

That report noted the importance of credit cards in the Canadian economy, the increasing versatility of cards and the substantial growth in the use of cards from the late 1970s to the mid-1980s. Since that time, the growth has been even more impressive.

Appendix 1 contains a table from the earlier report and adds three years of data for the use of MasterCard and Visa. These are often called bank cards, although they are issued by trust companies, credit unions and other financial institutions in addition to banks. The latest data available are for 31 October 1988, the end of the banks' 1988 fiscal year. Credit card sales grew by 56.7% between the end of fiscal years 1985 and 1988. To provide a frame of reference, nominal GNP grew 25.3% over the same period.

MasterCard and Visa are now used for about 9% of all consumption, up from about 7% at the end of 1985. Half a billion transactions each year are now made with these cards. Retail card use would increase these figures. In some department stores, over half the purchases are on credit. Even these facts understate the importance of credit cards. During the hearings, Committee members brought out the fact that credit cards are now an importance piece of identification. You may need one to cash a cheque or register at a hotel, and you will almost certainly need one to rent a car.

On the back of many credit cards, a magnetic strip gives access to a worldwide network of automated teller machines (ATMs). Growth in the use of ATMs has also been spectacular, and this growth adds to the convenience of many credit cards. Some retailers whose cards do not have access to the ATM network have set up procedures for using their cards to obtain cash.

It is obvious that the financial system is changing. A retailer who provides a cash advance now competes not just with other retailers selling similar products but with financial institutions. Several parliamentary committees are concerned with these trends. Right now, this Committee notes the pivotal role of credit cards in these trends.

But it is not the growing importance of credit cards that has attracted most public comment. Instead, it is the cost of using these cards, especially the high interest rates and the method of calculating interest charges. Appendix 2 contains a figure showing representative credit card rates (for MasterCard, Visa and a typical retailer) and the Bank Rate, all from the late 1970s. Note that the MasterCard rate shown is the rate for a card with no fees. The Visa rate is for a card with a \$6 annual fee or 15 cents per transaction. (This is down from the \$12 fee or 15 cents per transaction that