

Remarks for Payments 97 Press Conference
Hank Bourgaux -- Representing the Federal Reserve Banks of
St. Louis, Kansas City and Chicago
April 15, 1997

Thanks, John. Good morning. On behalf of the Federal Reserve Banks of St. Louis, Kansas City and Chicago, I am pleased to be here announcing our partnership with MPX to boost the use of direct deposit and direct payment.

As you may know, the Federal Reserve System has primary responsibility for maintaining and increasing the efficiency of the payments mechanism. In support of this charge, we recently adopted a strategic plan to convert more paper payments to electronics and further automate check processing functions. Our partnership with MPX will assist us in achieving our goal of a more efficient payments system that brings significant cost savings and efficiencies to financial institutions, companies and consumers. Also, as the fiscal agent and payments processor for the Treasury, we are joining this Partnership to provide additional support to the Treasury's EFT 99 efforts. You are probably aware that EFT 99 requires that most federal payments be issued electronically by 1999. We hope that the aggressive marketing we have planned will help convince many consumers and companies to accept electronic payments from the government.

Despite the fact that three Feds and MPX have agreed to combine forces and coordinate ACH marketing and educational efforts, a key component of this partnership is the willingness of financial institutions and companies to **partner with us**. When it comes right down to it, financial institutions must be the ones to provide ACH services to companies, and companies

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must provide these services to their employees and customers. So the active participation of financial institutions and companies will be critical for direct deposit and direct payment activity to increase.

And we have room to grow the ACH. Despite the double digit growth in ACH payments during the last few years, we still have a long way to go to reduce the use of paper checks. While direct deposit of payroll has jumped impressively from just 15 percent in 1990 to more than 45 percent in 1995, many, many more American workers need to get the word on the benefits of ACH. To put this into a bigger perspective, although annual ACH volume is more than six billion items, more than 63 billion checks are written each year. We believe that cooperative efforts like this partnership are needed to reach a critical mass of individuals and persuade them to use electronic payments.

As I mentioned earlier , we have a very comprehensive plan to market direct deposit and direct payment. The Partnership has agreed to a multi-year marketing plan that we have divided into three phases or campaigns. We will kick off Phase One of our marketing effort with a direct deposit campaign that will begin early next month. We will be asking financial institutions in the Partnership's nine-state territory to work with us to market direct deposit to their corporate and retail customers. Then later this year we will contact companies directly and offer to provide them with various materials to market direct deposit of payroll to their employees. Finally, in the fourth quarter of this year we plan to do a variety of advertising to take our message directly to consumers. Public transportation signs, billboards and radio promotions will be used.

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Phase 2 of the campaign will take place in early 1998 when we will work with non-profit organizations to encourage the use of direct payment for their donations and charitable contributions. In Phase 3 we will be working with utility companies throughout our territory to develop joint marketing campaigns for recurring consumer payments. We anticipate that most of these promotions will take place in late 1997 and throughout 1998.

So, as you can see, we have many activities planned and an aggressive timetable to complete them. We believe this Partnership will result in important cost savings and other benefits for the government, the financial services industry and originating companies and we view this Partnership as vital to helping the Treasury meet its electronic payment mandate. We hope many financial institutions and companies will partner with us to increase the use of automated payments.

We'd be happy to answer any questions you may have.