

COST OF CASH TO SOCIETY TO BE TACKLED

- Government and industry target Integrated national payments framework

“Ireland is in a time warp and is both wasting money and losing ground on competitors because our payment behaviour continues to rely heavily on cash and cheque” according to Irish Payments Service Organisation (IPSO) Chief Executive Stewart MacKinnon opening the first National Payments Conference today (Tuesday, December 12, 2006)

The conference is the first public step in a programme of engagement sponsored by the Department of An Taoiseach and IPSO to streamline and modernise Ireland’s out of date payments infrastructure. It was attended by a range of affected and interested parties with large payments runs and cash management needs including Government Departments, utility companies, retailers, consumer groups and the banks.

Mr. MacKinnon pointed out that currently:

- Cash usage in Ireland is more than double that of our European comparators.
- Ireland is one of only three Eurozone countries using cheques to any significant extent.
- 70% of all payments that are less than one hundred euro are made in cash, which is the most expensive of all payment mechanisms.
- Almost one third of Irish consumers still use cash for all their transactions.

“Despite having an abundance of proven secure electronic payment options available we are continuing this love affair with cash that is costing us as much as €1.6bn a year. As we now face into the introduction from early next year of the Single Euro Payments Area (SEPA) Irish consumers and business alike have to get used to the idea that this dependence on paper to make payments is no longer justifiable.”

The conference highlighted the potential benefits and issues of a transition to an electronic payments system. Bank of Finland Board Advisor Harry Linonen outlined the Finnish experiences and highlighted that *“common standards in the handling and management of payments are the basis for economy-of-scale benefits. This though will not happen overnight as developments in payment systems require long term commitment because customer payment habits change slowly. It is our experience that the most effective means of managing transition to new payment methods is with a partnership approach on the part of those affected, with co-ordinated planning being critical to a smooth transition”*.

Delegates also heard about the process issues involved in shifting towards greater levels of electronic payments from specialist payments industry consultant Adrian Cannon *“the mobile phone is the front runner as the means of effecting supporting infrastructure for payments with the banking system still operating in the background”*.

Opening the conference, Minister for Finance, Brian Cowen T.D. added his voice to those supporting the need for Ireland to keep pace with the evolution in payment methods. Among the other speakers were UCD Economist Colm McCarthy, Don Thornhill Chairman of IPSO and of the National Competitiveness Council and John Hurley, Governor of the Central Bank and Financial Services Authority of Ireland.

Following the conference the next step in the programme will see a number of working groups from among the stakeholders address three key areas in reducing the dependence on cash in the economy: ‘papers to electronic payments’, ‘cash to electronic payments’ and ‘universal access’.

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