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**Hearing in case COMP/34.579 MasterCard
Brussels 14-15 November 2006**

Statement by Dr. Michael Raffling, Special Legal Adviser to HOTREC

Madam Hearing Officer,

I would like to thank Directorate General Competition for giving HOTREC the opportunity to present its views at this hearing.

HOTREC is a European association bringing together 38 national associations of hotels, restaurants and cafés of 24 European countries. The European hospitality sector consists of more than 1,4 million enterprises and employ more than 7,5 million people. Among these 1,4 million enterprises, some 95% do not employ more than 10 persons. Therefore, we represent mostly very small enterprises, which suffer very much from the cards' cartel and abuses of dominant positions.

The cost of payment by cards is repeatedly on the agenda of our meetings. For years, we have been observing the great disparities in the merchant service charges between countries. And for years our members have been complaining about the imbalance in their negotiating powers vis-à-vis the banks.

Our association welcomed the findings of the European Commission report of April 2006 on payment cards. According to this report, in 2005, total sales volumes with point-of-sale card transactions in the EU amounted to more than 1350 billion € and businesses in the EU paid more than 25 billion € in fees. **A substantial proportion of these volumes relates to the transactions in hotels, restaurants, cafés and bars.**

The report also showed clearly that **our sectors pay amongst the highest average merchant service charges**: in the list provided by the report, restaurants rank second and hotels rank eighth, while the "travel agency services" sector pays around ¼ less than hotels and ⅓ less than restaurants!

In view of the little time allocated to my presentation and considering that detailed presentations have already been made (and/or will still be made) on precise figures in relation to volumes and costs, which I do not want to dispute here, I will limit myself to some basic but fundamental remarks:

Why do our establishments accept such high fees? Simply, because they cannot do otherwise. Hotels, restaurants and bars have to accept cards because the customers, in most cases, prefer paying by cards. Cards give the consumers several undeniable advantages: no need to carry cash, possibility to delay payments and other ancillary advantages such as reductions etc.

As consumers pay a fee for using their cards, they are under the impression that this fee covers the whole of the costs of such use. This impression has 2 main consequences: first, customers cannot understand why a restaurant, a hotel or a bar would not accept their cards. Secondly, they have difficulties understanding why the merchant would charge a higher price in case of payment by card, as they do not know the cost of cards to merchants, especially the small ones. Both scenarios would result in a loss of business for the establishment concerned. Customers will just not come back on their next outing!

In today's world, the hospitality industry simply cannot and does not want to work without payment cards. Exactly in the same manner that they cannot work without computers and internet!

However, the industry would like to see the card payment system reviewed so as to meet the following conditions:

-full transparency of the different components of the merchant service charges and justification for the methodology (percentage versus fixed sum) for calculating the amount requested for all components. This transparency should be ensured at the time of the initial contract as well as on the periodical statements of fees paid. The same transparency should apply to the use of cards for cross-border payments and for domestic payments;

-full transparency of cost of payment cards for consumers, including costs for ancillary services, as well as information on the costs covered by the merchants, so that consumers be well informed of the real cost of card payments.

Full transparency would allow for more balanced deals and therefore for less costly transactions, to the benefit of both consumers and merchants.

HOTREC thanks the Commission for having initiated this very important investigation and remains at its full disposal for further information.