Contactless Banking Payment Pilot at MTA New York City Transit

Expanding Transit’s Role As a “Merchant”

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Why Consider Banking Payments?

- Our mutual customers favor electronic payments
- MTA NYCT is well-positioned to consider alternatives to traditional transit smart card systems
- Traditional, custom-built, transit-owned fare payment systems pose challenges, especially in terms of keeping pace with evolving technologies and business requirements
- Banking payments has emerged as a viable business and economic option for transit

Becoming a Merchant at Point of Entry (POE)

“Think FAST LANE (EZPass) for Transit”

A change in the business model and approach to customer service:

...from “ticketing” to “credentialing”
...from “ownership” to “acceptance”
...from “fare payment” to simply “payment”
## Becoming a Merchant at Point of Entry (POE)

### Challenges

| Provide appropriate customer support | - Do customers like the approach?  
| - Account – based: “usage” and sales  
| - Consistent with broader consumer experience |
| Fold transit requirements into banks’ payment model | - Flexibility to handle all fare policy options  
| - Speed at point of entry (<300ms)  
| - Privacy of customers  
| - Equipment/system availability to assure access to transportation |
| - Data requirements  
| - Integrity/security of the equipment  
| - “Open” solution with broad market for equipment and services |
| Leverage new payment models | - Aggregation  
| - Rules changes (Reg E, CAT 3) |
Business Model for Transit POE Merchant: Customer Perspective

Simplified Payment Interaction (“Think FAST LANE”)  
• Use a contactless banking device of your choice  
• Simplified message acknowledging payment and no receipts  
• Account-based approach, with “usage” and payment details available  
• Optional automated replenishment  
• All fare options available through pre-selection at website or through customer service OR “Pay-As-U-Go” as default
# Business Model for Transit POE Merchant: Transit Perspective

<table>
<thead>
<tr>
<th>Activity</th>
<th>Today’s Practice</th>
<th>Pilot Test of NYC Transit PATH/NJT</th>
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</thead>
<tbody>
<tr>
<td>Set Prices and Pricing Policy</td>
<td>Transit</td>
<td>Transit Agency</td>
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<tr>
<td>Manage Data Needed for Transit Planning/Financial Reporting</td>
<td>Transit</td>
<td>Transit Agency</td>
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<td>Replace Lost Payment Devices</td>
<td>Transit</td>
<td>Issuer</td>
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<tr>
<td>Manage Customer Accounts</td>
<td>Transit</td>
<td>Issuer/Service Provider</td>
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<tr>
<td>Address Customer Claims</td>
<td>Transit</td>
<td>Issuer (payment, billing)</td>
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<td></td>
<td></td>
<td>Transit/Service Provider (usage issues at point of entry only)</td>
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<tr>
<td>Process Transactions</td>
<td>Transit</td>
<td>Payment Processor</td>
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<tr>
<td>Risk Management/Security/ Enforcement</td>
<td>Transit</td>
<td>Everybody</td>
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</tbody>
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System Architecture for a Simplified “Retail” Approach at POE

Key: Pilot Platform

• Manages customer relationships, enabling customers to select any fare option that they want and resolve issues.

• Calculates payment due from customer and effects processing
Results: Customer Perspective

• Users were favorable about the experience, with most rating it positively and very few reacting negatively

• *PayPass* users are likely to continue using their PayPass-enabled Citi MasterCard credit and debit cards to pay for MTA Subway rides in the future

• The PayPass Subway Trial had a positive impact on MTA ridership

• Users had a better opinion of the MTA and it’s partners in the trial

Source: MasterCard Worldwide Research, December 2006
## Results: Operations

<table>
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<tr>
<th>Category</th>
<th>Details</th>
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| **Customer Claims** | • Payment claims rate identical to merchant experience at vending machines  
                      • Indications are that fraud risk is lower  
                      • Usage (acceptance) issues at point of entry *significantly* lower  
                      • Sales transaction availability very high |
| **Equipment**   | • Very easy to install  
                      • Verified read of 300ms or less; accuracy of read  
                      • Highly reliable/stable—*significantly* less maintenance complexity and frequency  
                      • No vandalism |
| **Processing**  | • All usage and sales transactions fully reconciled – no accounting issues  
                      • Loss exposure is potentially much less for MTA as a “merchant” |
Results: Customer Support

Customer Service Center / Web Site

- Users very satisfied with approach and level of service
- Customers view problem resolution as a generic “payment” issue to be resolved through their banking relationship
- Profile mirrors EZPass experience
  - Of 3,500 inquiries, most were information requests
  - Second highest category were transfers to Citi
  - Fewer than 200 “claims” inquiries: all handled as part of “financial” back office
  - Only one (1) call transferred to NYCT
- Web site 100% available: very active, with over 238K page views and more than 50K unique visitors
Next Steps

• Phase II: Pilot on Buses
• Expand on fare policy options
• Partner in Port Authority, NJ Transit, PATH regional pilot