

***BILL MATHIS, OPENING REMARKS
MasterCard PUBLIC SECTOR FORUM – DAY 1***

*Delivered by Bill Mathis
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MasterCard International
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*MasterCard
International*



Good morning!

My name is Bill Mathis. I'm Senior Vice President of Business Development at MasterCard International, and it is my distinct pleasure to welcome all of you to the seventh annual MasterCard Public Sector Forum.

First, let me say what an honor it is to be here today with this distinguished audience, which I know includes many long-time, good, loyal friends of MasterCard. I'm delighted you're all here.

I know I speak for everyone at MasterCard when I say that we couldn't be more pleased that you've taken the time to join us here today. We know that for most of you time may be the most valuable of commodities. So I promise we're going to do our best to provide a great return on your investment of time with a program I trust you will find informative, thought-provoking, and relevant to the payment challenges and issues you face today and will be facing tomorrow.

I think it's especially appropriate, and something of a lucky coincidence, that we're gathered here to discuss the future of U.S. federal government payment programs on the anniversary of one of the most famous U.S. government purchases in history. On March 30th, 1867, right here in Washington, Secretary of State William Seward signed a treaty with Russia to purchase Alaska for the United States.

The purchase price was seven-point-two million dollars (\$7.2 million), which works out to about two-and-a-half cents an acre for a territory with a land mass larger than Texas, California, and Montana combined. What a deal!

Of course, at the time, the Alaska purchase was almost unanimously criticized as "Seward's Folly." But Seward clearly was a man of vision who was way ahead of his time. So it's no surprise that when it came time to pay for the purchase of Alaska, Seward just handed over his State Department MasterCard card and completed the transaction. Authorization took a little bit

longer back then, but if I'm not mistaken, the signed carbon copy receipt is still on display at the National Archives.

[PAUSE]

OK, I'm just kidding. But I'm not kidding when I say we're very excited to have this opportunity to explore with you what lies ahead for United States federal government payment card programs and how to make them work best in the coming era of new realities and requirements.

We've put together a lineup of speakers, presenters, and panelists today that includes your colleagues from within the U.S. federal government; consultants and experts from the banking sector; and some of the best and brightest people dedicated to public sector payment programs and strategies from within MasterCard. What they all have in common is that they are focused on the payment card issues, challenges, and solutions that matter to you.

Those of you who've attended our previous Public Sector Forums may be aware that we're doing something different this year. Instead of only one day, this year's event will span three days. We're still devoting one entire day – today – exclusively to you and your payment program concerns within the U.S. federal government. But we've expanded the scope this year to include the international public sector, and that will be our focus tomorrow and Friday.

You may be asking yourself why – and what, if anything – that has to do with you and the multitude of responsibilities you must deal with on a daily basis.

Let me preface my answer by saying that, from the MasterCard perspective, “international” is who we are. It's in our name, MasterCard International, and embedded in our approach to doing business.

We have more than twenty-three thousand (23,000) customer financial institutions across the globe; thirty-seven (37) offices around the world; and we provide payment services in two-

hundred-and-ten (210) countries. We work with thousands of public sector organizations, at every level, everywhere on the planet.

But that's not meant to be a commercial for MasterCard – well, maybe a little one.

The point I'm trying to make is that MasterCard spends every day, all day, focused on facilitating payments for private enterprises, public-sector entities, merchants, and consumers all around the world. We've seen, handled, processed and created the tools, solutions, and infrastructure needed to enable virtually every type of payment, in virtually every type of payment situation, in virtually every language on Earth. As you might guess, we've learned a little along the way about what works best in payments and how to make it even better.

And that brings me to why the inclusion of international public sector participants in this year's event should be of interest to you: information sharing and learning.

Now, some of you may be thinking, what can I learn from someone who works in a government ministry, or municipality, or provincial department in some other country? What could they possibly understand about the payments-related problems, challenges, and frustrations I face every day, let alone have the same things in common?

Guess what? Your counterparts from around the world and in this room are thinking the same exact thing. And that's precisely why we expanded the scope of this year's event. We, at MasterCard International, want to facilitate the sharing of international and cross-border learnings in public sector payments.

Certainly, stark differences exist, dictated by culture, political system, and societal needs. But take it from me, there are great similarities across the public sector as an international community. The fundamentals, such as transparency, control, auditability, and good stewardship of public funds are similar everywhere.

Because MasterCard is a global organization, with a global public sector group, we've worked with thousands of public and governmental entities around the world to create payment card solutions that are flexible enough to address different needs, but that also bear out the similarities.

At our Public Sector Forums in years past, we've come together to share knowledge, frustrations, solutions, and best practices. And that's what we're doing here again this year, but on a global scale. MasterCard wanted to bring all of you together under the same umbrella at one event. What better way to share the insights you've all gained and the solutions you've forged in real-world situations? And what better way to learn from others who may have overcome some of the same obstacles that are standing in your way right now?

I'm happy to say that most of you have signed up for tomorrow's session and will participate in that global dialogue. We, and all your public sector colleagues from around the world, are eager to engage you in that international dialogue.

But today, the focus is squarely on the U.S. federal government sector and your payment needs.

[PAUSE]

The Roman orator Cicero once said that the administration of government, like a guardianship, ought to be directed to the good of those who confer the trust.

My friends, each of you personify that noble sentiment. You are the administrators of many of the most important functions of government and the guardians of the public trust. The work your agencies do touches every aspect of our daily lives, from the air we breathe and the water we drink, to ensuring our national defense; from building rural roads to exploring the wonders of the universe; from helping to educate our children, to caring for the elderly; and all the other essential services, too numerous to mention, that you are responsible for. The work you do, the administration of government, most certainly is directed to the good of those who confer the trust.

Some may take you and what you do for granted.

At MasterCard, however, we do not take you – or your business – for granted, and we never will. That's a promise. We've seen first-hand how the U.S. federal government has been a driving force behind the development of many of the innovations in payment card programs today. The entire commercial card platform being used by businesses across the country likely would not have the functionality, reliability, and usefulness the current generation has achieved without the vision of the federal government and the input of you and your colleagues. Government payment card program requirements have helped redefine the realm of what's possible in payments.

And MasterCard has been there with you every step of the way, right from the beginning.

Our track record in public sector payment programs spans more than twenty-two (22) years of experience in government supply chain management.

In the late 1980s, we worked closely with the U.S. federal government on the pilot program that helped launch the GSA's SmartPay program in 1998. We've also worked closely with many of you since the inception of SmartPay to develop the types of robust, innovative, customized payment solutions you told us you wanted and needed to streamline costs, drive efficiencies, and comply with regulations.

Today, many government payment solutions exist because of the pioneering work done by the GSA. SmartPay continues to be adapted by governments around the world and held up as a best practice on how to create efficient and innovative payment programs for government entities.

We've all witnessed the phenomenal success of SmartPay, which went from about five billion dollars (\$5 billion) in payments in its first year, to nearly twenty-five billion dollars (\$24.8 billion) in 2004, just six short years later.

But as with any endeavor that grows so quickly, some growing pains are inevitable along the way. In an effort to ease some of those growing pains and resolve some of the issues that have arisen with SmartPay, the OMB has posted its document, “Improving Management of Government Charge Card Programs,” for comment. The OMB’s goal, at the end of the process, is to improve government payment card practices.

We’re all aware of the issues the OMB is trying to address: risk management, policy compliance, strategic sourcing, and tax recovery, among others. You understand them better than anyone, and don’t need me to explain them. But the fundamental question remains: What is the best way to accomplish the OMB’s goals and make government payment card programs all they need to be and all they must be?

Our goal for the rest of the day is to explore all these issues and more, as well as the best ways to address and resolve them. Believe me, MasterCard recognizes what the needs and objectives are when it comes to your payment card programs. We fully support the OMB’s goals. But beyond that, we remain dedicated to supporting the needs of our end customers, you.

MasterCard is dedicated, from the top down, to being the best business partner in all we do. We are customer-centric, first, last, and everything in between.

So we’ve developed payment card programs that will, we believe, make your job easier by providing you a complete suite of innovative tools and services that will allow you to meet the spirit and the letter of the law on compliance.

During the course of the day, you’ll be hearing much more in the way of specific details about these MasterCard payment card programs, tools, and solutions. We’re very excited about our product offering, and we think you will be, too.

As you listen to our expert panelists and speakers discuss the various issues and topics on the agenda and share the specific details of MasterCard payment card solutions, I’d like you to keep

in mind our overriding theme for today, and our approach to delivering those solutions to the public sector: *Results and compliance through business intelligence.*

A little later you're going to learn about a new product called MasterCard Aristion, one of the most powerful business intelligence tools available, and one uniquely suited to meet the needs of government payment card programs. Imagine being able to turn your payment card usage policies and guidelines into hard and fast enforceable rules, and being notified automatically if there's even a suspicion that one of those rules may have been violated. Well, you're imagining Aristion, and Aristion is here and it's unique to MasterCard.

[PAUSE]

Now it's time to take the first step on our journey together to the future of public sector payment card programs.

In his inaugural address in 1993, President Bill Clinton said, "The urgent question of our time is whether we can make change our friend and not our enemy." As I stand here today, I have every confidence that working in collaboration, as we have done with so many of you for so many years, we will not only embrace the coming changes as friends, but be able to celebrate their arrival.

MasterCard will continue to work closely with our issuing financial institutions to meet the immediate payment needs of public sector entities and to introduce innovative payment and data solutions that meet the unique requirements of the U.S. federal government payment environment.

MasterCard remains totally committed to doing all we can to be your best business partner. That's why I'd like to ask all of you to please fill out the feedback questionnaires in your packets before you leave the conference—whether you're here for one, two or three days. Your input is so valuable to us because it helps us understand what we can do to serve you better.

I want to thank all of you for being here and for your continued support of MasterCard.

Now, I'd like to turn it over to Jack Barry, the moderator of today's event.

Jack is the Managing Director of Pegasus Global Partners. He previously headed supply chain procurement consulting at A.D. Little, EDS, A.T. Kearney, and AT&T. He is an internationally recognized specialist in supply chain, logistics, and manufacturing systems, customer service, procurement, and materials management. Those of you who know him and have heard him speak, know that his comments will be insightful and relevant to the discussions we'll be having.

Please join me in welcoming Jack Barry.

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