

Investigation into the future of ticketing

Transport Committee

Introduction

The London Assembly's Transport Committee will use its meeting on 6 September 2011 to examine TfL's plans for ticketing including allowing the use of contactless bank cards as tickets from early 2012 and providing for other smartcards to be used on the Oyster card system.

Aim of investigation

The purpose of this investigation is to examine TfL's plans for ticketing including for new ticketing technology and types of tickets (or ticketing products). The Committee will consider the potential implications for passengers and TfL of its plans for ticketing, including the main benefits and risks, and any actions that should be taken to ensure future developments in ticketing deliver maximum benefits to passengers.

Terms of reference

The terms of reference for this investigation are:

- To examine TfL's plans for ticketing; and, in light of the findings
- To identify any further actions that should be taken by the Mayor and TfL to develop future ticketing that is of maximum benefit to passengers and mitigates any risks.

This paper provides further information about this investigation.

Background

TfL's plans for ticketing

TfL is developing new forms of ticketing. From spring 2012, it intends to allow passengers on buses to pay for single bus fares by touching a contactless-enabled Eurocard, Mastercard or Visa card on existing Oyster card readers. This payment option is then due to be extended to Tube, London Overground, DLR, tram and National Rail services in London later in 2012.¹

TfL reports that London will be the first city in the world where contactless payment will be available on the entire transport network.² Allowing the use of contactless bank cards is part of TfL's future ticketing project. Since 2007, it has been working with other city transport operators, including those in Paris, New York and Sydney, on the concept of contactless payment. Some cities, such as New York, have already piloted the use of contactless bank cards as tickets.

TfL's future ticketing programme also includes providing for smartcards issued by other organisations to be used on the Oyster card system. TfL is now working to ensure

¹ TfL Business Plan 2011/12-2014/15, March 2011, p78

² TfL press release, 24 February 2011

[Introduction](#)

[Background](#)

[Questions for the review](#)

[How to contribute](#)

[About the Committee](#)

Investigation into the future of ticketing

Transport Committee

smartcards that comply with ITSO specification can be accepted.

TfL's development of new ticketing is underpinned by the Mayor's Transport Strategy. Proposal 123 in the Strategy states that "the Mayor, through TfL, and working with London boroughs, train operating companies, other transport operators and stakeholders will explore ways to reduce the cost of revenue collection and to make fare payment quicker and more convenient for passengers through the use of new technology and other initiatives."³

Potential implications of future ticketing for passengers

TfL reports that its plans for future ticketing should benefit passengers. It suggests, for example, that the use of contactless bank cards as tickets will make payment for travel faster and more convenient. Passengers using contactless bank cards will have costs directly debited from their bank accounts so they no longer have to keep track of and top up a pay-as-you go Oyster card.⁴

However, passengers may be reluctant to use contactless bank cards as tickets. Some may be worried about personal security including having to display a credit or debit card when passing through a ticket barrier. Many may not have bank cards and

rely on cash to make payments. Others may have contactless bank cards but would prefer not to use them to pay for travel. Instead they may want to budget for travel separately and continue to use Oyster cards or paper tickets. People may worry about what will happen if there is a problem with using a bank card as a ticket. They may be unsure who is responsible - TfL or the issuer of their bank card.

Contactless bank card payment is already available in some shops but it is not widespread. Retail outlets allowing this form of payment include McDonald's, EAT, Pret a Manager and some Boots stores. Recent media reports suggest this payment option "has failed to grab the public, perhaps a little fearful of security risks."⁵

Contactless bank card payment is not the only development in ticketing. Many transport operators in the UK and abroad are now looking at the scope for mobile phone ticketing e.g. Arriva, which has introduced one form of this technology, 'm-ticketing', on its buses in Liverpool.⁶ TfL reports that it has considered allowing the use of mobile phones as tickets but is not pursuing this option at present.⁷

The Committee will explore the potential implications for passengers of TfL's plans for ticketing. This will include

⁵ The Guardian, 28 May 2011

⁶ Presentation by Arriva at Transport Times Conference on 26 May 2011

⁷ 'London's new hot ticket', Shashi Verma, Director of Fares and Ticketing, TfL, Transport Times, April 2011

[Introduction](#)

[Background](#)

[Questions for the review](#)

[How to contribute](#)

[About the Committee](#)

³ Mayor's Transport Strategy, p262-263

⁴ TfL Business Plan 2011/12-2014/15, March 2011, p78

Investigation into the future of ticketing

Transport Committee

exploring the roll-out of its plans for contactless bank card payment and providing for ITSO compliant smart cards and the extent to which users of all TfL services including of the cycle hire scheme and future services such as the cable car will be able to use these payment options. The Committee will examine what the introduction of contactless bank card payment might mean for the Oyster card system in the long-term and any possible developments with the Oyster card system in the short-term e.g. rolling it out to the cycle hire scheme. The Committee will also consider any other changes to ticketing that TfL could pursue to improve its service for passengers including in its range of tickets (or ticket products).

Potential implications of future ticketing for TfL

TfL reports that its plans for future ticketing will save money. It states, for example, that introducing contactless bank cards as tickets will result in a cheaper and easier ticketing system to manage. The current Oyster card system is expensive and complex. For every £1 TfL collects from Oyster card ticket sales, 14 pence is spent on the actual system. The Oyster system relies heavily on the cards themselves and the readers. By contrast, the technology for the contactless payment system is rooted in back offices. The new system will not require TfL to issue any cards and it will not involve the card readers having to hold detailed fares information and transfer it to the cards.

In the longer term, the introduction of contactless bank cards could provide scope for TfL to develop a new fares policy and ticket products. With the new technology rooted in back offices with unlimited capacity, TfL could develop more sophisticated, tailored fares. It might be able to provide peak hour pricing, develop loyalty programmes, and improve its offer for groups whose travel patterns vary e.g. part time workers.⁸

The Committee will explore the potential implications for TfL of its plans for ticketing. This will include examining TfL's reasons for allowing the use of contactless bank cards as tickets and how far this development might save money, especially as the Oyster card system will continue to operate. The Committee will explore the extent to which the contactless payment system will be easier to manage and will resolve issues that have arisen with the Oyster card system. The Committee will also consider potential longer term benefits for TfL from the introduction of contactless bank card payment relating to its fares policy and ticket products.

Relevant past work

The Transport Committee has not undertaken any detailed work on ticketing in recent years. The Budget & Performance Committee considers the Mayor's fares decision each year and, in this context, it heard from TfL about new developments in

⁸ Transport Extra, Business Briefing, 2011

[Introduction](#)

[Background](#)

[Questions for the review](#)

[How to contribute](#)

[About the Committee](#)

Investigation into the future of ticketing

Transport Committee

ticketing in October 2008. This investigation would provide an opportunity to follow-up this work. The Committee will also follow-up any of its recent past work which may have touched upon relevant ticketing issues e.g. in its report on walking (October 2010), the Committee recommended the Mayor and TfL develop store-card type rewards to incentivise more journeys by foot and suggested these could be linked to the Oyster card system.

Questions for the investigation

During the investigation the Committee will seek to answer the following key questions:

- What are the implications for passengers of TfL's plans for future ticketing?
- What are the implications for TfL of its plans for future ticketing?
- What action should the Mayor and TfL take to develop future ticketing that is of maximum benefit to passengers and mitigates any risks?

The Committee will seek a detailed written submission from TfL prior to its meeting on 6 September 2011. It will also seek written submissions from other organisations and individuals including:

- Transport operators in the UK and abroad including train operating companies in London;

- London Boroughs and London Councils;
- London Travelwatch and local passenger groups;
- Bankcard operators and UK Payments Council;
- Mobile phone operators;
- Consumer rights' organisations e.g. Credit Union;
- Transport commentators/academics;
- Retailers that allow customers to use contactless bankcards e.g. Pret a Manager; and
- Londoners.

The Committee will use its meeting to hear from TfL and other relevant organisations, as appropriate. Following the meeting, it will produce its findings.

Timetable for the investigation

This investigation will take place over Summer/Autumn 2011. The stages will include:

- Agreement of terms of reference: 14 July 2011
- Desk-based research/gather written views and information: July –September 2011;
- Formal meeting: 6 September 2011; and
- Produce findings: by December 2011.

[Introduction](#)

[Background](#)

[Questions for the review](#)

[How to contribute](#)

[About the Committee](#)

Investigation into the future of ticketing

Transport Committee

How to contribute to the investigation

The Committee is inviting written views and information to inform its investigation. Submissions should aim to address the questions outlined above.

Please send submissions to Laura Warren, London Assembly, City Hall, The Queen's Walk, London SE1 2AA, or email: laura.warren@london.gov.uk.

The Committee would welcome receiving written submissions by 31 August 2011 so they may be used to inform the discussion at its meeting.

About the Committee

The Transport Committee examines all aspects of the capital's transport system in order to press for improvements for Londoners. Its remit includes: mainline rail, the Tube, buses, trams, taxis and minicabs, walking, cycling and roads. The Committee pays particular attention to how the Mayor's Transport Strategy is being implemented, and the work of TfL.

The members of the Transport Committee are:

- Caroline Pidgeon AM, Liberal Democrat (Chair)
- Valerie Shawcross AM, Labour (Deputy Chair)
- Victoria Borwick AM, Conservative
- Roger Evans AM, Conservative
- Jenny Jones AM, Green
- Joanne McCartney AM, Labour
- Steve O'Connell AM, Conservative
- Murad Qureshi AM, Labour
- Richard Tracey AM, Conservative

Details of the Committee's work can be found at:

<http://www.london.gov.uk/moderngov/mgCommitteeDetails.aspx?ID=173>

[Introduction](#)

[Background](#)

[Questions for the review](#)

[How to contribute](#)

[About the Committee](#)