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?

60% of sales revenue at vending machines are paid with debit/credit

- **Our mutual customers favor electronic payments**

- **MTA NYCT is well-positioned to consider alternatives to traditional transit smart card systems**

40% of MetroCard transactions are debit/credit

- **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**

*   "MetroCard 2005 Customer Awareness, Attitude and Usage Tracking Study: New York Residents," April 2005 and "Survey of Consumer Finance," 2006 update, published by the Philadelphia Federal Reserve Bank.

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

	Today's Practice	Pilot Test of NYC Transit PATH/NJT
Set Prices and Pricing Policy	Transit	Transit Agency
Manage Data Needed for Transit Planning/Financial Reporting	Transit	Transit Agency
Replace Lost Payment Devices	Transit	Issuer
Manage Customer Accounts	Transit	Issuer/Service Provider
Address Customer Claims	Transit	Issuer (payment, billing) Transit/Service Provider (*usage* issues at point of entry *only*)
Process Transactions	Transit	Payment Processor
Risk Management/Security/ Enforcement	Transit	Everybody

System Architecture for a Simplified "Retail" Approach at POE
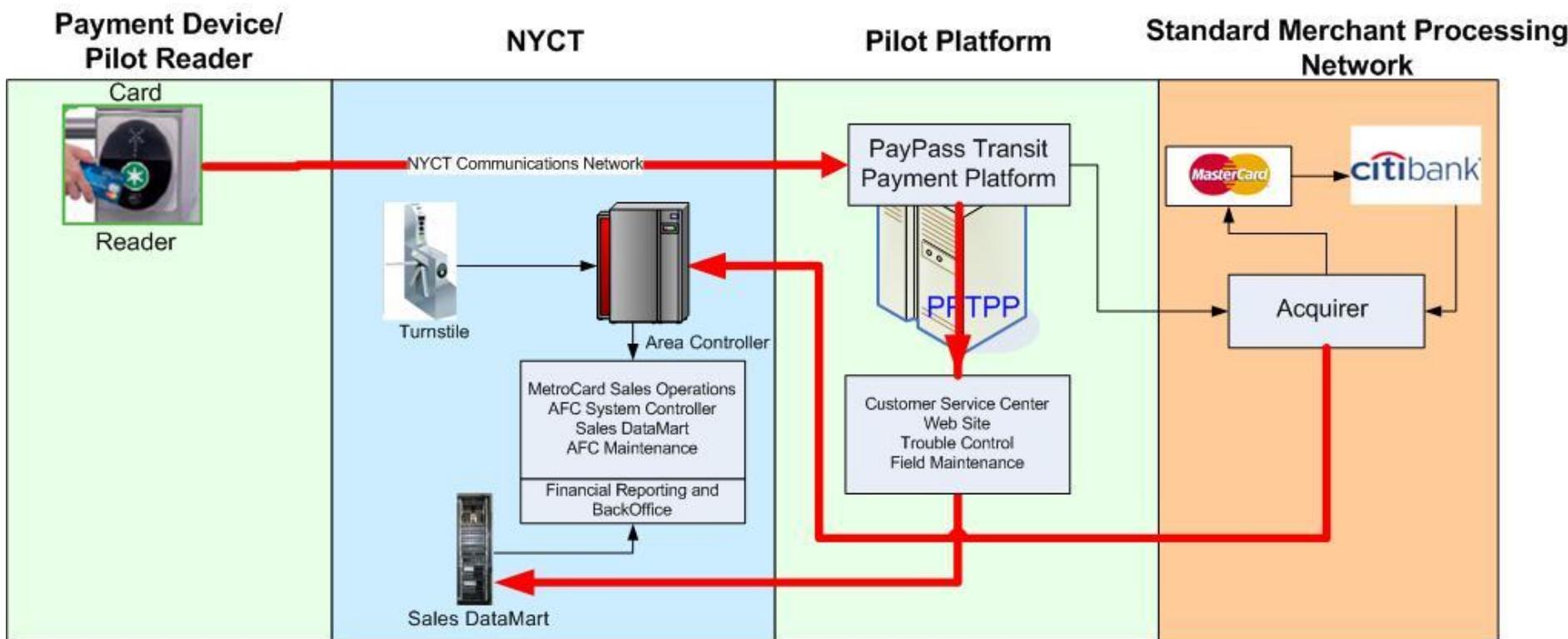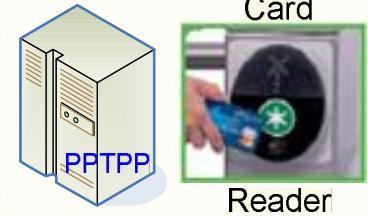
Key: Pilot Platform

- 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

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