CITIES COULD TAKE A LESSON ON PLASTIC

Small businesses have had to find ways of getting around the high processing fees of some credit cards, writes Laura Jones

Business associations use the strength of their numbers to negotiate better processing rates with individual providers.

In 2015, 10 municipalities in British Columbia paid almost $5 million to accept credit cards, ranging from a low of $87,577 in the City of North Vancouver to a high of $2,042,000 in the City of Vancouver.

Is there a way to reduce these costs?

Municipal governments could borrow some innovative ideas from small businesses.

Municipalities, like businesses, accept credit cards to provide payment choice — an important part of good customer service that should be preserved where possible. However, examining the costs associated with accepting credit cards makes sense, particularly when they are rising quickly. The cost of accepting cards in the 10 municipalities examined increased 54 per cent over the last five years — this is likely due to more transactions as well as higher fees.

When credit card companies started introducing premium cards like Visa Infinite a number of years ago, business owners were faced with large, unexpected increases in credit card processing fees.

They fought back in a number of creative ways.

A restaurant owner shared his successful strategy to educate customers.

He simply put a sign on each table asking customers if they would consider paying with cash or debit.

He shifted about 40 per cent of his credit card business into these lower-cost options.

Based on his success, CFIB created some simple signs that can be put next to a cash register or on a restaurant table.

The signs are very popular among business owners who are aware of them.

I happened to see one at a business on Main Street last weekend and asked the woman who was serving me whether it changed customer behaviour.

She happily told me that lots of customers had switched to debit or cash as a result.

Most customers don't realize that not only are they themselves charged annual fees for carrying a credit card (as well as interest payments on any balances) but businesses also pay fees to credit card companies and banks when accepting the card as a payment.

It is reasonable to charge for providing the convenience of the card, but many of the practices in the credit card industry — including big jumps in fees with no notice, and no ability to exit contracts — have been anything but reasonable over the past number of years.

A second approach that municipalities should consider is focusing on better negotiation.

Business associations use the strength of their numbers to negotiate better processing rates with individual providers, as well as to ensure that other aspects of the contracts work well.

To take one example of what might be possible, the City of Victoria renegotiated for better processing fees on city parking in 2012.

Its fees dropped from $243,256 in 2011 to $180,592 in 2012 — a savings of over 25 per cent. Imagine the savings if municipalities negotiated together.

CFIB worked to secure an across-the-board reduction in industry fees for small business in 2014.

The fee reductions, which came into effect about a year ago, range between six and 22 per cent, depending on the card used. The lower fees will be maintained for four more years.

Municipal governments across B.C. need to find ways to control spending and reduce property taxes.

In a recent column, I suggested replacing the banking of sick days, which is costly as it creates the incentive to confuse sick time for vacation entitlement, with a short-term disability plan.

Today's column provides more common sense courtesy of small business. The only thanks they ask? More affordable property taxes, please.