



Serving the Vending, OCS and Foodservice Management Industries

January 29th, 2007

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Re: Docket No. R-1270
FR Doc. E6-20301, Filed 11-30-06; 8:45 am
Electronic Fund Transfers

Dear Ms. Johnson:

This letter is submitted on behalf of the National Automatic Merchandising Association (NAMA) in response to the Federal Reserve System's request for comments on its December 1st, 2006 proposed rule entitled "Electronic Fund Transfers."

Introduction

The National Automatic Merchandising Association (hereinafter referred to as "NAMA") is the national trade association of the merchandise vending, office coffee and food service management industry.

NAMA membership includes about 1800 vending and food service operating companies along with many vending machine manufacturers and suppliers of vendible products and component parts. Two industry trade journals estimate that between \$22 billion and \$46 billion of food and beverages were purchased through vending machines in 2005.¹

The National Automatic Merchandising Association. www.vending.org

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NAMA Position

NAMA supports the proposal of the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board) to create an exception for small-dollar transactions from the requirement that receipts be made available to consumers at the time of the transaction. NAMA also encourages the Board to consider increasing its proposed threshold for small transactions from \$15 to \$25.

Reasons for NAMA's Position

Consumers will be adequately protected in terms of record keeping and evidence of transactions is readily available. Many choices currently exist for bank customers to access their debit card statements or transactions. These choices include monthly bank statements mailed to the customer, balance statements available at automatic teller machines, automated telephone inquiries, and internet banking options. With all these options, consumers are now able to review their transactions and account balance almost instantly, 24 hours a day, 7 days a week.

The cost for installing and operating receipt-generating equipment in vending machines is prohibitive. The cost to install a printer in a vending machine is estimated at \$670.² Putting this cost into perspective, NAMA's most recent Operating Ratio Report, published in June 2006, indicates that the average annual gross revenue per food or beverage vending machine is \$4,390. A typical vending company's profit before taxes was 1.5%, yielding an annual per-machine profit of \$65.85.³

The projected annual cost for paper and maintenance of a receipt printer is put at \$141.67⁴. This figure is comprised of \$6.67 of paper cost and \$135 annual cost to repair jammed printers (2.7 jams per machine, per year). Many companies, with machines as far as 60 miles from the company's headquarters, would experience even higher service and repair costs.

These combined costs----installation, paper supply and printer servicing and repair----will prevent vending companies from offering the debit card option. Consumers who now show a preference for debit cards over cash will therefore be deprived of the convenience of using a debit card for these transactions. Not offering the debit card option puts the vending industry far behind other retailers in providing customer convenience.

Unlike coffee shops, grocery stores and convenience stores, vending machines have never and do not currently provide customer receipts. Therefore, we believe our industry's customers will not expect to receive a receipt, even when using a debit card.

In addition, NAMA believes more credit/debit card availability in vending machines will reduce the need for cash in vending machines. Reducing the amount of coins and currency in vending machines will reduce the incentive for vending machine theft and vandalism.

The Board's proposal would create an exception from the paper receipt requirement in the case of debit card purchases for \$15 or less. NAMA encourages the Board to increase this threshold to \$25. A \$25 threshold would provide greater flexibility for the vending industry to sell additional products through its machines. And a higher threshold would not have to be adjusted as frequently because of inflationary pressures. As the Board notes in its explanation for the proposed rule, payment card associations have already changed their rules and waived signature and personal identification numbers (PIN's) for certain types of purchases under \$25. Many consumers and businesses are accustomed to this \$25 threshold. We ask that the Board consider raising the exception from the paper receipt requirement in the case of debit card transactions from the proposed \$15 threshold to a \$25 threshold.

NAMA appreciates the opportunity to comment and thanks the Board for initiating this proposal.

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Respectfully submitted,

Thomas E. McMahon
Senior Vice President and Chief Counsel
On behalf of NAMA

¹ See “State of the Vending Industry Report,” Automatic Merchandiser magazine, August 2006. “2006 Census of the Industry,” supplement to Vending Times magazine, published in 2006.

² Craig Lewis Estimate, MEI, West Chester PA, January 22, 2007.

³ National Automatic Merchandising Association, “Key Indicators to Success, 2006 Operating Ratio Report,” p. 3.

⁴ Lewis, op. cit.