

Winnipeg Free Press

# Cheque-less future city firm's goal

## Telpay wants place in vanguard of new e-payment wave

By: Geoff Kirbyson

Posted: 09/7/2011



*Telpay president John Loewen (left) and Telpay chairman Bill Loewen want to make cheques part of history.*

The cheque used to be in the mail but one day it's going to end up in the museum. And Bill Loewen hopes he can speed up that process. The founder and chairman of Telpay, the Winnipeg-based provider of electronic-payment systems, thinks many companies will finally enter the 21st century -- some might argue the 1990s -- when they realize paying by cheque is not only archaic in this day and age, but it's impacting their bottom line.

## Extinction looms

PERSONAL cheques are about as current with the younger generation as rotary-dial phones, VCRs and exploding Pinto automobiles, and it's only a matter of time until they're extinct, according to Glenn Friesen, CEO of the Steinbach Credit Union.

He said companies and organizations that earn their revenue by sending out bills or collecting monthly payments, such as municipalities, cellphone providers and insurance companies, have increasingly moved to electronic methods, significantly reducing the need for paper cheques.

"The cheque is on its way out," Friesen said. "There is a generation that still uses cheques, so it may take many years. My kids don't know what a cheque is. Everything is going electronic. You'll be doing more (payments) with your phone in the years to come, just tap and go."

Friesen said the universal popularity of debit cards is probably the biggest reason for putting cheques on the endangered species list.

"A lot of stores don't accept cheques anymore. They want the security of debit and credit. NSF cheques were a risk to store owners. If they accept the cheque, they accept the risk. If the cheque bounces, they have to go after that customer," he said.

With debit, the payment is either approved or declined immediately so the risk is eliminated and the payment is guaranteed.

"You can't bounce a debit card," he said. "I can't imagine walking into a Walmart and paying for something by cheque."

"You can pay electronically and save time, money and the environment," he said. Each time a company processes a cheque to pay its utilities, suppliers, accountants or lawyers, it costs about two dollars for the postage, envelope and bank charges plus however long it takes to generate the cheque and get the proper authorities to sign it. For a small firm that writes 50 cheques a month, or 600 per year, that's \$1,200 in after-tax costs.

"That's a fair amount of money for some businesses," Loewen said. When one considers there are 500 million cheques issued in Canada each year, including 15 million in Manitoba, cheque-writing is a billion-dollar industry.

Paying electronically, on the other hand, costs just 50 cents per transaction, Loewen said. E-payments are also completed in 24 hours, compared to three to five days for cheques. Here's how "Telpay for Business" works: It supplies software to a customer's computer systems, the company inputs its data, including accounting entries and payment instructions, then the payment instructions are transferred to Telpay. The company's funds are then moved into Telpay's trust account and then from there to the biller.

Loewen said Canada is far from a trend-setter on the cheque front. Several European countries, including Denmark and Germany, have already moved to outlaw cheques entirely and the U.K. has been looking at it, too.

"We've reached the tipping point," he said.

He said his goal is to have eliminated cheques by 2020 in the province and for Manitoba to become the bill-payment centre of Canada.

That might be a lofty goal but it's hard to argue with Loewen's business resumé. He founded Comcheq, a payroll-cheque company in 1968 on an investment of \$15,000 and slightly more than two decades later, it had annual revenues of \$24 million and more than 450 employees. He sold it to CIBC in 1992 in an eight-figure deal, retaining control of the Telpay division. Today, Telpay has 40 employees and annual revenues of \$5 million.

Telpay's president, John Loewen -- he's also Bill Loewen's nephew -- said companies that move to e-payments from cheques typically see a two per cent increase in productivity. "There's a significant convenience factor. There's remote authorization so you can make a payment with an email. You don't have to sign (e-payments)," he said.

Telpay has 450 customers in Manitoba and 5,000 in Canada on its e-payment service, including the Winnipeg Chamber of Commerce. Dave Angus, president and CEO of the chamber, said it recently went electronic because he thinks Telpay's business model is the way of the future.

"We're going cheque-less here at the chamber. If we're going to be an advocate, we need to walk the talk," he said.

Angus said he sees huge advantages for efficiencies and environmental best practices by going cheque-less. "We see this technology being the norm down the road. The notion of Manitoba taking the lead is exactly the kind of bold step we'd like to see Manitoba companies take," he said.

Lori Baker, controller at McNally Robinson, agreed. She said the bookseller has used e-payments for its thousands of suppliers for several years. It took a risk by being an early adopter of the technology but it has seen time savings and increased convenience since it signed on.

"If we were to try to do it on our own through our computer system, I'd have to know every one of our suppliers' banking information. I don't want to do that. We leave that to Telpay," she said.

[geoff.kirbyson@freepress.mb.ca](mailto:geoff.kirbyson@freepress.mb.ca)

*Republished from the Winnipeg Free Press print edition September 7, 2011*