



July 20, 2011

Government of Canada Strategic and Operating Review
Some US Bank Canada Process Improvement and
Money Saving Suggestions

1. US Bank Canada (USBC)

US Bank, through its subsidiary US Bank Canada, provides the Visa acquisition card program to the Government of Canada under its trade name, Elavon Financial Services. USBC also provides Visa commercial credit card systems and technologies on behalf of RBC, CIBC and TD. US Bank is the predominant supplier of credit card services to the U.S. government and is the fifth largest bank in the U.S.

2. US Bank recommendations to the Government of Canada for process improvements and dollar savings

- Mandate the use of government commercial cards for certain types of transactions (e.g. all government travel, all acquisitions below a certain dollar threshold)

Today, in acquisition cards alone, in comparison to the U.S. government, the Canadian government, in relative terms, uses acquisition cards half as much and for half the average value. The U.S. government calculates that they save an average \$54 to \$92 per transaction when they use an acquisition card in comparison to paper processes. Today, the Canadian government saves approximately \$100 million on \$750 million of purchases made by Acquisition Card. If the Canadian government matched the U.S. government in acquisition card use, the government would save a minimum additional \$100 million annually for a total savings of \$200 million. If the Canadian government followed "best practices" with the use of the acquisition card, the government could save a minimum \$500 million annually. If the Canadian government mandated the use of acquisition and travel cards for all government travel and all acquisitions below a \$5000 threshold (including the requirement that all vendors in these categories accept acquisition and travel card payments), we estimate the government would save a minimum \$250 million annually from current levels.

- Consolidate the management of all card programs under one management directorate. Consolidate all card related policy frameworks into one policy.

The government has some excellent management in some of the card programs (for example acquisition cards), but this same management knowledge and strength does not extend to all card programs. Today, government use of credit cards is managed by a minimum of 3 separate directorates and a minimum of 3 separate policy frameworks. If there was a consolidation of management and policy, we believe the following would occur:

- a. Public Service Management would consider the consolidation of card programs which could result in significant cost savings and new rebates to government.
 - b. Public Service Management would better understand best practices and how to achieve best practice results.
 - c. Public Service Management would be in a position to more completely consider innovative card program options and extensions such as Electronic Invoice and Bill Presentment (EIPP). The US Department of Defence (DOD) utilizes one of US Bank's EIPP offerings (US Bank Transportation Payment) for its freight and household goods movements. DOD estimates that it saves \$11 million for every \$1 billion of spend through the program. The program is administered at no cost to DOD and DOD suppliers are happy to participate in the program because they receive payment within 48 hours of approved invoice. We believe a robust EIPP mandated program for transportation and household goods movement payments alone would save the Canadian government a minimum \$100 million annually. The process improvement savings would be many times this amount. Additionally, most suppliers to government would be much happier as they would be paid quickly upon approved invoices.
- Card contracts are typically multi-year in duration. The technology changes quickly and introducing innovations is a key part of generating cost savings. Multi-year contracts with suppliers should be written in such a way to allow the government to exercise the use of these innovations within the terms of the existing contract.

3. Conclusion and proposed next steps

The general conclusions put forward in this short paper are obviously supported by much third party and independent data, as well as decades of experience with governments around the world. By consolidating operations and adopting best practices proven elsewhere, the Government of Canada has the potential to save hundreds of millions of dollars annually.

US Bank would welcome an opportunity to bring expert knowledge to the strategic and operating review process, particularly in respect of innovative cost-saving payment solutions.

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