

Bringing speed to the rail network

Contactless payment is increasingly gaining traction on the transport network among time-pressed travellers looking for convenience and speed. CHRIS DAVIES, managing director of Global Payments explains its business potential



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In the world of transport, speed is of the essence. Enabling customers to pay for their tickets quickly can be the difference between whether they catch or miss their train. As a result, over recent years, the need to make card payments faster has become imperative as passengers turn to plastic for smaller payments at ticket offices and machines.

By way of illustration, the latest card expenditure statistics from the UK Card Association show that card spending overall amounted to £47 billion in June, up £0.2 billion on May. Additionally, the statistics showed lower average transaction values, likely to have been driven by the increasing use of contactless payments.

Contactless payment is especially well-suited to transport, as it enables busy passengers to pay for tickets within seconds. The cardholder simply taps their card on the dedicated reader, and makes an instant payment for any transaction under £20, powered by near field communication (NFC) technology.

Why has it taken so long?

So why is contactless payment only gaining traction on the transport network now? Although it was introduced in the UK in 2008, it is only now beginning to gain a wider appeal. Cardholders have been reticent for a number of reasons, and security concerns in particular have featured. However, contactless benefits from the same range of advanced security features found on a standard chip and PIN card, with transactions processed through the same secure network. In addition, the £20 limit in place ensures that theft of the card cannot lead to large losses, although any unauthorised transactions are still covered by the issuing bank as they would be with chip and PIN.

NFC-powered barriers have been used on the transport network for over a decade. Oyster, for example, was introduced by Transport for London (TfL) in 2003, and allows the user to simply tap and charge their card on the dedicated readers. Oyster was used for 80 per cent of all TfL journeys by 2012.

Subsequently, TfL has now rolled out contactless payments on the full Tube network and parts of National Rail, with cards benefiting from the same fare savings which are activated when using an Oyster card. As the NFC infrastructure was in place for Oyster, it was a natural step to expand acceptance to cards. It's not

just in London that the benefits of contactless card acceptance are being seen. This year, Merseyrail, the busiest transport system outside of London, which carries more than 100,000 passengers on a typical working day, introduced contactless payments across its network.

Overcoming the challenges

The use of contactless is now evolving. Rather than simply enabling travellers to pay for their ticket at a kiosk or a machine, debit and credit cards can function as the ticket and be directly tapped on barriers. One of the challenges to implementation has been educating passengers on using new payment methods. For example, card clash can occur when the holder presents two 'eligible' cards to the reader (for example a debit card and a pre-paid ticket). The passenger may intend to use the ticket, but the reader charges the debit card instead.

Another future issue to consider when using a debit or credit card as a ticket is interoperability among different providers. For example, a passenger could potentially tap in while boarding a service from South West Trains, then change platforms midway through their journey and tap out from an East Midlands Trains service. Connecting these from a payments perspective would be extremely convenient for the customer, but requires coordination to be delivered, as National Rail would need to operate a centrally managed system; an organisation such as the Association of Train Operating Companies (ATOC) would be able to put this in place.

The future

Accepting contactless will become increasingly important for rail operators as it reaches the next stage of its development through mobile payments. As Apple has recently announced that it will be adding NFC technology to the next iPhone, the numbers of passengers using mobiles to pay could increase significantly.

Undoubtedly, there are practical challenges to be overcome in implementing a nationwide contactless payments acceptance infrastructure on the rail network. However, as traction for the payment method grows, it has the potential to bring unprecedented efficiencies to both passengers and operators. ■