Metro

Finance, Administration and Oversight Committee

Action Item III-E

May 14, 2009

Open Payment System Request for Proposals

Board Action/Information Summary

⦿Action ○Information	MEAD Number: 100228	Resolution: ○Yes ⦿No

TITLE:

Initiate Request for Proposals - Open Payment Syst

PURPOSE:

To request Board approval to initiate contract action to solicit proposals for an Open Payment System that would allow the use of contactless fare media (e.g. credit cards and debit cards) in Metro`s fare system, in addition to the currently accepted SmarTrip® cards and magnetic farecards.

DESCRIPTION:

Customer convenience will be increased by providing an alternative means for customers to pay fares by use of an "Open Payment System" that will provide the fare collection service while potentially reducing the future cost of revenue collection. The Open Payment fare system would be required to collect fare and parking fee payment from contactless credit and debit cards or other media which has the payment and billing tasks handled by a bank or similar firm. Contactless cards or contactless media are smart cards that have a miniature circuit embedded in the card that communicates with the processor in the machine over a radio frequency link that has limited range. The card is placed near the machine mounted antenna to initiate the communications and transfer of data. The SmarTrip® cards that are currently in use are examples of contactless cards. Requirements for the Open Payment System would include the use of contactless bank card media that meets a widely-accepted national or international standard, is available from a number of sources and has an existing means of distribution to the customers. The faregates in the rail system and the fareboxes on the buses would be equipped with a reader that would read the new contactless media. It is expected that the fare calculations and storage of the current value of each customer`s account would be handled by a centralized back-end processor rather than the current process in which the current value is stored on the card and the equipment in the field performs the fare calculation. The contractor will be responsible for integrating the new Open Payment System with Metro`s fare collection system. We would continue to accept the SmarTrip® cards and magnetic farecards for the payment of fares.

One potential source of this system is based on contactless credit cards issued by a bank with the bank processing the fare transaction calculation and directly billing the customer`s account. The goals are to significantly enhance customer convenience, to accommodate the present and future fare structure and to allow changes to be made by Metro, to minimize the cost of implementing the system, to reduce the cash handled by Metro, to reduce dependency on proprietary systems and to have an outside entity perform the task of issuing fare media, collecting the money, and performing the related customer service.

Prior to award of the contract, staff will return to the Board with findings, including cost and recommendation.

Staff will manage the utilization of resources to assure that the implementation of the Open Payment System does not impact the implementation of the continued improvements to the SmarTrip® operations.

FUNDING IMPACT:

The initiation of this Request for Proposals has no impact on funding.

There currently are no funds programmed for this project in the approved budget. Any action that would result in an expenditure of funds would be subject to Board approval of the budget and subject to completion of the capital prioritization process.

RECOMMENDATION:

Approval to initiate a multi-step Request for Proposals process to implement an Open Payment System.

Open Payment System

Presented to the Board of Directors:

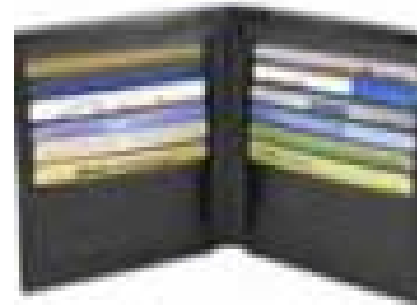**Finance, Administration, and Oversight Committee**

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Core Focus

- Concentrate on transit's core business: **moving people, not money.**

- Move toward acceptance of bank cards as an alternative fare payment option at the fare gates and on buses.

- Customers can use accepted bank card in their wallet to ride transit, no need to purchase fare media.

Purpose

Request Committee recommendation for Board approval to:

Authorize Metro staff to initiate a multi-step RFP to implement an open payment system.

New Initiative:

In 2008, the Technology Review Committee (Board Subcommittee) requested Metro staff to research and then initiate a solicitation for the use of contactless bank cards in Metro's fare payment system, sooner rather than later.

Definitions

Open Payment System:

- A fare payment system that allows collection of fares through the use of any accepted contactless bank card or equivalent.

- Rather than proprietary technology, an open payment system uses commonly accepted file format standards.

- Acceptance of bank cards would allow another option for customers to pay fares, in addition to SmarTrip® cards and fare cards.
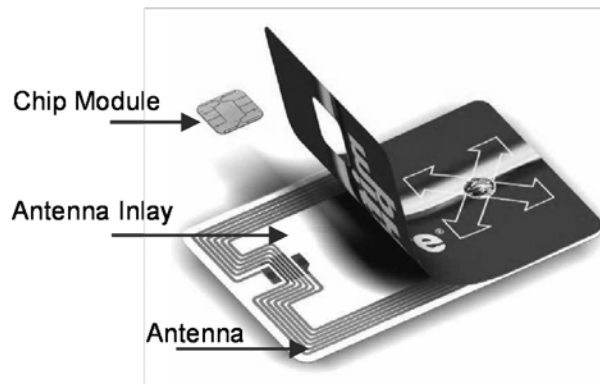
Definitions Continued

Contactless bank card or equivalent:

- Contactless technology traditionally takes the form of a small chip embedded in a plastic card, similar to a credit card.

Research Results

Using bank cards:

- New York City Transit and Utah Transit Authority are at different stages of their implementation.
    - ➢ Report positive customer and agency feedback.

Exploring the use of bank cards:

- Southeastern Pennsylvania Transit Authority (SEPTA)
- Chicago Transit Authority (CTA)
- Los Angeles County Metropolitan Area Transit Authority (Metro)

Goals

- Significantly enhance customer experience and convenience on the Metro system.

- Establish relationship with provider to distribute and manage bank cards used as fare payment (including processing customer support requests), and to provide for potential revenue opportunities.

- Accommodate current and future Authority fare structures and rules.

- Potentially reduce future cost of revenue collection.

Expected Benefits

Customer:
- Familiar with using a credit card
- Do not need to understand fare structure
- Expanded choices of fare media
- Readily accessible fare media
- Easier, faster access to transit system - will not have to wait in line at fare vending machine
- Improve customer relationship

Metro:
- Potentially reduce future fare collection operating and capital costs
- Potential future revenue source with provider
- Expanded marketing and promotional opportunities

Current Projects - Schedule

Current Projects - Key Milestones	
SmarTrip® System Upgrade	
• Flash pass pilot	Fall 2009
• Automatically load value for SmartBenefits	Dec 2009
• Self-service website and enhanced IVR	Dec 2009
Open Payment System	
• Issue Solicitation for Phase 1 Proposals	Spring 2009
• Evaluate Phase 1 Proposals	Summer 2009

Recommendation

Approval to initiate a multi-step Request for Proposal to implement an open payment system.