

The Toronto Star

Credit card giants create debit havoc; Retailers fear confusion, fee hikes as MasterCard, Visa slide into Canada's \$168 billion debit market

Tue Oct 27 2009
Page: B01
Section: Business
Byline: Dana Flavelle and Rita Trichur
Source: Toronto Star
Illustrations: Jim Flaherty: Code is being drafted.

Canada's debit card market is in turmoil as payment processors begin "aggressively marketing" new Visa and MasterCard debit cards to retailers, a leading merchant organization says.

The retailers fear the credit card companies' entry into Canada's \$168 billion debit market will mean higher fees for them.

"We've been overwhelmed by calls from small merchants," Diane Brisebois, president and chief executive officer of the Retail Council of Canada, said in a telephone interview. "We can't believe some of the stories we're hearing."

Canada's debit market is currently dominated by Interac, a low-cost, non-profit member-owned association, which charges merchants a flat fee per transaction.

The Canadian Federation of Independent Business said it's also receiving complaints from members, who are confused because the new debit products are being introduced at the same time as the CHIP-enabled card readers.

"Some merchants felt what they were doing was simply upgrading their systems to accept (micro) chip (debit and credit cards) and they found out after the fact that they also enabled Visa debit," said Catherine Swift, the small business president and chief executive officer. "And they weren't happy about that because Visa debit costs more to the merchant."

Many are being told they have to pay a hefty fee - as much as \$10,000 - to have Visa debit deprogrammed from the terminals, the business groups said.

"We're hearing Chase Paymentech is doing one thing, Moneris is doing a totally different thing and Global Payments is doing something else," Brisebois added, referring to the three leading payment processors in Canada.

In some cases, merchants are being asked to sign contracts that don't contain a fee schedule, Brisebois said.

Moneris Solutions, a company owned by two major Canadian banks, responded to a request for comment on the retailers' allegations by directing the Star to Visa and MasterCard, saying the card companies create "the product strategies."

The other two payment processors, U.S.-based Chase

Paymentech and Global Payments, hadn't responded by press time.

MasterCard Canada said its global debit offering comes with a flat fee, no interchange rate and "is substantially cheaper than Interac."

The merchants fear that MasterCard will eventually raise its rates.

Visa Canada said it had published the interchange rate that will apply to Visa debit cards in Canada on its website last November and that retailers will have the choice whether to accept Visa debit cards.

But the merchants and small business groups say complaints from their members are just the latest evidence of the need for more "oversight" of Canada's debit card market.

They worry that fees will skyrocket, forcing small business owners to pass on price increases to consumers. That, in turn, could feed inflation, Swift said.

Federal Finance Minister Jim Flaherty confirmed in Ottawa yesterday that his department is putting the final touches on a "voluntary code of conduct" to govern the entry of Visa and MasterCard into Canada's debit card market.

"We have been consulting with the stakeholders and the participants so that we get the results right, and we have spent a great deal of time on that," Flaherty said in response to a question from NDP MP Glenn Thibeault.

"The work has been done. The necessary coding is being drafted and will be released shortly."

The merchants and small business group say the code can't come too soon.

Some 2.5 million consumers have already received MasterCard brand debit cards, which are currently running on the Interac network. The only indication the cards will also work on MasterCard's debit network is the "Maestro" symbol on the back of the card.

As Canadian merchants begin accepting the Maestro product, those cards will run on MasterCard's network at the prices MasterCard sets for the merchants. Visa also operates its own debit network but says consumers will be given the choice of

networks at the PIN pad.

The merchants say that the pads will be programmed to show only the Visa option first and that few consumers will bother taking the extra steps to get to the screen that offers the Interac alternative.

© 2009 Torstar Corporation

The Washington Post

NRC to build Bethesda office tower Agency expansion a boost to commercial real estate market

Tue Oct 27 2009
Page: A16
Section: Asection
Byline: V. Dion Haynes

The Nuclear Regulatory Commission has signed a deal to construct a 14-story, 362,000-square-foot office tower across from its headquarters in Bethesda, a welcome project for local developers who have been grappling with plunging demand for commercial real estate space.

Bolstered by a stable federal government that is adding jobs, the Washington region has one of the lowest unemployment rates and the fourth lowest commercial-office vacancy rate in the nation. But with law firms, accounting firms, multinational corporations and other businesses in the area shedding jobs during the past 12 months, the region's vacancy rate has soared about 25 percent from 2008.

As a result, some developers have watched recently completed towers sit vacant and rents drop in occupied buildings, forcing them to postpone plans to construct new ones.

"This is clearly a shot in the arm to the commercial construction industry, which has the expectation there will be continued slowdown because of the credit crunch and vacancies," said Steve Silverman, director of the Montgomery County Department of Economic Development.

Like many federal agencies, the NRC is expanding. As part of the Obama administration's effort to reduce reliance on fossil fuels, the agency expects to see plans for about 25 new nuclear reactors and has hired hundreds of staff to review applications from proposed operators. The agency will lease the building from the developer, LCOR.

"We've hired 600 [full-time] engineers and some support people," NRC spokeswoman Beth Hayden said. "We've put the people in temporary locations in six buildings in Rockville and Bethesda. [With the new building] we'll all be right there together in one complex."

According to developers, the new \$131 million building will be across the street from the existing NRC campus. It will be part of North Bethesda Center, a mixed-use property that currently contains apartments and is proposed to include a hotel and retail space. Construction is scheduled to begin in March and the tower will open in about two years, developers said.

"We're looking for tenants like other developers" during the slowdown, said R. William Hard, executive vice president and principal of LCOR. "We're thrilled to have NRC kick it off."

The federal government is planning to expand its labor force in the Washington area by a net of about 60,000 jobs, according to estimates from Delta Associates, an Alexandria-based research and real estate firm. This year, commercial market space that the government signed leases for increased to 8.4 million square feet from the typical 5.3 million, according to the General Services Administration.

© 2009 The Washington Post Company

The Globe And Mail

Dorms go deluxe as universities scoop up hotels; Hard times in the hospitality industry create opportunities for McGill, U of T and others seeking living space for students

Tue Oct 27 2009
Page: B8
Section: Report On Business: Canadian
Byline: Graham Lanktree
Source: Special to The Globe and Mail

"It's a little weird living in a luxury hotel, says first-year McGill University undergraduate student Amanda Tucker. "My roommate and I each have a queen-sized bed, there's a private bathroom with a marble countertop and a TV with cable."

In September, Ms. Tucker moved into McGill's newest residence, the Carrefour Sherbrooke. Up until April, it was the Four Points Sheraton - a swanky 20-storey four-star hotel on the edge of downtown Montreal, just blocks from the university. McGill scooped it up for a cool \$18.8-million.

Hard times for the hotel industry have put many properties on the block at deep discounts, and experts say they haven't seen prices this low since the early 1990s.

Since 2003, universities and colleges across Canada have turned to hotels to relieve an increasing demand for student housing.

"With the market being what it is today, this is the perfect time to buy," says Bill Stone, executive managing director of Colliers International Hotels. As the economy claws forward, converting hotels into residences is a boon for universities, hotel owners and students alike.

"It was significantly cheaper to buy the Four Points than to build a new residence nearby," says Michael Porritt, McGill's executive director of residences and student housing. "For what it would cost to buy the land and build, there's no way we could do it. In most of the surrounding area there's a height limit, so we could only build four storeys tall."

Many local buildings and houses are also considered heritage sites, so they can't be levelled.

Enrolment is up at universities across the country. Not only that, Mr. Porritt says, the number of first-years who want to be in residence is climbing. And despite the fact that a double room in the new Carrefour residence costs roughly \$2,000 more annually than older residences, the new building is at 99 per cent capacity already.

Last year McGill had to lease four floors of an apartment building to cope with an overflow of almost 200 new students. The school's guarantee to house all incoming first-year students meant they couldn't be turned away.

"The Four Points houses 360 students, and is two

blocks from the school. So when it came on the market it was a natural choice," Mr. Porritt says.

"Yet, even though it eased our housing problem, I doubt we would have bought it if it hadn't been on sale."

Large franchises are eliminating underperforming hotels and slashing their prices to attract buyers. The 240-room Valhalla Inn in Etobicoke sold for \$15.5-million, and a 199-room Days Hotel and Conference Centre near Toronto's airport recently sold for only \$12-million.

"2009 has been challenging for the hotel industry, no doubt," Mr. Stone says. "The market has been overbuilt. In recent years, many hotels have gone up in high supply areas and with erosion in room rates and occupancy, there isn't much to sustain them."

It's doubtful the market will fully recover in 2010, industry representatives say.

Nevertheless, universities that have purchased hotels and similar commercial properties in the past say it's one of the best investments they've made. To cope with the double cohort, a huge influx of students following Ontario's 2003 elimination of Grade 13, the University of Toronto bought the Colony Hotel in downtown Toronto for \$72-million, when prices were at their highest.

Cathy Riggall, the university's vice-president of business affairs, says that at the time the school was spending between \$3-million and \$5-million annually to keep students in hotel rooms. "The Colony came on the market at just the right time," she says. "It gave us almost a thousand new beds at once."

The University of Ottawa also faced a similar problem, says Claudio Brun del Re, director of physical resources. "We had the double cohort in mind back in 2003 and by chance the owners of a nearby condo project were struggling, so we scooped it up. It saved us all the time and money required to build a new building."

The Colony Hotel offered other benefits, too, Ms. Riggall says. "It has a conference facility that we're using quite successfully, and lots of people who work in the area rent a parking spot in the building's large garage."

The school even kept on the hotel's gourmet chef, Jaco Lokker, who now runs the residence restaurant.

These are perks the university would have never designed into a new residence building, she says.

McGill intends to take full advantage of the new Carrefour Sherbrooke's extra perks as well, Mr. Porritt says. "The building comes with four large conference rooms, a restaurant and dining hall, so it's perfect for conferences. We're going to rent it out year-round."

The school has already had success with a similar model, renting out conference space at its New Residence Hall building, a former Renaissance Hotel, which it converted into a 700-bed dormitory in 2003.

Right now Ms. Riggall says the University of Toronto's Scarborough and Mississauga campuses desperately need more space for students.

"Unfortunately there aren't any hotels or buildings close to the campuses that would make a purchase worthwhile. Enrolment is up here at the university and we're trying to find spaces for everyone."

NOT YOUR USUAL CLASSROOM

With little space to build in major city centres, urban universities are acquiring and repurposing other commercial properties as well:

Ryerson University

Last year, Ryerson rolled out the red carpet on a partnership with AMC Yonge & Dundas 24 movie theatres in downtown Toronto. The school is using 12 new theatres as lecture halls, investing \$1-million in the property to equip each with a high-definition projector, Blu-Ray DVD player and mobile lectern. With limited space to build in the area surrounding the school, Ryerson says the arrangement is "a highly sustainable alternative to building new facilities."

Concordia University

In May of 2007, part of the Hôpital Général, a 340,000-square-foot property owned by the Grey Nuns in downtown Montreal, was turned over to Concordia University. The school paid \$18-million for the property and construction began immediately to convert a wing into housing for 227 students. Over 15 years, \$50-million in renovations will be made to the property. In 2011, Concordia's fine arts faculty will occupy the chapel and central wing. The school says the building "will become a gathering place for Concordia's artistic community and hub for creative synergies and cultural debate."

Graham Lanktree

© 2009 CTVglobemedia Publishing Inc. All Rights Reserved.

The New York Times

Dollar Hits 14-Month Low Against the Euro

Tue Oct 27 2009
Section: Business/Financial
Byline: THE ASSOCIATED PRESS

The dollar hit a fresh 14-month low against the euro on Monday as a regional Chinese central bank researcher argued for diversification of the country's reserves away from the greenback, while a strong economic report from South Korea ignited an equities rally and dulled the buck's safe-haven luster.

The euro touched a 14-month high of \$1.5061 in overnight trading before falling to \$1.5023 early Monday in New York. Late on Friday in New York, the euro was at \$1.5002.

Meanwhile, the dollar dipped to 91.89 Japanese yen from 92.10 yen, and the British pound rose to \$1.6327, from \$1.6311.

South Korea's central bank said on Monday that the Asian country's economy grew 2.9 percent in the third quarter, up from 2.6 percent growth the previous three months. That is the fastest pace of growth for Asia's fourth-largest economy since the beginning of 2002 and underscored the region's recovery. Last week, China said its economic output rose 8.9 percent in the third quarter. Japan's economic activity increased at an annual pace of 2.3 percent in the second quarter.

The news on South Korea's recovery sent markets higher and the dollar lower.

The dollar dropped to 1,172.60 South Korean won early Monday, from 1,188.30 won late Friday.

Investors have tended in the last year to buy the dollar as a safe haven when economic reports or corporate earnings are worse than markets had expected. Earnings that are surprisingly strong are driving the buck lower as investors are prompted to seek out higher returns than they can get from the low-yielding dollar.

That low yield comes from the rock-bottom United States interest rate near zero that the Federal Reserve is maintaining to prompt lending and economic growth.

Politicians and bank officials from big exporters, including China, that hold huge amounts of United States Treasuries as reserves have expressed unease with this situation as the value of their dollar holdings falters.

On Monday, a regional People's Bank of China researcher said in a report in a newspaper published by the Chinese central bank that the country should increase the amount of currencies other than the dollar in its reserves.

The bank sometimes publishes the opinions of

officials or researchers as a way of gauging public reaction to different policy approaches. Simply publishing such a report doesn't mean that policy will happen, but several prominent officials this year have voiced concerns about the dollar, which has been dropping steadily since spring, and talked up alternatives to the dollar as the world's supreme reserve currency.

China's reserves are the biggest in the world. The country is the biggest buyer of United States government debt and is believed to keep almost half of its reserves in United States Treasuries and in notes issued by government-affiliated agencies.

But in a note to investors Monday morning, currency analysts from Brown Brothers Harriman said China had shown little sign of diversifying out of dollar reserves.

In other early New York trading, the dollar edged up to 1.0576 Canadian dollars, from 1.0523 late Friday, but slipped to 1.0065 Swiss francs, from 1.0087 francs.

© 2009 by the New York Times Company