



August 5, 2016

## Visa Canada Submission to the House of Commons Standing Committee on Finance's 2017 Pre-Budget Consultations

### *Introduction*

Visa Canada welcomes the opportunity to contribute to the House of Commons Standing Committee on Finance's 2017 pre-budget consultations in an effort to help government build a lasting framework for economic growth and the long-term prosperity of Canadians.

While the Visa brand is well known, the organization's core functions are less understood. Visa is not a bank; the company does not issue debit or credit cards, make loans or set interest rates. Visa has a distinct role in Canada's financial services system, facilitating commerce between financial institutions, and among millions of their consumer, government, and business customers in Canada and around the world.

The Visa network connects 2 billion payment cards, tens of millions of merchant locations and 15,000 financial institutions in more than 200 countries. As the world's leading payments network, Visa is the preferred payment choice for millions of Canadians. We operate one of the world's most advanced processing networks, VisaNet, that is capable of handling more than 56,000 transaction messages a second.

Our goal is to facilitate the flow and encourage the growth of electronic payments to enable commerce and economic activity. We welcome the opportunity to share with you some perspectives on the payments industry and its potential to help stimulate the Canadian economy and support the Government's growth agenda.

With this experience in mind, Visa Canada has prepared this submission to the House of Commons Standing Committee on Finance with a particular focus on:

- The contribution of electronic payment products to Canada's economic growth and job creation.
- The fundamental role electronic payments play in promoting innovation and ecommerce to equip business and instill consumer confidence in today's digital economy.

### *Electronic Payments and Economic Growth*

It is estimated that electronic payments contributed \$296 billion to global consumption between 2011 and 2015, equivalent to a 0.1% cumulative increase in worldwide GDP during the sample time period. While in Canada, over the same period increased payment card usage added \$7.5 Billion in GDP to the economy, while creating an average of 17,600 jobs per year.<sup>1</sup>

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<sup>1</sup> Moody's Analytics. The Impact of Electronic Payments on Economic Growth. 2016



As an industry specific example, widespread international adoption of electronic payments has been the major catalyst to the growth of global tourism and a key driver of the success of the tourism industry in Canada. Within the Canadian tourism sector, electronic payments are a steady component of economic growth, adding nearly \$3.1 billion (CDN) from 1991 to 2010.<sup>2</sup> Because travellers can depend on the reliability and security of electronic payments, their tourism related spending increases, stimulating economic growth in one of Canada's largest service sectors.

For merchants, the benefits of electronic and new payment options are also profound. They provide consumers with convenient and secure access to their funds, high levels of security and guaranteed payment, and reduce cash and check handling costs. Electronic payments have also become a critical tool in expanding small business access to credit, serving businesses in need of quick access to funds.

**Recommendation 1: In light of these considerations, Visa anticipates that the Standing Committee on Finance will embrace the opportunities presented by emerging payments technologies, and recommend that the Government of Canada remain committed to a stable public policy environment that situate consumers at the center of the conversation, while encouraging increased payment card penetration that results in economic growth and job creation.**

#### *Electronic Payments and Growth of E-Commerce*

More and more, Canadians are choosing the convenience of making purchases online for goods and services. Using electronic payments, Canadians today purchase everything from clothing, electronics, and ebooks to airline tickets and vacation rentals. Visa recognizes the tremendous opportunities presented by the growth of the digital economy and has been making e-commerce safe, reliable and convenient since the beginning of the digital economy. The security and convenience offered by electronic payments have been a primary enabler of the e-commerce market, and without electronic payments the burgeoning sector, which by 2019 is expected to reach annual sales of \$39 billion, representing 9.5 percent of all retail purchases,<sup>3</sup> could not be able to continuously grow.

Electronic payments directly facilitate economic growth by enabling e-commerce sales, helping businesses reach global markets while expanding their consumer base beyond traditional geography or borders by establishing an online sales presence. Small and medium sized enterprises have been the beneficiaries of a boom in commerce enabled by technological innovation in payments, as the barrier to entry offered by the promise of online sales can be significantly lower than establishing a traditional brick and mortar retail outlet.

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<sup>2</sup> Tourism Industry Association of Canada. The Canadian Tourism Industry: A Special Report. 2012.

<sup>3</sup> Forrester Research. Canadian Online Retail Forecast, 2014 To 2019. 2014.



Visa is glad that the Government of Canada has the desire to *help Canadian businesses grow, innovate and export so that they can create good quality jobs and wealth for Canadians.*<sup>4</sup> There is no denying the role that electronic payments play to help businesses become active participants in today's digital economy since our industry is uniquely positioned to help large and small companies sell their goods and services online. However, despite the obvious benefits of establishing an online presence, small businesses in Canada are still lagging in their adoption of Internet technology, with 40% of small enterprises continuing to lack a website<sup>5</sup> - a challenge which could have serious economic implications if not addressed.

Understanding that trust is paramount in order for e-commerce to grow and succeed, Visa brings best practices from its global experiences and its world-class technologies to enhance the safety, security and soundness of online shopping. This commitment to instill consumer confidence in the market is represented by Visa's Zero Liability commitment that protects cardholders from unauthorized transactions, by providing advanced fraud detection and cardholder alerts. Furthermore, our chargeback protection instills heightened confidence in the e-commerce market, allowing merchants to reassure consumers about the security of online shopping, leading to increased sales as businesses realize opportunities that would be otherwise non-existent.

Visa has continued to be an innovator, enhancing the online checkout process most notably with the launch of Visa Checkout, an online payment service that lets consumers make online purchases more quickly and easily, whether using a computer, tablet, or mobile device, without having to continually re-enter payment and billing information. Once enrolled, shoppers simply enter their username and password to securely checkout without ever having to leave the merchant's website.

These payments innovations, alongside the rise of e-commerce platforms, offer significant benefits to Canadian consumers and merchants, and contribute to economic growth and job creation. Visa remains committed to working with the Government of Canada to support growth and maintain confidence in the e-commerce market.

**Recommendation 2: Visa recommends that the Government of Canada establish a small business e-commerce activation mentorship program comprised of industry and government and invest in a fund to help small businesses establish an online presence to improve Canada's participation in the global digital economy.**

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<sup>4</sup> Prime Minister of Canada. Minister of Innovation, Science and Economic Development Mandate Letter 2014.

<sup>5</sup> The Canadian Internet Registration Authority. The State of E-Commerce in Canada. 2016.



### *Conclusion*

Visa Canada wishes to thank the members of the House of Commons Standing Committee on Finance for their consideration of its submission to the committee's 2017 Pre-Budget Consultation Process. We look forward to continued engagement with the members of the committee on matters related to electronic payments, and would be happy to answer any questions you may have.

**For further information, please contact:**

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