly, we fail to understand why there's no similar concern for our local businesses, which are an entry point to entrepreneurship for so many, including many new Canadians.

Thank you for your time today. I'd be happy to answer any questions.

● (0825)

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

We'll now turn it over to Interac.

Mr. Bossin, the floor is yours.

**Mr. Bryan Bossin (Head, Government Relations and External Affairs, Interac Corp.):** Mr. Chair, good morning. Thank you for the opportunity to address this committee on behalf of Interac Corp.

Interac is a Canadian-founded, owned and operated payment network and financial technology company. We're proud to be celebrating our 40th anniversary this year.

Most Canadians are familiar with our brand and products. What some people don't know is behind our familiar logo is an intricate network that is used to facilitate payments more than 20 million times every day. Our network ensures that Canadians can easily access their money securely and at low cost from coast to coast.

During my remarks I'm going to provide an overview of how our network operates and focus on two key priority areas for Interac: our commitment to providing low-cost payment options and our focus on upholding trust and security.

The Interac debit network powers payments made at over 500,000 merchants, including at point-of-sale, online and mobile payments. The Interac e-transfer service enables businesses and consumers to easily send or request money from one bank account to another anywhere in the country. Last year, Canadians completed more than 6.6 billion Interac debit transactions and 1.2 billion Interac e-transfer transactions.

Paying rent, buying groceries and sending money to friends and family: this is what Interac helps people do. Interac products are

known for being low-cost options to make and accept payments. Our fees are structured to support small businesses, helping them control costs while offering their customers easy and secure payment options. It's for this reason that organizations such as the Canadian Federation of Independent Business have noted that Interac debit has served businesses well for decades.

It's important to note that credit card payments do not travel over the Interac network. The differentiator is that we provide Canadians with the ability to pay and exchange funds directly from their own bank account.

Over 300 financial institutions, from large banks to small credit unions, participate on the Interac network. Financial institutions maintain banking accounts and issue debit cards to their customers. Payment processors provide merchants with the hardware and software to accept Interac payments. What this means is we are able to serve consumers and businesses in all parts of the country.

Given the important role Interac plays in the lives of Canadians, security and trust are not just a priority, they are at the heart of everything we do. We're proud of the fact that Interac has been named the most trusted financial services brand in Canada for multiple years. Through world-class fraud controls and following national and international payment standards, we safeguard the financial transactions of millions of Canadians. We value the trust Canadians place in us and do not take this trust lightly.

Amid a rapid increase in online services, Interac plans to lead Canadians to digital prosperity. We know this will require an even more intensive focus on fraud mitigation and delivering innovative products that meet Canadians' needs. Ease of access, low cost, safe and secure transactions: this is Interac's unique value proposition.

We remain steadfast in our aim to enable Canadian consumers and businesses to participate in the digital economy in a way that powers their success.

Thank you for your time. I look forward to answering any questions you may have.

● (0830)

[*Translation*]

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

I will now give the floor to Mr. Peters, the representative of Stripe.

[*English*]

**Mr. Brian Peters (Director, Public Policy, Stripe):** Thank you for the opportunity to speak to the committee today.

Stripe is a technology company that builds economic infrastructure for the Internet. Businesses of every size, from small start-ups to public companies, use our technology to accept payments, fight fraud and manage their businesses online.

Stripe began operations in Canada just over a decade ago. At the time, one of the biggest challenges for online businesses was accepting payments, which we simplified with just seven lines of code. Since then, our platform has grown to provide a range of services, including fraud detection, in-person payments, subscriptions, calculation of tax and more.

We are proud of our ability to support Canadian companies, who have grown their payment volume on Stripe more than 50% in the last two years. Last month we announced a new Toronto office. We are also hiring to support thousands of Canadian businesses.

Canada is an increasingly competitive payments market. At last count, there were over 50 companies offering payments processing, from major banks to well-known technology companies and specialized players. Of the fees that companies like Stripe charge for card payment processing, the vast majority, 80% to 90%, goes to the bank that issued the card. The remainder is used to cover the processor's costs, including liabilities for fraud or other losses that we bear.

In December 2023, Visa and Mastercard announced that they would lower certain credit card interchange fees for a subset of small businesses in Canada. Card network scheme fees and interchange fees vary based on more than 50 factors, including type of card, transaction type and industry category. They often decrease and increase multiple times a year.

Stripe offers two pricing models. The first is interchange-plus pricing, where network fees and other costs are passed through to the businesses. Stripe is passing the recent interchange reduction to businesses on this pricing model. The interchange-plus pricing model also exposes businesses to price increases, some of which have been material recently.

The second is standard pricing. This is our flat rate model that does not change with the transaction-level network cost fluctuations. Our goal with standard pricing is to make it seamless for small businesses to get started and accept payments. This pricing model is simple and predictable. It allows small business owners to focus on running their business.

Stripe's standard pricing also helps small businesses grow, because it includes value-added services that combat fraud and improve credit card acceptance rates, and updates card details to reduce churn. Businesses using Stripe's latest checkout suite saw 11.9% more revenue on average.

Over recent years, Stripe's flat rate standard pricing has shielded businesses from processing costs that have increased overall. In the last year alone, Stripe's costs for credit card processing in Canada for businesses on standard pricing increased by 0.036%, primarily due to recent tax-related changes. By comparison, the small business interchange reduction is about 0.02% when averaged across Canadian businesses on Stripe's flat rate standard pricing. This means costs have increased in aggregate. However, businesses on our standard flat rate pricing will see no changes to their costs. Stripe's standard pricing for domestic card payments hasn't changed in over eight years.

Across Canadian businesses on Stripe's flat rate standard pricing, the annual interchange reduction collectively makes up less than

one-tenth of one per cent of the total \$1-billion reduction promised by the government.

When we saw the news of the interchange fee reduction for a subset of small businesses, we thought long and hard about the best approach. For our interchange-plus pricing, it was a straightforward decision to pass on the reduction to users. That's how that pricing model works. For flat rate pricing, we concluded that the predictability and simplicity of a single price is more important than a small reduction. If we were to start passing through cost changes to all users, it would effectively be the end of flat rate pricing. We believe this would be to the detriment of businesses who have chosen Stripe for predictable prices as well as the many other services we provide.

We're deeply committed to Canada. We continue to compete energetically in the market and invest in technology to help Canadian businesses grow, export and manage their revenue.

• (0835)

Thank you, and I do look forward to your questions.

[*Translation*]

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

To start the discussion, I will give the floor to Mr. Perkins for six minutes.

[*English*]

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

Thank you, witnesses, for being here at this early start in the morning.

My first question is for Mr. Brownlee.

Mr. Brownlee, you represent convenience stores, small businesses across the country. We've had testimony, and most people know that these merchant fees range between 1% to 3%. On average, what do your businesses pay as a percentage of sales, the merchant fee that charges a percentage of sales?

**Mr. Jeff Brownlee:** It varies by store and by banner. Let's use gas for an example. It can range anywhere from 1¢ to up to 6¢, depending on what's going on.

I'll give you an example. Last year, the fees were so high that in Atlanta Canada, where they have regulated margins on fuel, a lot of the retailers out east were offering discounts of up to seven cents per litre if you paid by Interac debit or by cash.

The fees are pretty astronomical in what we do, in what our banners go through on a daily basis, but the reality is, though, that we are just very unique because of the nature of the products we sell.

Taxes are layered a lot on fuel, whether in—

**Mr. Rick Perkins:** I understand that. I'm sorry to interrupt, but my time is limited.

The upper end generally is about 3%. Is that right?

**Mr. Jeff Brownlee:** It is. That's correct, but it depends. That doesn't take into consideration some of the premium plans for some of these cardholders because, as Mr. Lampron said in his opening, basically, the points are on the backs of the retailers.

**Mr. Rick Perkins:** Yes. I get it.

Mr. Peters, Stripe has been very successful. I've read in the Financial Times and other places that you grew by 25% last year overall globally. You just said that, I think it was in Canada, you grew by 50% in the last two years. Is that correct?

**Mr. Brian Peters:** Companies on Stripe have seen their payment volume grow by 50%.

**Mr. Rick Perkins:** Okay. It's by volume.

**Mr. Brian Peters:** It's the companies we support that have grown.

**Mr. Rick Perkins:** You're fairly successful. I know that as a private company, some of the stuff is not public. I understand last year the global revenue may have been around \$14 billion. Can you tell me what the revenue was in Canada for Stripe last year?

**Mr. Brian Peters:** We don't confirm or discuss private financials.

**Mr. Rick Perkins:** Your operating profit margins, none of those things you will disclose publicly. It's very difficult to understand, where other of your competitors are public, what your profit margins are, but it's a fairly profitable business because it's an electronic business, you said, and you're very proud of your growth.

When you make the decision to say no to the government on their claim that they're lowering merchant fees, in your management structure, where does that go? Does that go beyond Canada? Does that involve your head office, which I believe is in California?

**Mr. Brian Peters:** Our management team is spread around. We're over 100 employees in Canada. We're a distributed workforce, but the decisions—

**Mr. Rick Perkins:** Where are the decisions made?

**Mr. Brian Peters:** Decisions are made collectively by individuals from a range of offices and locations across North America and around the world.

**Mr. Rick Perkins:** When you make a major decision like that to basically defy the Government of Canada, does that get discussed at your board?

**Mr. Brian Peters:** This pricing decision was not discussed at the board level. The board was not involved in this.

**Mr. Rick Perkins:** The board was not involved. Okay.

I'd like to go back to this issue of the claim that you provide this great flat rate pricing. According to your website, your flat rate pricing in Canada is 2.9% plus a 30¢ fee. Is that correct?

• (0840)

**Mr. Brian Peters:** That is correct.

**Mr. Rick Perkins:** Therefore, 2.9% of the value of the transaction gets charged. As the value of that transaction rises, the value of the revenue, or the amount of revenue the overall system gets, also rises, but the cost of the transaction doesn't really change. It's an electronic transaction. Therefore, as you go up, you're making more revenue, which means that your profit margin probably goes up the more expensive the transaction is. Is that correct?

**Mr. Brian Peters:** Actually, that's incorrect. When costs go up, we hold that flat rate the same. Like I said, costs have gone up. This year, costs are net up. Costs fluctuate. Card network costs fluctuate all of the time. There are hundreds of different fluctuations.

**Mr. Rick Perkins:** When it's based on the price of the goods, the amount of money that comes in on the transaction rises every time. If I go from a \$100 transaction to a \$200 transaction, the revenue you get on a \$200 transaction in numbers is more than you get on \$100.

**Mr. Brian Peters:** On a percentage basis that's true. However, our percentage has remained the same for eight years.

**Mr. Rick Perkins:** Of course. As inflation drives costs up and transactions go up—and we've seen massive inflation—you get a massive revenue boost without having to change your prices.

**Mr. Brian Peters:** Actually, we've held our price the same for eight years.

**Mr. Rick Perkins:** No, you've held your percentage the same. Your revenue is not the same. It's growing exponentially because of inflation and because the cost of the basket size that gets charged goes up. It's a false claim to say that you're not making more money.

Why is it that when you're making that much more money...? Are you that much less efficient than your competitors like Moneris and others, which have agreed to this price change? You're refusing to do it. Are you that poor a company in your technology that you can't take this modest price cut?

**Mr. Brian Peters:** We've held our price the same for eight years. I can't think of many other products where the prices have stayed the same for eight years.

**Mr. Rick Perkins:** Your competitors are lowering the price and dealing with the competitor. You're saying it's because your costs have gone up. Why do your costs go up when theirs haven't?

**Mr. Brian Peters:** In my opening remarks, I pointed out two things. Yes, net costs are up. The flat rate shields those businesses from what would otherwise be a cost increase.

We are also taking a principled position in support of simple pricing. Our concern with the government's announcement—

**Mr. Rick Perkins:** You're taking a principled position in terms of keeping and maintaining the growth in your profit margin and your revenue and not passing it on. Other companies, who are your competitors, are respecting the fact that, unlike Europe and other places, we charge high merchant fees here.

You're unwilling to do what Moneris, TD capital, Chase merchants or Global Payments are doing.

You're not the only one. There are other companies that have remained silent. It's incredible to me that when your revenue goes up as inflation drives the basket up, you're unwilling to say, "We're making a lot of money here, so we're going to participate in making it easier on all of the merchants in this country in doing this."

Maybe it's just because Canada is small for a global company like yours that is operating around the world, so you don't care about what the government, taxpayers and businesses need here, as long as you can keep going at your 2.9%, which is the most expensive, as we've just heard, in the industry. It's 1% to 3%. You're at the high end of the charging. You have lots of room to cut.

**The Chair:** Thank you, Mr. Perkins. We're out of time. We're way over time, actually.

MP Arya, the floor is yours.

**Mr. Chandra Arya (Nepean, Lib.):** I will also continue on the same line as Mr. Perkins.

What percentage of your revenue comes from your standard pricing? What percentage comes from the interchange-plus pricing model?

**Mr. Brian Peters:** As much as I would love to discuss that, it is sensitive business information. It's commercial information.

**Mr. Chandra Arya:** Again, you just said that you have been maintaining the same cost for the last eight years. During the last eight years, what is the volume of growth you have seen?

**Mr. Brian Peters:** The businesses operating on Stripe have grown significantly. We're proud to support them and help them increase their sales.

**Mr. Chandra Arya:** What is the volume in terms of the percentage of growth that you have seen during the last eight years?

**Mr. Brian Peters:** It's significant growth. The businesses on Stripe are doing quite well.

**Mr. Chandra Arya:** How significant is it?

You keep saying that you have kept the same price constant for the last eight years. Suppose I've been charging something for the last eight years at 1%. If my volume is growing from \$100 million to \$500 million to \$5 billion, then that 1% is pretty good.

You're refusing to say.... You're saying that you are going to standard pricing, which is good for all of your clients, but you're not letting us know what percentage of your revenue comes from that model and how much the volume has gone up.

You say that whatever the government announced is a small difference. Then why don't you accept the small difference and bring

it in? If your volumes were constant for the last eight years, I would agree. I would appreciate that you have kept your pricing constant for last eight years. That is not the case.

I don't understand the rationale. You say that whatever the government has done is a small difference. Why don't you pass on what you call a small advantage to the businesses?

• (0845)

**Mr. Brian Peters:** Because of the announcement of the government, the expectation is effectively that we would have to split our customers into two different groups. They have chosen winners and losers, and the expectation is that we would—

**Mr. Chandra Arya:** I'm sorry, Mr. Peters, but they have not chosen winners. They have chosen small businesses versus large businesses. They are saying that the roadside convenience store with the average sales volume of less than \$300,000 is different from Walmart. That's what they have chosen.

You are a global company. You said that your management team is all across the world. What is the interchange fee in Australia or in the European Union?

**Mr. Brian Peters:** Do you mean the specific fee charged by the networks in each region?

**Mr. Chandra Arya:** Yes. What is the cap imposed by the authorities in the European Union or Australia?

**Mr. Brian Peters:** Well, both regions have different policies that affect interchange costs.

**Mr. Chandra Arya:** Okay. If I say it is 0.5% in the European Union, am I closer to the correct number?

**Mr. Brian Peters:** The average interchange in Europe is approximate to that.

**Mr. Chandra Arya:** Why is it so high in Canada? Why does it have to be so high in Canada?

**Mr. Brian Peters:** I don't think there's anything that suggests it has to be so high here either.

**Mr. Chandra Arya:** When the government makes what you call small changes—the government may disagree—why are you unwilling to pass on those small changes?

**Mr. Brian Peters:** It is such a small amount that if you ask a small business whether they would prefer to lose a simple, predictable price or take what in many cases on average would be just—

**Mr. Chandra Arya:** Mr. Peters, I too came from business. I understand. Standard pricing is an easy thing to understand. To make a small change is also easy. Again, you can give it to all across the customers' base.

Anyway, with my limited time, Mr. Brownlee, what are the average annual sales of your members?



**Mr. Jeff Brownlee:** For annual sales, average sales are about \$2.4 million. When you average it out, it does skew because there are small of small and large of large, but the average is \$2.4 million.

**Mr. Chandra Arya:** You listened to Mr. Bossin of Interac. Do you agree with him that they have been much appreciated by the small businesses?

**A voice:** Interac, yes.

**Mr. Chandra Arya:** More Interac transactions mean less credit card interchange fees.

**Mr. Jeff Brownlee:** Absolutely.

**Mr. Chandra Arya:** Good. What is there that we can do to increase those transactions? Obviously, we can't go back to cash.

**Mr. Jeff Brownlee:** That's consumer driven. Let's be honest. When you get one and a half times the points for filling up at a gas pump, you're going to use your credit card, plain and simple. Of course, from our perspective, as I mentioned earlier, in the example this summer in Atlantic Canada, the retailers were offering a huge discount to those not using a credit card for gas.

**Mr. Chandra Arya:** Mr. Alexandre Lampron mentioned that. He rightly said, and I agree with him, something to the effect that the points and rewards must be paid by the ones who benefit, not by the ones who don't benefit or who don't care about it, right?

**Mr. Jeff Brownlee:** In theory, yes.

**Mr. Chandra Arya:** What is it we can do to change the system there? Right now, a campaign has been started by the institutions who have the money power to launch an email campaign, saying, "I don't mind paying high fees. Protect my points." I know that is something that has been pushed by certain segments, but that is not the general view of the people.

Mr. Peters, do you pay income tax in Canada for all the revenue you generate in Canada?

• (0850)

**Mr. Brian Peters:** I'm not part of our tax team. I would actually like to get you that information if it's okay.

**Mr. Chandra Arya:** Please get me that information. Thank you.

My last question is for Interac.

What is it the government can do to encourage more Canadians to use systems like Interac?

**Mr. Bryan Bossin:** At Interac, our focus is on helping Canadians to access their money from their bank account and to pay or transfer money in ways that they would like. As I said, we've been working to implement different solutions, including mobile payments.

**Mr. Chandra Arya:** Can you tell us what it is the government can do to increase awareness of the usage of systems like Interac?

**Mr. Bryan Bossin:** Something that we focus on each and every day at Interac is how we help make sure there's awareness of options to pay. We work with organizations, as I said, like the CFIB to get the message out there to help businesses understand the options they have available to them and how to accept payments with Interac that support their business.

[*Translation*]

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

Mr. Garon, the floor is yours.

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

I would like to welcome all the witnesses and thank them for being with us today.

Mr. Lampron, before asking you a question, I am going to begin with an introduction. When I hear the government say there have been agreements with Visa and Mastercard to lower interchange fees, I feel like I am in a Kafka novel where we are made to believe that prices are going down. When I hear my Conservative colleagues ask why Stripe has not granted merchants cost reductions, I feel like I am living in a science fiction movie. There was no agreement. The government simply asked the credit card issuing companies nicely to propose something, and it accepted more or less anything so as not to have to regulate.

Mr. Lampron, your organization has been asking for interchange fee regulations for years, in every pre-budget consultation, and the Bloc Québécois supports you.

I am going to ask my question in the form of an example. All these agreements between Visa or Mastercard and merchants apply only if a business has sales totalling over \$175,000 or \$300,000. Suppose you have a restaurant. You have 20 tables with four seats per table. You serve meals three times a day, which makes 240 meal services a year. You are open six days a week, 50 weeks a year, which makes 300 days a year. So you serve 72,000 meals a year. To be eligible for the agreement with Mastercard, you have to sell each of your meals for \$2.43 or less. To be eligible for the agreement with Visa, a more generous and magnanimous company, each of your meals has to cost less than \$4.16.

Can you confirm that these agreements are smoke and mirrors, that the government simply decided to mislead the public and let people believe it had done something, and that as of today, the issue has absolutely not been resolved?

**Mr. Alexandre Lampron:** Thank you for your question, Mr. Garon.

As you said, that is kind of why, every year, for several years, we have hammered home the need to limit credit card transaction fees to 0.5%. We believe that any higher percentage makes no sense and we want to see a rate of 0.5%. Australia, which is comparable in size to Canada, has had a rate of 0.5% for a number of years. As we said earlier, lower-income people should obviously not be paying for higher-income people who accumulate points with their credit cards. The important thing for us is the 0.5%.

**Mr. Jean-Denis Garon:** What has been shown is that these agreements do not apply to anyone, except maybe a hairdresser working out of their home. There are no agreements.

Mr. Brownlee, I am going to do the same exercise with you. You represent convenience store owners. Assume that the average customer—which is not the case, I am being very generous with Visa and Mastercard—buys a bag of chips for \$8.00, a can of Coke for \$5.00, and a 6/49 lottery ticket for \$2.00. By my calculation, to be eligible for the agreement with Mastercard, the merchant must not take in over \$480 per day. To be eligible for the agreement with Visa, the merchant must not make more than \$625 in sales a day. In a convenience store open 18 hours a day year-round, if more than one person buys a can of Coke every 30 minutes, no merchant is eligible.

Explain how these agreements serve any purpose for your members.

• (0855)

[English]

**Mr. Jeff Brownlee:** They aren't. We don't qualify.

[Translation]

**Mr. Jean-Denis Garon:** When I say we are in a science-fiction movie, that is kind of what I mean. On the one hand, you have the Liberals asking merchants why they have not lowered prices for consumers. It is because costs have not gone down. On the other hand, you have the Conservatives asking Stripe why the company has not passed the cost reduction on to consumers. It is because costs have not gone down. Costs have absolutely not gone down.

Mr. Brownlee, can you confirm that the percentage of your member merchants who are eligible for these agreements, which have been imposed by the multinational corporations, is approximately 0%?

[English]

**Mr. Jeff Brownlee:** Yes, exactly.

[Translation]

**Mr. Jean-Denis Garon:** Mr. Lampron, what percentage of your member retailers are eligible for these agreements? Would it be in the neighbourhood of 0%?

**Mr. Alexandre Lampron:** I don't have the answer to that question, unfortunately, but it is definitely going to affect a large number of businesses at present. As I said earlier, the Conseil québécois du commerce de détail represents almost 45,000 businesses in Quebec. That actually is a huge number of businesses that could benefit from this measure, but definitely there are a lot of people—

**Mr. Jean-Denis Garon:** It is certainly not a majority.

**Mr. Alexandre Lampron:** No.

**Mr. Jean-Denis Garon:** Right.

I have one last question for you, Mr. Lampron. We have retailers in our region, businesses that Quebeckers do business with every day, that have been on the front page: grocery stores and supermarkets, whose model is generally based on high volume but low profit margins.

When access to lower interchange fees is dependent on sales volume under these vaunted agreements with Mastercard and Visa, which are not agreements even though they get called that, it seems to me that businesses that have high sales volumes but low profit

margins are completely wiped off the map. It seems to me that grocery stores are completely left out of these agreements, the fact being that they are businesses where Quebeckers and Canadians go every day to buy food, where prices are high, and where significant inflation has been observed in recent years.

Do you not think this is a problem?

**Mr. Alexandre Lampron:** That is why we talk about unfairness in the current system. Right now, it makes no sense.

I reiterate: The reason why we are asking for credit card fees to be capped at 0.5% is precisely so it is fair for all merchants, not just small businesses as it is under the agreement announced in 2023, which came into effect only a few days ago. That is why we are asking that it apply generally to all retailers and all businesses.

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

Mr. Masse, the floor is yours.

[English]

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

Mr. Peters, you said, I think, that you have 100 employees in Canada. Is that correct?

**Mr. Brian Peters:** The last time I checked, we had over 100 employees, yes.

**Mr. Brian Masse:** Okay.

Where are they located?

**Mr. Brian Peters:** The last time I looked, they were located across, I believe, seven provinces. We had an office there previously, but we just opened a new, larger office in Toronto a few weeks ago.

**Mr. Brian Masse:** Okay.

What are your revenues in Canada?

**Mr. Brian Peters:** That is, unfortunately, sensitive commercial information that I'm not able to share.

**Mr. Brian Masse:** You can't share the revenue.

What would be the average salary remuneration per employee, then?

**Mr. Brian Peters:** We're a technology company, and we're always looking for the best talent. Many of the job openings we have in Canada right now are for engineering roles, and we're competing around the world for the best talent. Those are very high-paying jobs.

**Mr. Brian Masse:** What is the specific reason you can't share your revenue earned in Canada? I'd like to know specifically if that is a board directive, if that is your personal opinion or if that is from the CEO. Where does that directive to not share that information come from?

We know your percentages, but we're trying to figure out exactly what value Stripe and other finance companies bring to the Canadian economy, and we can't do that without getting an idea of your profit margin and the value of it.

Also, when you're talking about 100 employees across Canada, I'd like to have a comparison. I come from an area with tool-and-die manufacturing and so forth. We know all those things and we know what people do.

Can you tell me, for the 100 employees, what specific job categories you have? Also, again, getting back to the directive of why you can't share that information, where does it come from?

• (0900)

**Mr. Brian Peters:** There are a few questions there.

In terms of revenue growth, we exist primarily because of the success of the businesses in Canada that we support. Our growth is growth that goes along with their growth.

In terms of our ability to comment on information about our financials, that is a company-wide policy. It is set by management. We are a private—

**Mr. Brian Masse:** Okay, so it's up to management. Provide us the names and the addresses of the management people we can actually put that question to.

**Mr. Brian Peters:** I think they would tell you the exact same information. This is—

**Mr. Brian Masse:** Who are they? Give us their names and addresses so we can actually ask them.

**Mr. Brian Peters:** I would be happy to follow up with you. Perhaps in a more private setting, I can give you a little bit more—

**Mr. Brian Masse:** No, it's not a private setting. You're telling us right now under oath at a committee that there are management people who cannot disclose information. You know who they are. I would like to know who they are and the addresses, so that the clerk and our researchers can actually engage those individuals.

**Mr. Brian Peters:** I'd be happy to follow up with you, but I can tell you a company-wide policy.... We're a private company, and you're asking for private, sensitive business information. We are under no obligation to provide anything like that.

We would like to give you a deeper understanding of how our business works, and I would be happy to do that.

**Mr. Brian Masse:** I'm asking you right now. You were telling us you can't give us information.

This is a public hearing and I'm asking for specific information that is being denied to me.

I would like to know and, under our laws, I think I have the right to know, who is making that decision. I may not get that information but, at the same time, we, as a committee, should know who that person is and where they actually operate from. We should know who is making decisions that Mr. Peters is providing testimony for in front of us today.

I would like to know specifically why Stripe can't provide that type of information of where they actually operate from and who they are. I don't think that's going to compromise their company.

**Mr. Brian Peters:** Mr. Masse, I would be happy to give you a better sense of how we operate and where our employees are distributed around the world. Much of that information is actually on our website.

To the extent that I can give you some sort of broader understanding of the way our business works and, effectively, what we do to support small businesses, which is what I thought was the subject of the hearing today, I'd be happy to do that.

**Mr. Brian Masse:** It is, but the issue is that we have a cost issue being passed on to individuals like convenience stores—like Mr. Brownlee and others—and we're trying to get an understanding in terms of the value of Stripe and other types of businesses in this. All I'm simply asking is who actually runs Stripe in Canada, where they're located and how we contact them.

Mr. Peters, where do you work from? Where do you actually have your office?

**Mr. Brian Peters:** I'm responsible for public policy in Canada. I am a good point of contact for the committee and for any member of Parliament who would like to understand Stripe better.

**Mr. Brian Masse:** I asked where you actually work from.

**Mr. Brian Peters:** I work from Washington, D.C.

**Mr. Brian Masse:** Okay. What's the address in Washington, D.C.? You came in from Washington, D.C., to our committee, and I had to actually spend most of my time just to drill down on that point.

I'll conclude, Mr. Chair, that this is totally unacceptable. We can't even get an idea of Stripe in Canada without actually having to spend time on the committee like this.

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

Next is MP Rempel-Garner.

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

Mr. Peters, on your website, Stripe says it wouldn't be passing along the savings from the government's announcement with their deal with Visa and Mastercard to lower fees for small businesses on some pricing models due to their "credit card processing in Canada for businesses on standard pricing increased by 0.036% (or 3.6 bps), primarily due to the recent reintroduction of GST/HST taxes for certain card network scheme fees."

Has Stripe ever lobbied the Canadian federal government on this issue?

• (0905)

**Mr. Brian Peters:** I have been engaged with the Department of Finance on this, yes. When we first learned that this was under consideration, that there was a negotiation going on and that it would be, effectively, a reduction for a subset—

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

**Mr. Brian Peters:** What's that?

**Hon. Michelle Rempel Garner:** When did you interact with the government on that?

**Mr. Brian Peters:** I have been here in Ottawa multiple times over the past two years, so it was over a period of time.

**Hon. Michelle Rempel Garner:** Did that posture come from any direction from the board?

**Mr. Brian Peters:** No, it did not.

**Hon. Michelle Rempel Garner:** Stripe lobbies the federal government on a wide variety of economic policy including, but not limited to, taxation policy. Is that correct?

**Mr. Brian Peters:** We do engage in a number of areas, particularly areas that would improve competition and, overall, lower costs in the payment space. Things like open banking, access to the real-time rail—

**Hon. Michelle Rempel Garner:** Since he accepted the role of economic adviser to the Prime Minister, has Stripe required its board member, Mark Carney, to undertake any sort of preventative compliance measure to ensure that it does not run afoul of federal lobbying rules?

**Mr. Brian Peters:** I'm not engaged with the board.

**Hon. Michelle Rempel Garner:** But you would know, is there a preventative compliance measure to ensure that now you have a board member who is directly writing economic policy that ostensibly would benefit Stripe, that Stripe does not run afoul of federal lobbying rules?

**Mr. Brian Peters:** Again, I'm not engaged with the board, but I'll try to answer your question.

In this instance—

**Hon. Michelle Rempel Garner:** It's a simple yes or no, frankly.

So you don't know.

**Mr. Brian Peters:** I'm not engaged with the board.

**Hon. Michelle Rempel Garner:** But this would be a like a corporate—

**Mr. Brian Peters:** In this instance, the board was not involved with this decision.

**Hon. Michelle Rempel Garner:** I'll ask a different question.

Prior to Mr. Carney accepting the role of economic adviser to the Prime Minister, did Stripe contact the federal lobbying commissioner to proactively ensure compliance with federal lobbying rules?

**Mr. Brian Peters:** I want to make sure I'm precise on that, so if it's okay, may I please follow up with you?

**Hon. Michelle Rempel Garner:** Certainly. Will you be tabling that with the committee?

**Mr. Brian Peters:** I will follow up and work to follow up in the best way possible.

**Hon. Michelle Rempel Garner:** No, no, no. You will table that with the committee. You're not going to be backdooring me on this. You'll table that with the committee, yes?

**Mr. Brian Peters:** I'm not sure what that technically means. As I understand that—

**Hon. Michelle Rempel Garner:** Well, it means.... Do you realize that not complying with the Lobbying Act can be a criminal matter that is taken up with the RCMP?

**Mr. Brian Peters:** Again, I'll follow up and table it with the committee. I want to make sure we're precise on that.

**Hon. Michelle Rempel Garner:** Has the board ever discussed in Mr. Carney's attendance the impact of any sort of federal economic policy, including but not limited to taxation policy, on Stripe?

**Mr. Brian Peters:** Are you asking whether the board has engaged in public policy advocacy in Canada?

**Hon. Michelle Rempel Garner:** No. I'm asking whether the board has ever discussed the impact of Canadian federal economic policy, including but not limited to taxation policy, on Stripe while Mr. Carney was on the board.

**Mr. Brian Peters:** No, not to my knowledge. I'm responsible for public policy, and I'm not aware—

**Hon. Michelle Rempel Garner:** We will be putting forward a production order—

**Mr. Brian Peters:** —of any engagement by any member of our board.

**Hon. Michelle Rempel Garner:** —for this type of information, by the way.

**Mr. Brian Peters:** Excuse me. I'm sorry...?

**Hon. Michelle Rempel Garner:** Is Stripe not concerned about the optics of one of its board members making economic policy for the federal government without any sort of guardrail or proactive compliance measure to ensure that it doesn't run afoul of federal lobbying rules?

**Mr. Brian Peters:** Like I said, I'm not engaged with the board. In this instance, the board was not involved in the decision at question here in the hearing today, and—

**Hon. Michelle Rempel Garner:** So the board would never have discussed the impact. You have it right on your website that the reason you're not passing these savings along to small businesses is because of federal taxation policy. Ostensibly, that has an impact on business operations.

Just to be clear and on the record, you are saying that the board never discussed this type of taxation policy or any sort of federal economic policy impact on Stripe's operation.

**Mr. Brian Peters:** To my knowledge, no member of the board has engaged on behalf of Stripe on a public policy matter—

**Hon. Michelle Rempel Garner:** No, no. I'm asking if they discussed it, not if they lobbied.

Here are the optics, right? You have a member of your board who has a direct line to the finance minister and the Prime Minister, and now you are a beneficiary of a federal government policy. They didn't include any sort of caveat saying that you have to pass this savings along to small businesses.

Don't you think that looks a little sus?

**Mr. Brian Peters:** The board was not engaged in this decision. We don't see a conflict with respect to Stripe.

● (0910)

**Hon. Michelle Rempel Garner:** You have a board member who is the godfather to the finance minister's son and is the economic adviser to the Prime Minister and you are telling me that you don't know if you proactively put a compliance measure around this man, given the subject matter we are talking about today.

**Mr. Brian Peters:** You're asking me about board procedure. I'm not engaged with the board. I wish I could tell you more, clearly.

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

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

I understand that Mr. Peters is committed to tabling the information with the committee. That would be through the clerk. Thank you.

We'll now turn it over to MP Gaheer.

**Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.):** Thank you, Chair.

Thank you to the witnesses for appearing before the committee.

My questions are largely for Interac.

Mr. Bossin, I find that an increasing number of businesses in my riding and wherever I go are accepting Interac e-transfer as a method of payment. Do you have the data around what percentage of your total payments involve a business?

**Mr. Bryan Bossin:** We do examine the number of e-transfers sent by businesses. I don't have that right in front of me, but we can follow up with that information on numbers done by businesses.

**Mr. Iqwinder Gaheer:** I'm reading articles online about how that percentage has gone up over the years. Would you say that's correct? Are increasing numbers of businesses accepting Interac e-transfer as a method of payment?

**Mr. Bryan Bossin:** Yes. In line with the growth of e-transfer, which is about 1.2 billion transactions, an increasing share of that percentage has been made up by businesses.

**Mr. Iqwinder Gaheer:** What fees are involved for a business when they accept a payment through Interac e-transfer?

**Mr. Bryan Bossin:** It's important to be clear here. On the Interac e-transfer service, Interac provides the service to our customers, in this case the financial institutions. Those financial institutions are then responsible for determining pricing to their customers, whether those be businesses or consumers. Interac does not have a role in setting those fees. Our responsibility is to operate the network.

**Mr. Iqwinder Gaheer:** When I send an e-transfer to a friend, let's say, there's no fee involved. Whatever money I send is the money they actually get.

I wonder if it's the same for businesses, or whether there is a fee involved.

**Mr. Bryan Bossin:** It would be up to the business and their financial institution, based on their banking package.

**Mr. Iqwinder Gaheer:** I will say that it's a very convenient system to use.

I want to raise two points.

We live in an age of convenience. When I do an Interac e-transfer and have to add someone, I have to put in their name, email and phone number. If they don't have Autodeposit, I have to put in a security question and an answer. In an age of convenience, I feel people do not want to engage in those steps. They want something a bit faster.

Are you working on, for example, a QR code you can scan that autofills the form so you can immediately add a payee? Is Interac thinking about the interface?

**Mr. Bryan Bossin:** Sure. Again, this is part of how we've looked at our product development and product road map over the years. It's to see how we can make it easier for businesses, in this case, to accept payments.

There have been many innovations. You mentioned Autodeposit as one. We're eliminating the need to include a question and an answer. There are a number of things like this that we look at to make it easier for, in this case, businesses. We are seeing them using e-transfers more and more.

**Mr. Iqwinder Gaheer:** I think about a lot of small businesses in my riding of Mississauga—Malton. It has the second-biggest concentration of businesses in Canada after downtown Toronto, because it has Pearson airport and that whole area. A lot of them are run by folks like my parents, for example, who do not necessarily know how to navigate this sort of technology.

If that interface were made a little easier, I think you'd see an uptick in adoption of that technology. Maybe it's about having an education campaign on how Interac e-transfer works. With credit cards nowadays, you just tap, and you're good to go.

If Interac could be made a bit easier, you'd see a great uptake.

**Mr. Bryan Bossin:** One thing we did in 2021 was roll out a new product called Interac e-transfer for business. That product was designed to meet business needs. The transaction limits were increased. The data that flows with the transaction was increased. This helps businesses with invoice remittance and reconciliation. A number of features on that product were designed specifically with that audience in mind.

**Mr. Iqwinder Gaheer:** For my last question, the only concern I've heard about e-transfers—there are articles written about this—are over the phishing campaigns that go on and the redirection of payments that can happen. If there is one digit wrong in that phone number, for example, or if the email is wrong and it's linked to someone's Autodeposit, that money is instantly transferred. I understand that it's almost impossible to get those funds back.

Has Interac looked at the process of getting funds back? What are they doing to increase security so this doesn't happen?

**Mr. Bryan Bossin:** It's a great question. I'm happy to provide some information.

You're correct. We've seen an increase in fraud across all sectors. I know the Canadian Anti-Fraud Centre has reported significant increases in fraud across a number of different sectors. We have been focused on how to ensure Canadians receive the money they're sent and sending money to the right person. This includes things like verifying email addresses and ensuring you have the right address. We do education campaigns around that.

We also focus quite significantly on patterns of fraud. We work to detect and mitigate fraud on the network. It's a very large focus for Interac and something that will continue to be a priority going forward.

• (0915)

**Mr. Iqwinder Gaheer:** I understand the convenience of Interac e-transfer where the funds are almost immediately transferred. If someone were to incorrectly send the funds to the wrong account—once you put in more safety measures so this doesn't happen—would you then delay the time it takes for that money to be accessible to the receiver?

**Mr. Bryan Bossin:** In terms of the processing of an e-transfer transaction, you're correct. A number of transactions taking place are transmitted nearly in real time.

In terms of the speed, those decisions and transactions are often implemented and influenced by the financial institution involved. Based on risk factors and fraud checks in the system, there are a number of factors that go into this. Ultimately, the purpose is to ensure that any suspicious transactions are flagged and that there can be a process to ensure fraud is mitigated on the network.

**Mr. Iqwinder Gaheer:** Thank you.

[Translation]

**The Chair:** Thank you.

Mr. Garon, the floor is yours.

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

Mr. Peters, would you be able to tell us approximately how many clients, how many businesses, use your services here in Canada and possibly in Quebec?

[English]

**Mr. Brian Peters:** I'd like to get the Quebec-specific information to the extent I can, at least in a general sense.

We serve many thousands of businesses in Canada, and they come to Stripe because we actually increase their sales and we make payments easy—

[Translation]

**Mr. Jean-Denis Garon:** You already said that, and you know as well as I do that time is a scarce resource. Saying thousands tells us nothing. Would it be possible to provide the committee later with the approximate number of businesses that do business with you, including in Quebec? I would be grateful, and I am sure that does not violate any confidentiality clause since it is aggregate data.

Do you know how many businesses in Canada or in Quebec benefit from these vaunted agreements between Mastercard, Visa and the federal government? Knowing that this is what you came here to talk about today, I imagine you are prepared and you know the number.

[English]

**Mr. Brian Peters:** In terms of the ballpark number for customers, I can give you a sense of the amount of the reduction for our standard flat rate customers. As I mentioned in my opening remarks, it totals across all of those users, the eligible ones, to less than one-tenth of one per cent of the total amount promised by the government, and on a per-business basis that averages out to less than \$10 per business.

[Translation]

**Mr. Jean-Denis Garon:** Would I be correct to say that the average business that uses the services of Stripe has lower sales volume than the average business in Canada and that you have a niche occupied by smaller businesses?

[English]

**Mr. Brian Peters:** We serve a significant number of small businesses, but it's not our only niche. We actually serve very large enterprises as well. If you look at the customer base, it probably has this kind of curve.

[Translation]

**Mr. Jean-Denis Garon:** Do you understand where I am going with this? I am not generally a master of subtlety.

You are telling us that these vaunted agreements—which are no such thing, I reiterate, because the federal government bowed down to these multinational corporations—that they apply to, at most, about 10% of the total transactions for a company like yours, which may have clients that are smaller, on average, than the average business in Canada. Again, that amounts to saying that these agreements are insignificant. They do not affect most people, they do not affect most businesses, they do not affect most Quebecers, and they do not affect most Canadians. The federal government goes around the country bragging that it has signed agreements that are essentially no more than smoke and mirrors and a way to mislead the public.

Is my analysis completely wrong?

• (0920)

[English]

**Mr. Brian Peters:** I may not express it the same way.

[*Translation*]

**Mr. Jean-Denis Garon:** Fine.

Mr. Chair, I have my answer.

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

[*English*]

Mr. Masse, the floor is yours.

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

Mr. Peters, I am just trying to figure out the value of what Stripe does for Canadians.

It has about 100 employees. Specifically, what types of employees do you actually have in your organization? What's the top job classification and description? Where do you post for employment for Stripe? You come from Washington, D.C., but I'm just wondering whether any of your Canadian operations post publicly for positions and what the predominant positions are.

**Mr. Brian Peters:** Our hiring in Canada is, predominantly, for engineers. We're a technology company. We—

**Mr. Brian Masse:** What types of engineers?

**Mr. Brian Peters:** Oh, gosh. There are going to be all types. I'd actually love to follow up with you to make sure you get a better sense of that.

**Mr. Brian Masse:** I really don't need you to follow up. I need, actually, information at this hearing right now.

Quite frankly, I find it offensive that we're supposed to follow up individually when this is actually a hearing here in the Canadian Parliament; you come in from Washington, D.C., and there's no body capable in Canada to answer these questions, apparently.

If you're going to talk about engineers being the predominant positions, that's a broad category. It's not one that's... Financially, in terms of your operations, I'd like to know what, specifically, those types of engineers are.

**Mr. Brian Peters:** I can try to address that.

Look, we have a number of products. Engineers may have distinct specialities, but oftentimes we're hiring to power a specific product or a specific expansion. There would actually be a variety of those. It's not that there is a specific business unit or product division that we are supporting solely with our Canada presence, so it really will be a mix.

I wish I could explain the different types of engineering talents that are out there, but that's just not my qualification. I would be happy to follow up and table it with the committee.

**Mr. Brian Masse:** That's fair enough.

**Mr. Brian Peters:** That type of hiring is something we're proud of, and we'd be very happy to share it. I can't quite qualify—

**Mr. Brian Masse:** I'm not trying to be difficult here, but I'm trying to drill down in terms of the cost and the profits, which won't be shared at this committee at this particular time. We're going to have to actually pursue that ourselves, I think, at this committee with regard to the value of Stripe for the Canadian economy, the types of positions, the remuneration and the value added. On top of that, it's

going to be the cost recovery that we want to make for small and medium-sized businesses.

I'll conclude by saying that all that information should be made available to the committee, not through backroom lobbying. That might be the tradition or the culture you're used to in Washington, but it's not done the same way here in Canada.

**Mr. Brian Peters:** If I may respond, Mr. Masse, we've been publicly transparent about our pricing, unlike anybody else in the market. It's all on our website. I would be happy to discuss as much of this publicly as I can. I agree with you.

**Mr. Brian Masse:** Then pull out the profits, the margins and all the things that we need as a committee to understand the value that Stripe and other types of organizations have for management of financial transactions. That's where we need to find out where Canadians can be protected the most and where small and medium-sized businesses can be more efficient.

Thank you.

**Mr. Brian Peters:** Thank you.

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

[*Translation*]

Mr. Généreux, the floor is yours.

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

I also thank all the witnesses.

Mr. Peters, your answers amaze me. It is unbelievable. I am not ordinarily rude, but I have to say that you are probably the worst witness we have heard in any study.

**The Chair:** Mr. Généreux, I would nevertheless ask that you be polite. Your comment goes a bit over the line when it comes to the rules of courtesy that guide us at this committee. Please, get it together.

**Mr. Bernard Généreux:** The fact remains that it is unbelievable to be getting non-answers more than we get answers.

Mr. Peters, you are essentially saying that because you do not want to have two categories of clients, you keep the rate the same in order to have predictability over time, so people bear the same costs at all times. And yet lowering fees from \$1.00 to \$0.75 also allows for predictability. I do not understand what the difference is. You could have lowered the rates if you had wanted to, but you chose not to do it. It is actually unbelievable. I am going to stop here on your testimony.

Mr. Brownlee and Mr. Lampron, you said that some countries, including Australia and England, had lowered the rates to 0.5%, if I understood correctly. Have empirical studies been done to show that this rate reduction or the rate set in some countries helped small businesses? In Canada, this week is Small Business Week. It almost looks like the government handed out a gift, when that is absolutely not the case, as has been proved this morning.

I would like to hear Mr. Brownlee's answer first.

• (0925)

[English]

**Mr. Jeff Brownlee:** I don't know of any existing empirical studies, but it's common sense. Obviously, the lower the rates, the cheaper it is for the companies to process the cards and the better it is overall for the economy. That's basically what it comes down to.

[Translation]

**Mr. Bernard Généreux:** What do you think, Mr. Lampron?

**Mr. Alexandre Lampron:** My opinion is a bit like Mr. Brownlee's. We have not done studies that show it. Yes, however, lowering the rate is a good thing. I reiterate, these rates were lowered almost ten years ago in other places, so we believe it is logical for consumers and small retailers to benefit from this. It is also logical that in a country like Canada, all retailers should also be able to benefit from it, regardless of their sales volume.

**Mr. Bernard Généreux:** Mr. Brownlee, earlier, some witnesses talked about differences between the big players like Costco and Walmart, for example, and small businesses in general. Is there a substantial difference when it comes to all of the costs associated with credit card use?

[English]

**Mr. Jeff Brownlee:** Yes, there is.

To go back to your other question when you were talking about studies, part of the challenge that we found, or our retailers found, in terms of lowering the rates is that hidden costs creep in. The credit card companies are very good at that. You can have the rate as low as you want, but there are a lot of hidden costs that creep in overall in terms of processing.

[Translation]

**Mr. Bernard Généreux:** Mr. Lampron, do you have something to add?

**Mr. Alexandre Lampron:** In one sense, there has to be some degree of difference. That is why we are asking for a uniform percentage of 0.5% to be established for all retailers. That would be better not only for the consumer, but also for small retailers. So yes, there needs to be a fairly sharp difference in that regard.

**Mr. Bernard Généreux:** Mr. Brownlee and Mr. Lampron, do you think the agreement between the Government of Canada and Mastercard and Visa is a broken promise? Looking at all small and medium-sized businesses in Canada, do you think the actual reduction does not meet your expectations?

[English]

**Mr. Jeff Brownlee:** I don't know about a broken promise, but, again, our convenience stores or the dépanneurs in Canada don't qualify for this, because the threshold is too low. If you take a look at a convenience store that pumps gasoline, our margins or the overall sales are inflated, but the margins are still extremely low.

Unfortunately, we worked with the government trying to explain the uniqueness of our industry and the fact that we do collect a number of taxes, and when we found out about this new agreement that came into place, it was when it was leaked to the media.

[Translation]

**Mr. Bernard Généreux:** Essentially, it does not meet your expectations and the expectations of all of your members in any way.

• (0930)

[English]

**Mr. Jeff Brownlee:** It doesn't meet the needs of our members in any way, shape or form.

[Translation]

**Mr. Bernard Généreux:** Mr. Lampron, what is your answer?

**Mr. Alexandre Lampron:** Essentially, we believe that keeping interchange fees high in a way impoverishes consumers and our economy. We want to make sure that these fees are as low as possible, particularly when prices are rising, as we have all observed, as consumers. One way to make sure that prices are acceptable is to make sure that interchange fees are as low as possible.

I would point out again that the agreement with Visa and Mastercard has been in effect for barely a few days. However, I think the rate reduction to 0.5% would benefit everyone, particularly our members and small retailers.

**Mr. Bernard Généreux:** Mr. Chair, if I may, I would like to apologize to Mr. Peters. However, I am still extremely disappointed in his answers. I think the committee should make sure that the witnesses who appear answer the questions they are asked.

**The Chair:** Thank you, Mr. Généreux. I appreciate your apologizing to the witness.

[English]

MP Van Bynen, the floor is yours.

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

I have a little bit of history of being a banker for about 30 years. Some of that was relative to the convenience stores or any stores that dealt with cash at that time that ended up having to pay fees for the processing of cash so, to some extent, I think you would see that electronic payment systems would benefit you in terms of not having to pay the cash processing costs that had been in existence in the past. To some extent, maybe I'm exposing my age and how long ago I was involved in the banking industry.

In a brief submitted to the pre-budget consultations for the 2022 federal budget, the Retail Council of Quebec recommended eliminating processing fees on the goods and services tax and on the harmonized tax on credit card transactions. The Canadian Federation of Independent Business estimates that doing so would reduce the processing fees charged to merchants by about \$500 million annually.

How could this recommendation be implemented? I'm thinking about interchange rates being generally based on a transaction amount inclusive of taxes. Could credit card transactions be disaggregated to exclude tax from the amount in the calculation of the interchange?



Mr. Brownlee.

**Mr. Jeff Brownlee:** That's a great question.

What I can tell you is that we have to segment and keep track of that to pay taxes, so I think it can definitely be re-engineered in reverse so that we could get a credit for that. Absolutely.

**Mr. Tony Van Bynen:** Would the cost of doing so offset the benefits of doing so?

**Mr. Jeff Brownlee:** Absolutely.

**Mr. Tony Van Bynen:** Mr. Lampron.

[Translation]

**Mr. Alexandre Lampron:** I agree entirely. Yes, that makes sense.

[English]

**Mr. Tony Van Bynen:** Okay.

I'll go over to Interac.

Mr. Bossin, what would the implications for the issuers, the acquirers and the payment processors be with that type of change in policy?

**Mr. Bryan Bossin:** With that type of change....

From the Interac perspective, our network and our customers are the financial institutions in this case. They offer Interac products to the market. I can't speak specifically to the economic model you're raising, but I can say that Interac, the businesses we work with and the financial institutions we serve are very much focused on increasing the availability of debit and of low-cost debit to help benefit businesses.

**Mr. Tony Van Bynen:** When I take a look at electronic transactions—I can't recall the last time I issued a cheque—the systems and processes you're providing are integral and will probably be the backbone of the financial institutions going forward.

In budget 2024, we announced that our government would be introducing legislation to implement Canada's framework for consumer-driven banking, which will allow consumers and small businesses to better manage their finances and access broader financial services. Can this help people build their credit and reduce administrative burdens for small businesses, and could you speak to the benefits of open banking and what it would do for Canada?

I'll start with Mr. Bossin from Interac.

• (0935)

**Mr. Bryan Bossin:** I'll be happy to start.

The commitment you mentioned to consumer-driven banking is one that Interac has been supportive of. We've noted that in our pre-budget submissions.

Interac was also part of the Department of Finance working groups that were studying the implementation of consumer-driven banking. We see a number of benefits for Canadians with such a system. It's been implemented in other countries around the world and we've supported it.

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

Mr. Peters.

**Mr. Brian Peters:** Likewise, Stripe has been very engaged in the open banking file. We were also a part of the working groups.

The initiative to drive forward consumer-driven banking, I think, will have one of the best impacts on payment costs, which is the subject of the hearing today. It will bring competition to the market and alternatives to the card networks.

The potential for “pay by bank” to become a reality, it's something we have in other jurisdictions. I think it's wonderful that Canada is moving forward in this direction.

**Mr. Tony Van Bynen:** Going back to Mr. Bossin, how do you see the development of open banking in Canada? How, in your view, might it influence credit card regulations and practices? What role would Interac play in ensuring a smooth transition for consumers and merchants?

**Mr. Bryan Bossin:** The differentiation factor for Interac is that we're helping people pay from their own bank accounts. They're account-based payments. You're paying from your bank account.

In the case of consumer-driven banking, there are a number of different applications of that and different providers that would look to leverage that data. It's giving permission for your data to be shared in a secure fashion in a way that helps benefit consumers.

Interac, like I said, has been supporting the development of consumer-driven banking in Canada. However, from our perspective, our focus is on ensuring that things like our e-transfer product and our debit product are widely available, that they're reliable, that Canadians trust them and know how to use them and that they can access them to complete transactions in daily life.

**Mr. Tony Van Bynen:** Mr. Peters.

**Mr. Brian Peters:** Stripe has a product that helps our businesses access account information so that they can run their alternative payment system for their customers based on open banking. We're very much involved in engineering those connections to help make sure that they're secure, ideally through an application programming interface, and that the data also has a set of protections that are consistent with the privacy expectations of consumers.

I'd be happy to follow up with you to talk about how we're doing that today and the new payment experiences it's powering.

**Mr. Tony Van Bynen:** How does Interac collaborate with financial institutions and regulatory bodies like the Financial Consumer Agency of Canada, the FCAC, to ensure compliance with credit card-related regulations?

**Mr. Bryan Bossin:** To be clear, Interac is not a credit card network. We process debit payments.

We work closely with the FCAC to adhere to the code of conduct for the payment card industry in Canada. That code covers both credit and debit payments, which is important to note.

Interac is a uniquely Canadian-owned and -operated entity, so we only serve the Canadian market.

**Mr. Tony Van Bynen:** Mr. Peters, what about your organization?

**Mr. Brian Peters:** As a processor, we adhere to code-of-conduct requirements to provide the disclosure of cost and price changes, both up and down. Per the code of conduct, we provide businesses with the opportunity to leave. A small business can leave Stripe with just a few clicks, and there are many other options in the market.

Per the code of conduct, we have to adhere to those obligations through our partners.

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

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

[*Translation*]

Mr. Patzer, the floor is yours for five minutes.

[*English*]

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

Mr. Peters, do you have any aspirations to be a board member yourself one day?

**Mr. Brian Peters:** Sure.

**Mr. Jeremy Patzer:** What salaries would people get on the board of Stripe?

**Mr. Brian Peters:** I do not know.

**Mr. Jeremy Patzer:** Do they get stock options?

**Mr. Brian Peters:** I do not know how their compensation is set.

**Mr. Jeremy Patzer:** Are there bonuses paid out? Do you know?

**Mr. Brian Peters:** I don't know, but I would surmise it is not performance-based.

**Mr. Jeremy Patzer:** It's not performance-based. That's interesting.

Are shares in the company, or anything like that part of it at all?

**Mr. Brian Peters:** I do not know how the compensation is set.

**Mr. Jeremy Patzer:** You want to be a board member one day, but you don't even know what the compensation is for that.

Is that what you are saying?

**Mr. Brian Peters:** I've served on the boards of non-profits. The role of most boards is to provide strategic advice to the leadership of the organization they're part of. That is worthwhile work.

● (0940)

**Mr. Jeremy Patzer:** I'm a little concerned, because you've come here today and said that you're okay with ripping off Canadians.

The fee here is 2.9%. What's the fee in the United States?

**Mr. Brian Peters:** It's comparable.

**Mr. Jeremy Patzer:** However, it's not the same.

**Mr. Brian Peters:** I believe it's 15 basis points less, but I'll confirm that.

**Mr. Jeremy Patzer:** Is it 2.7%? That's what your website says.

**Mr. Brian Peters:** It's on our website.

**Mr. Jeremy Patzer:** Per transaction, Canada is 30¢.

What is it in the U.S. per transaction?

**Mr. Brian Peters:** Are you looking for the per-transaction cost?

**Mr. Jeremy Patzer:** Yes.

**Mr. Brian Peters:** I don't have that information on hand today. I'm sorry.

**Mr. Jeremy Patzer:** What would the extra fee be?

**Mr. Brian Peters:** I believe it's 30¢.

**Mr. Jeremy Patzer:** It's 30¢ in Canada, but what about in the United States?

**Mr. Brian Peters:** Off the top of my head.... I forget at the moment.

**Mr. Jeremy Patzer:** You came from Washington. You live in the United States, but you don't know what it is in the U.S. On the website, it's five cents.

Again, why are you ripping off Canadians?

**Mr. Brian Peters:** We did pass through the reduction. For our users on flat-rate pricing, we're shielding them from what would otherwise be a cost increase. We haven't raised our prices in over eight years.

**Mr. Jeremy Patzer:** What percentage on volume is a decrease, then? You said you passed on a decrease. What percentage is that on volume?

**Mr. Brian Peters:** For businesses on interchange-plus pricing, it is just passed through. The amount of reduction they get is exactly what the card networks agree to provide.

**Mr. Jeremy Patzer:** Earlier today, you said that what the government is working on for you is such a small change that you aren't going to pass it along, yet we see what this has done for you. We look at your revenue and the way it has skyrocketed over time. I can tell you that a small difference is big.

I'm going to use my own quick little story here. Many years ago, I worked construction making \$14 an hour. I got a 50¢ pay raise. That was a lot of money for me, even though it was only 50¢ an hour. A small amount makes a big difference for people, and for companies, in particular. For small businesses trying to get by—maybe they're looking to expand their operation—that small number is a huge difference.

Why on earth are you not passing along these savings to small businesses, especially if you have a strategic adviser to the Prime Minister?

**Mr. Brian Peters:** I understand what you're saying. A small amount can make a difference.

In this case, you have to think about it in the context of the many other things a small business cares about. They care about increasing their sales. They care about having things work very well and being simple. What we should be doing is considering it from their perspective. What are all of these things relative to one another? We thought long and hard about this and looked at the small reduction relative to what they might lose, which is simple, clear pricing. We felt like that was not a good trade-off.

There are ways to make this more workable and, had we been involved in this negotiation and it hadn't just been a small set of parties—

**Mr. Jeremy Patzer:** You are part of the negotiation, because, at the end of the day, you have a strategic adviser to the Prime Minister on your board. You are involved in negotiations here.

Quickly, what percentage of volume of transactions are on interchange-plus pricing versus standard pricing in Canada?

**Mr. Brian Peters:** We really were not involved in this negotiation. We found out about it just like the other witness, in the news.

**Mr. Jeremy Patzer:** Mark Carney's been on the board for over two months, though. This guy is part of the negotiations with the government. This guy is directly involved here.

**Mr. Brian Peters:** With respect, the board is not involved in this. No board member, to my knowledge, has been involved in public policy advocacy in Canada.

**Mr. Jeremy Patzer:** You're confident in telling this committee that Mark Carney is not involved in any lobbying or any strategic advice or public policy advice to the Government of Canada.

**Mr. Brian Peters:** I am confident that, to my knowledge, no board member, any board member, has been involved in public policy advocacy in Canada.

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

I'll now turn it over to MP Arya.

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

I think there is a bigger thing involved here. International free trade, as we know, is dead. Globalization is dead. Now it's all about friendshoring, nearshoring and an emphasis on self-reliance. However, when it comes to investments in Canada, we are still following the old logic that we love foreign direct investment, both inward and outward, but we are also ripe fruit for the picking by many international companies with limited operations in Canada.

Stripe has employed a few people. I'm sure some bright engineers are Canada-based, but their decision-making is not Canada-based. I don't know how much tax they are paying on the revenues they are generating in Canada. Obviously Mr. Peters, who has come from Washington, D.C., can legitimately claim that, being a private company, he is not entitled to disclose that information. He is saying that they haven't changed their fees for the last eight years.

Anybody who knows even the basics of business knows how misleading that can be.

For example, I could say that my fees have been \$1,000 for the last eight years without disclosing that, eight years back, my volume was \$100 million. Now it's \$1 billion. But we don't have to disclose that. We can just say that it's been 1% for the last eight years.

You can also say that what the government is proposing is so small that you'll not pass on the benefits—without, again, telling us what the percentage is. They said there are two ways they charge the business clients, interchange-plus fees and standard pricing, but they are not willing to disclose how much is under standard pricing and how much is under the interchange-plus fee model: “We are a private company. We are an international company. We don't even know where our board members are from.” I mean, they know, but obviously they can't pinpoint where they are located.

We have a real problem here. How can Canadian policy-makers formulate policies that can help Canadian consumers and Canadian businesses when we cannot actually get any relevant, meaningful information from growing companies like Stripe? It has become a big company. I know that eight or 10 years back, it was probably still in start-up mode, but now it is a giant global company.

Mr. Peters, I appreciate that you came from Washington. I really appreciate it. You could have appeared by video conference. You came here in person.

What is it that you can actually tell us that helps us understand the model better and understand the foreign rate? Generally speaking, I am not in favour of taking the Australian route and saying we should fix the interchange fee at 0.35%, which I believe is the Australian fee, or maybe at the 0.5% the European Union is charging.

What is it you can tell us that can help us understand much better?

● (0945)

**Mr. Brian Peters:** We like to compete on the value of our product. I mentioned earlier that there are 50 different processors in the market. There are different business models serving different parts of the economy.

Our model, yes, involves processing a transaction, but there are a lot of other value-added services. When you look at the way we're helping businesses succeed, it has a lot to do with those additional services that go beyond a very plain vanilla execution of a transaction.

**Mr. Chandra Arya:** I'm not being disrespectful, but go back and listen to what you said. Tell me what we can get out of what you have just said that we can use in our policy-making process—nothing. Most policy-making is data driven, and if we don't know what the actual information is how can we change our policies?

**Mr. Brian Peters:** We posted on our website very specific detailed information, which, I believe, unlike for any other company, is highly specific. We've tried to be very transparent, and I—

**Mr. Chandra Arya:** Specifically, what are your volumes in Canada and what percentage of your overall revenue comes from your standard pricing? Very specifically, what percentage comes from the interchange fee plus? Can we get those specifics?

• (0950)

**Mr. Brian Peters:** Again, I... My expectation of the hearing was that we would be discussing what these numbers mean for small businesses, our revenue, and the way our business model works as a company to us. I think that doesn't seem to me to matter as much to the small business—

**Mr. Chandra Arya:** One of the reasons we want to discuss it with you is that you refuse to pass on the changes that the government has brought in.

**Mr. Brian Peters:** We did pass them through. We did pass them through.

**Mr. Chandra Arya:** Yes.

**Mr. Brian Peters:** We did pass through the reduction.

**Mr. Chandra Arya:** So you have implemented everything the Government of Canada is suggesting, and you do not disagree with whatever they're saying?

**Mr. Brian Peters:** We did pass through the reduction. For our flat-rate customers, we're shielding them from what would otherwise be an increase. The government's announcement, the expectation, is effectively to say there are some small businesses and other small businesses, and we're going to treat them differently. That is inherently in conflict with a flat-rate pricing model, which treats the whole class of businesses with the same price. We could split it up, and then if there is another expectation in the future, then we're splitting it up again. Then what about other cost increases?

We would be moving from a world where many small businesses, particularly small businesses over larger businesses, which value that simple price, would suddenly lose that, and they would be cast into a fluctuating world of interchange-plus pricing that is very technically difficult to manage, it's—

**Mr. Chandra Arya:** I have a last question, if I may. You guys must be profitable in Australia and the European Union, and I'm sure you are extremely profitable in Canada. What if we bring in the same sort of model that the European Union or Australia has in capping the overall interchange fee?

**Mr. Brian Peters:** We are successful around the world. We're helping businesses grow around the world, despite different regulatory environments. I would be happy to engage with you on what the right way to do it is, but I can tell you this announcement, this expectation, it's not workable. I'm very open to that conversation because we do operate around the world and we do figure out how to make it work.

[Translation]

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

Mr. Garon, the floor is yours.

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

Mr. Lampron, every time someone pays by credit card, the merchant pays fees, which vary depending on the type of card used—Visa, Mastercard or American Express—and the rewards program associated with the card, which may be generous or less so. Typically, transactions carried out with a card that has a generous rewards program cost retailers more, and yet they charge all their customers the same price for the same product. That means that lower-income people, poorer people, or people with cards that have less generous programs, end up financing the free travel, flights and hotel rooms paid for with points that belong to people with more money. We do not oppose rewards programs, but it looks like a regressive practice to us.

When the Mastercard people came here, we suggested that they display the credit card fee structure on the bill, just as the GST, the QST and the other taxes are displayed. It would show people what they are paying for air miles or other similar programs, on top of taxes. It would also enable merchants to adjust the fees and charge consumers directly for the fees associated with their generous programs that pay for their travel. That was one proposal.

The Mastercard people told us that this arrangement, which would essentially be a transparency arrangement, is already allowed. Merchants can already do it. If a merchant wants to add an amount to the bill for someone who has the most generous rewards program in the world, they can already do it.

How was the answer given by the Mastercard people received by you and your members? Are there people who are doing it? Does it work? Do the contracts allow your members to do it? If not, are they simply trying to blow smoke up our skirts again by saying that if the system works to the detriment of the people who have less money, it is ultimately the fault of the retailers, not the credit card issuers?

**Mr. Alexandre Lampron:** Thank you for your question, Mr. Garon. You have essentially summarized, in a few words, the second proposal I made earlier, during my opening remarks, and I will reiterate it, for everyone's benefit, if I may.

This is precisely what we are asking the federal government to do: apply the user-pay and transparency principle when it comes to the credit cards' and banks' rewards programs. That is exactly it. We want greater transparency about everything, on the part of everyone. That is entirely true, but we want it to be standard practice. I think you, I, and anyone else, as consumers, want to see the fees we are being charged when we look at our bills.

• (0955)

**Mr. Jean-Denis Garon:** What I understand is this: Even if a merchant wants to do it, they are going to alienate customers if they are the only one doing it, they are going to have customers telling them they don't like it, and so the merchant will stop doing it. For this to become standard practice, it must be required by regulation, one way or another. Transparency does not always emerge naturally from the market, and it is often necessary to coordinate everyone by adopting regulations.

Would you be in favour of taking the discussion in that direction? I do not have a specific proposal at the moment but could we move the discussion in that direction? I ask these questions because the natural equilibrium seems to be taking us somewhere where virtually no retailers are including this information on the bill, even if they are entitled to do so.

**Mr. Alexandre Lampron:** You are absolutely correct. That is why we make a point of saying that there is tremendous unfairness in the system at present. If everything can be standardized, I think everyone will ultimately win, both consumers and retailers.

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

I will now give Mr. Masse the floor for two and a half minutes.

[English]

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

Mr. Peters, does Stripe use any offshore financial centres for employees, mailboxes or accounts?

**Mr. Brian Peters:** I'm not sure what you mean by offshore centres. We're a global company. We have employees all over the world. We have a significant number of partnerships with a variety of financial institutions, both large and small.

Could you direct me more specifically to some aspect of that?

**Mr. Brian Masse:** This is about the value of what we get for small and medium-sized businesses. The Canary Islands, Switzerland, Luxembourg, the British Virgin Islands, Bermuda, Panama, Malta and Ireland are offshore financial centres. They provide tax benefits that are preferable versus a nation like Canada.

Can you tell me what employees or what systems are in place in those countries for Stripe?

**Mr. Brian Peters:** To be specific, I'd be happy to follow up with you.

In some of those locations, I've never heard of anyone being there or of us having any operations. We are actually double-headquartered in Dublin and south San Francisco. Our founders are Irish. A significant number of our employees are based in Ireland. We have offices in London, like I said, in Toronto, a few spots in the United States, Latin America, South Asia and eastern Asia. It's usually tied to the businesses that we're trying to serve in those regions.

**Mr. Brian Masse:** I appreciate that. Dublin, of course, is in Ireland, and Ireland has favourable tax preferences for corporations to move money. Part of what we're doing here at our committee is to evaluate the value and the cost to the Canadian economy for the use of services.

Thank you, Mr. Chair.

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

Mr. Perkins, the floor is yours.

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

Mr. Peters, my questions again will be for you.

I have served on the board of an international retailer. I've served on the board of a financial institution. I've served on the executive teams in those large organizations as well, so I know the role of a board, and the role of a board is not advisory. The role of the board is governance and the final decision-making process. It is not advisory. They are involved in the big decisions and in approving or rejecting the big decisions of management on things.

Therefore, it would be shocking to me that the Stripe board, which includes Mark Carney, the former governor of the Bank of Canada and the economic adviser to the Prime Minister of Canada, would make a decision about not complying with the Government of Canada without a board discussion. Are you telling me that you're not aware that that has happened?

**Mr. Brian Peters:** We are complying with every obligation we have. We're talking about an expectation in this case. We met that expectation by passing through the reduction. The decisions in this regard were management-level decisions. The board was not involved.

**Mr. Rick Perkins:** When you're on a board, the compensation is pay, shares, options, director share units and a whole bunch of share-based equity things. In fact, it's a requirement. MP Rempel Garner or MP Patzer asked you this, are you aware of what any of those compensation packages are?

• (1000)

**Mr. Brian Peters:** I'm afraid not.

**Mr. Rick Perkins:** Perhaps it would be helpful, since you're based in Washington and you're dealing with that lobbying too, for you and for this committee to know what it is, so I ask you to table the board compensation packages, by director, with this committee, please.

I will move on to my next question. Mr. Patzer touched on this.

You like this fixed pricing, but it's not fixed globally, with different pricing in different countries. The pricing seems to be quite high here compared to the United States. Mark Carney sits on your board. You derive, probably, a huge amount of your revenue—although we don't know that—from the United States. You offer a significantly lower rate in the United States, both on the percentage fee of 2.7% versus 2.9% in Canada, and on the fixed transaction fee of five cents versus 30¢. That's quite a difference.

Has Mark Carney ever suggested to Stripe's management that you shouldn't charge more in Canada than in the United States?

**Mr. Brian Peters:** The fact that our price is different in different jurisdictions reflects a number of matters. It reflects that there might be a different regulatory environment or that the actual network costs might be lower and, like I said earlier in my opening remarks, that in many of the markets you mentioned, 80% to 90% of the fees that we charge go to the issuing bank. Much of that is out of our control, so I wouldn't want you to think that our pricing is just what we say it is in any given market because we deem it to be that. It's the—

**Mr. Rick Perkins:** It's 0.5% in Europe because that's legislated. It's 2.9% in Canada. It's 2.7% in the U.S. It appears that carbon tax Carney is on a board of a company that seems to think it's better to rip off Canadians and charge higher fees in Canada than it does in the United States or Europe.

I am on limited time and, because we haven't been able to get many of the answers that we're seeking, I would like to move a motion.

**The Chair:** Mr. Perkins, I'll let you move your motion, but I just remind you that the kinds of names that might be used sometimes for theatrics in the House, I don't appreciate in the committee. Calling someone "carbon tax so on and so forth" is not something I want to entertain at this committee, so please be mindful of that in the future.

Now I'll let you move your motion.

**Mr. Rick Perkins:** I will. It just rolls off the tongue so easily now.

I move the following motion::

Given Stripe's unknown profit margins and its refusal to comply with the government's interchange fee reduction plan, the committee order the production of all Stripe board meeting minutes related to the Government of Canada's announcement to reduce credit card fees, balance sheets, cash-flow statements, and income statements since March 2021, broken down by Canada and Stripe's global operations.

**The Chair:** The motion is pertinent to the study that we are doing right now.

I understand that the clerk is circulating it. It's already done.

Thank you, Madam Clerk.

**Mr. Rick Perkins:** Can I speak to it?

**The Chair:** Yes, you can speak to it, and then I'll briefly suspend for members to—

**Mr. Vance Badawey (Niagara Centre, Lib.):** Can we suspend before he speaks to it, Mr. Chair?

**The Chair:** I usually give the time to the person moving the motion to present it.

Go ahead, Mr. Perkins.

**Mr. Rick Perkins:** The reason I move this motion is that the financial adviser to the Prime Minister, who already announced he's going to run for public office for the Liberal Party, is on the board of Stripe; the Minister of Finance made this grandiose announcement that we're doing this great thing for small business and reducing fees when, in fact, one of the prime and growing companies in Canada that provides that process is actually refusing to implement it; and all the while a board member is not only advising and gov-

erning the company but is also advising the Prime Minister and then blocking what the Government of Canada wants to do.

The only way we're going to get to the bottom of some of this is to actually know just how profitable Stripe is. The only way to know whether or not its claims that its costs are going up, that it has to charge Canadians more than it does in the United States and Europe, and that the GST somehow hurts it, is for Stripe to be transparent and reveal the documents. As a committee we have the right to ask for the production of documents from witnesses when they've given testimony, and that's what I'm doing here today.

I hope my colleagues will support us in this.

• (1005)

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

I have Mr. Badawey.

**Mr. Vance Badawey:** I want to get clarification from Mr. Peters on a comment he made earlier. I believe the comment was that the board of directors has no part to play in decisions related to interchange fees. Is that correct?

**The Chair:** Mr. Badawey, we're debating a motion, so I don't think it's appropriate to ask questions of witnesses at this point. This is a committee matter, but you can highlight some of the testimony—

**Mr. Vance Badawey:** Oh. Are we in the debate on the motion right now?

**The Chair:** Yes. It has been moved, so we're debating the motion.

**Mr. Vance Badawey:** Okay.

**The Chair:** Given that we have only 10 minutes left, if committee members agree, I will allow the witnesses to go because I don't think we'll resolve this and be done in 10 minutes.

**Mr. Brian Peters:** Given that the motion pertains to my company, am I able to comment on it?

**Hon. Michelle Rempel Garner:** I have a point of order.

**The Chair:** Not really, Mr. Peters. It's for the committee to decide.

**Mr. Brian Peters:** I thought I'd try.

Thank you.

**The Chair:** The committee is the master of its fate.

I appreciate all of the witnesses' participation today. Thank you for joining us bright and early this morning. You are dismissed, so to speak.

I appreciate, Mr. Peters, that you've made some commitment to get back to the committee. You can go through the clerk for that.

Now we're on the motion.

What I would suggest is that we briefly suspend, let's say for two minutes, for members to have the chance to read, consult and get back to committee at 10:08.

The meeting is suspended.

- (1005) \_\_\_\_\_ (Pause) \_\_\_\_\_
- (1010)

**The Chair:** I call the meeting back to order.

Colleagues, the meeting has resumed.

I'm looking at the Liberals.

[*Translation*]

Mr. Garon, I think you wanted to propose something in connection with this motion.

**Mr. Jean-Denis Garon:** Yes, Mr. Chair, and thank you.

I can't say that I feel full of youthful enthusiasm about this motion. I am not particularly enamoured of it, but still, this motion would enable us to obtain information that would be useful to know in order to have a better understanding of the market and be able to fine-tune our questions and our understanding of it. That said, I am still quite aware of the fact that Stripe is not a public company and this information is somewhat private. So if Mr. Perkins wanted to agree to a friendly amendment to his motion, I would suggest that we consult the documents in camera, so we could understand the market better.

Given that we are asking for a lot of things, very broadly, and it is not entirely clear on reading the way it is worded that this information is going to enable us to understand, in detail, how reducing or failing to reduce the fees has impacted certain types of businesses, I think it would be courteous on the committee's part to ask that this information be discussed in camera. Obviously, to avoid the discussions straying from the subject for two hours again, I would leave it to Mr. Perkins as to whether he would be prepared to do so.

[*English*]

**The Chair:** I have MP Arya.

There's no such thing as a friendly amendment to a motion.

[*Translation*]

**Mr. Jean-Denis Garon:** So I move an amendment saying that the documents will be consulted by the committee in camera.

**The Chair:** Right. So we understand the sense of the amendment being proposed.

We are now debating the amendment. There is no exact wording, but we can add a sentence at the end of the motion saying that the documents would be accessible by the committee in camera.

[*English*]

Is there a consensus for this specific amendment that Mr. Garon is proposing or are we debating the amendment?

(Amendment agreed to [*See Minutes of Proceedings*])

**The Chair:** That brings us back to the motion as amended.

I had MP Arya next and then MP Rempel Garner.

**Mr. Chandra Arya:** Mr. Chair, while I do appreciate partisan politics, both in the Commons and in committee, in this deliberation, this particular motion is too intrusive. If we start taking this route, then there's no limit to what we can ask the private companies. Maybe we will start asking for the details of the private companies, their own internal information. It's a slippery slope. It can come down to individuals, too.

I think this is very intrusive. I don't think we should go ahead with this sort of...I will not call it a witch hunt. However, as I said, I do understand a bit of partisanship there, but we should never go this far down this route. This is too far.

**The Chair:** Colleagues, I have MP Rempel Garner, but it is 10:14, so I don't think, looking at the room, there will be an agreement at this very meeting.

I still have speakers. I can't put this to a vote until I've exhausted the list of speakers.

Perhaps there could be some discussions amongst the parties to see if there is some agreement, or else we come back to it and you move it again, Mr. Perkins, with a bit more time to discuss it, at another committee meeting of your choosing.

MP Rempel Garner, go ahead very briefly. It's 10:15.

- (1015)

**Hon. Michelle Rempel Garner:** First of all, Chair, with regard to my colleagues' comments, in the procedure of the House of Commons, we can ask for the production of anything. We are supreme in the body of doing that.

Colleagues, for the record, I'd just like to say this. I agree, particularly as a Conservative.... I support private industry doing private things. The reality is this company now has a board member who is running for the leadership of the Liberal Party while acting as an economic adviser and we now have a material.... Their company rep just said that they were lobbying on this issue.

The federal government has not put in place any screens for Mr. Carney; the company has said they have not put in any screens for Mr. Carney, and now the company is saying, "Well, we don't know. Maybe there is a board issue, maybe there's not. We're not entirely clear." I think it does behoove our committee to get to the bottom of this.

I also think that it would probably behoove this committee to refer this matter to the lobbying commissioner at some point. I would support my colleague's amendment to look at this matter in private .

It's actually patently ridiculous. We have a company that has this type of an in to the Prime Minister's Office and the finance minister's office and is not passing the savings along to small businesses. It's preposterous. Of course, we should be looking to see if this company is saying what they're saying and getting to the bottom of this.

I'm actually flabbergasted, to be honest with you, especially when they said that they couldn't disclose the volume of transac-

tions that went on standard pricing versus interchange-plus pricing and then try to sell us a bill of goods like it's been passed along.

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

We've reached the end of this meeting. I suggest that the parties talk to one another and try to find some common ground.

Otherwise, if you bring it back, Mr. Perkins, we'll put it to a vote immediately at the start of the next meeting or at the end of the next meeting, as you prefer.

The meeting is adjourned.

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