



To: EFTA Members
From: Kurt Helwig
Date: May 22, 2008
Subject: GAO Interchange Study

Earlier this month the General Accounting Office (GAO) released the attached study titled "Credit and Debit Cards, Federal Entities Are Taking Action to Limit Their Interchange Fees, but Additional Revenue Collection Cost Savings May Exist."

The GAO was asked by Congress to essentially perform a cost benefit analysis associated with federal government entities acceptance and usage of cards and to examine the effects of government regulations in countries that have limited interchange fees.

EFTA Chairman Ron Congemi and I met with the GAO to assist them in the report. Among the topics we discussed were the myriad benefits that the government receives by accepting cards. We were pleased to note that a number of EFTA's positions ended up in the final report.

The report noted that since 2003 when the government of Australia mandated lower interchange rates, total merchant discount fees declined but there was no conclusive evidence that lower interchange fees resulted in a reduction in the retail price for goods and services.

The GAO recommended that Treasury "develop a full implementation strategy including a completion timeline, cost savings estimate and a resource assessment for its revenue collection process."

EFTA will examine this matter more closely at its Legislative & Regulatory meeting June 25 in Chantilly, VA.

If you wish to discuss this matter please feel free to contact me at 703-934-6052.