

REQUEST FOR MAYORAL DECISION – MD1318

Title: Extension of contactless payment card acceptance and capping

Executive Summary:

Transport for London (TfL) proposes, following trials, to extend the acceptance of contactless payment cards (CPCs) from buses to the Underground, Docklands Light Railway, London Overground, trams and National Rail services where Oyster is currently accepted. PAYG single fares and daily caps for CPC users will be as published for Oyster in MD1299 for multi-modal and bus and tram journeys. A weekly (Monday to Sunday) cap will be introduced for CPC users as an alternative to a 7 Day Travelcard. The launch will be preceded by the introduction of capping on buses.

Decision:

The Mayor approves:

1. The introduction of daily caps for bus fares paid by contactless payment cards (CPCs), at the same values as the equivalent Bus & Tram Oyster daily caps, and
2. The introduction of weekly (Monday to Sunday) caps for bus fares paid using CPCs, at the same values as the equivalent 7 Day Bus & Tram Pass, on a date determined by TfL; and approves
3. The extension of acceptance of CPCs to the Underground, Docklands Light Railway, London Overground, trams and National Rail services where Oyster is accepted, at the rates published in MD1299 for Adult PAYG using Oyster,
4. The introduction of multimodal daily caps for fares paid using CPCs at the same value as the equivalent Oyster daily caps, and weekly (Monday to Sunday) caps for fares paid using CPCs at the same values as the equivalent 7 Day Travelcard, and
5. The introduction of a new maximum fare which may be applied in the event of a failed tram revenue inspection, as set out below, from the 16 September 2014 or a later date determined by TfL; and
6. Signs the attached Direction to TfL under section 155 (1)(c) of the Greater London Authority Act 1999 to implement the proposal.

Mayor of London

I confirm that I do not have any Disclosable Pecuniary Interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature

Date

8 August 2014

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 TfL's Future Ticketing Project (FTP) aims to enable customers to pay for journeys by touching their contactless debit, credit or charge card (CPC) on the yellow readers on buses and at stations. CPC users do not need to have an Oyster card or load funds onto their cards in advance at a Ticket Stop or station.
- 1.2 Over 30m contactless payment cards are in circulation in the UK. TfL continues to monitor the issuance and growth of contactless cards through the relationships it has established with the major payment card schemes and issuing banks. Most payment cards being issued in the UK now have a contactless capability and it is expected that this feature will become virtually universal in the next one to two years.
- 1.3 Three quarters of TfL's adult customers are now aware of contactless payment (this is not significantly different for any sex, age or socio-economic group), and about 50% of customers now have at least one CPC. Contactless payments through UK retailers are building up and are believed currently to be running at around a million transactions a month.
- 1.4 Phase 1 of FTP, allowing use of CPCs to pay for single bus journeys (with no capping) began in December 2012 and has been well received by customers, user groups and the media. The Phase 2 system extends CPC acceptance to the Underground, Docklands Light Railway, London Overground, trams and those National Rail services where Oyster is currently accepted. The proposition includes daily capping and a new 'Monday to Sunday' weekly capping feature for multi-modal and bus and tram journeys using CPC, as well as a full-feature customer support website. Fares in 2014 will be as published for Oyster PAYG in MD1299. A 7 Day cap for Oyster PAYG users will be introduced in a later phase of FTP.
- 1.5 CPC use has been trialled across the Underground, Docklands Light Railway, London Overground, trams and those National Rail services where Oyster is currently accepted since mid-December 2013, and a pilot scheme is underway before CPC use on these modes is made available to the general public. The system is performing well, and feedback from the users is overwhelmingly positive.
- 1.6 Subject to execution of the commercial agreement CPCs will also be valid on all National Rail services where Oyster is currently accepted. The Train Operating Companies are participating in the pilot and are in the final stages of preparations for the full launch.
- 1.7 FTP Phase 2 will be presented as a fully-fledged alternative to Oyster PAYG. Users are expected to comprise transfers from Oyster PAYG and 7 Day Travelcards, and new users attracted by the convenience of the CPC proposition.
- 1.8 TfL will deliver a comprehensive customer information programme to support the extension of CPC acceptance to rail using a range of channels, including an enhanced phase of the "card clash" campaign. This phase of the campaign will highlight in advance the date when it becomes possible to be charged on a CPC, and will include radio adverts, e-mails to all registered Oyster customers and face to face "ambassadorial" activity at 150 stations with the highest volumes of card clash. TfL's Customer Services team has been trained to deal with customer queries and operational staff have been briefed. The payment card schemes and

issuers are planning to run further campaigns to promote contactless cards once the launch has been established.

- 1.9 While final operational preparations continue with the TOCs, TfL propose to take the opportunity to introduce the FTP Phase 2 system on buses ahead of the full launch to enable existing users of CPCs to benefit from daily and weekly (Monday to Sunday) capping earlier. General Bus & Tram capping rates will apply, though only those bus CPC users registered for the rail trial will be able to benefit when making journeys on both buses and trams. This is a temporary situation that is resolved by the full launch.

2 Objectives and expected outcomes

- 2.1 The proposals are expected to have a positive impact on fares revenues due to the generation of new traffic arising from the ease and benefits of CPC use.
- 2.2 Savings are expected to arise from reduced commission charges to Ticket Stops for purchase of PAYG credit and 7 Day Travelcards; and from reduced card issuance.
- 2.3 The launch is also an essential enabler for 'Fit for the Future-Stations', as it serves to reduce the number of ticketing transactions on London Underground.
- 2.4 Passengers using CPCs can benefit from:
- a. A daily fare cap in line with Oyster pay as you go users.
 - b. A Monday to Sunday fare cap for all journeys on buses and trams. Passengers won't have to worry about whether they need to buy a 7 day Bus & Tram Pass in advance to achieve the best value.
 - c. A Monday to Sunday fare cap for those who make multi modal journeys. This is expected to be an attractive proposition for many current purchasers of 7 day season tickets.
 - d. An additional option in how to pay for their travel, but at no additional cost thereby giving greater flexibility and choice.
 - e. They won't need to top-up their card before travelling, and will avoid the frustrations associated with running out of credit on an Oyster card.
 - f. Infrequent passengers won't need to obtain an Oyster card, or return it to reclaim the deposit and any unused credit.
- 2.5 It is not currently proposed that capping be extended to longer periods e.g. monthly, as this would be technically very complex, with relatively small customer or business benefit given the more regular habits of customers who purchase monthly Travelcards, and the small number of purchase transactions they have to make. A later phase of this project, expected to launch in 2016, will allow CPC holders to purchase Monthly and longer Travelcards online, then use their CPC as an "access token" to the Transport network instead of an Oyster card. This will radically improve the online Travelcard retail proposition, as it eliminates the drawbacks of the Oyster online proposition (having to order the day before, having to nominate a specific station to "pick up" the ticket, and not being available to pick up on bus).

3 Equality Comments

- 3.1 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and TfL must have “due regard” to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not. Protected characteristics include age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender, sexual orientation (and marriage or civil partnership status for the purpose of the duty to eliminate unlawful discrimination only). Due regard that is appropriate in all of the circumstances should be had at the time this decision is made and is an ongoing obligation. . Awareness of contactless payments does not differ by socio-economic group. This is an additional way to pay that offers convenience benefits. No-one will be worse off under these proposals as no current payment options or fares are being withdrawn and those unable or unwilling to use a contactless payment card will have access to the same fares by using Oyster and, in the case of the Monday to Sunday cap, 7 Day season tickets

4 Other considerations

a. Links to Objectives

- 4.1 The Future Ticketing Project supports Proposal 123 in the Mayor’s Transport Strategy:

“The Mayor, through TfL, and working with the 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.”¹

b. Impact Assessments and Consultation

- 4.2 Phase 2 is projected to have a positive impact on fares revenue due to the generation of new traffic arising from the ease and benefits of CPC use.
- 4.3 Savings will arise from reduced commission charges to Ticket Stops for purchase of PAYG credit and 7 Day Travelcards and reduced card issuance.
- 4.4 The Mayor is not required to conduct a statutory consultation on fares.

c. Risk

- 4.5 If the technology does not work reliably there will be major operational and reputational impacts. However, the system has been extensively tested in the live environment since December 2013. The pilot approach has enabled TfL to communicate directly with all participants to receive and act on feedback promptly. Customer service channels have been tested and appropriate levels of resource identified to support the launch.
- 4.6 CPC fares will be the same as published for Oyster in MD 1299 so there is minimal risk of any revenue losses. However, on a very few occasions, certain complex journeys will be interpreted

¹ Proposal 123, pg. 264, Mayor’s Transport Strategy May 2010

differently by Oyster and the contactless system, resulting in different fares being applied. These scenarios arise when customers don't touch in / out correctly, or when customers make an unusual series of validations. Where an unusual series of validations is made, the contactless system is generally better able than Oyster to interpret the journeys made by the customer. Aside from these special cases, Oyster and contactless customers will always receive the same charge if they have validated their card correctly. A rider is included in all posters that state contactless and Oyster fares are the same. TfL Customer Services agents have been provided with the necessary information to explain to customers why the charge they have received is correct, even though a goodwill refund may be given if a customer receives an unexpected charge despite acting in good faith.

- 4.7 There is a risk, once the system is opened up to the general public, that Oyster users who habitually present a wallet at the reader, containing a number of cards valid for travel, may not be charged against the card intended ("Card clash"). In these cases our system is designed to reject both cards. In some cases, interference from other contents of the wallet may lead to a situation where the card that is read is not the one the customer intended to use for payment. In these cases the customer may perceive an overcharge as they will receive a maximum fare. For clarity, there is no possibility of more than one card being charged in one transaction, and the number of customers ultimately affected is expected to be at worst around 1 per cent of the number who receive a maximum fare on a typical day.
- 4.8 We are currently seeing about 2,000 instances per day of customers presenting a CPC in a way where, had the system been live, they would be charged on it. As the system is not live yet we have to infer that their presentation of a CPC is unintentional. TfL has therefore undertaken a multi-channel information campaign to highlight the potential for card clash to passengers, and this has been successful in reducing instances of card clash by nearly half. This information campaign will continue.
- 4.9 The enhanced pre-launch campaign is expected to reduce this further, and a range of mitigating measures have been put in place to protect and look after customers who still have not adapted their behaviour upon launch. Foremost in the mitigation measures is our proposal to refund customers who receive an unexpected charge on their CPC when they intended to use Oyster. Although the overwhelming majority of customers who received such a charge would be likely to only experience this on an isolated occasion, we plan to refund customers repeatedly where it is reasonably apparent from their journey history that they did not mean to pay with their CPC. The refund will be timed such that the customer will generally see the charge and the refund on the same day. Both statement entries will contain the TfL website address, where information on card clash will be prominent. TfL will be unable to contact these customers directly, but Barclaycard have recently proposed to implement an enhancement to the refund proposal, whereby they will contact the customers via email or SMS when they detect that a TfL refund has been made explaining what has happened. Consequently, TfL has formally asked all other UK issuers to follow suit in time for the launch, and are optimistic that many will be able to.
- 4.10 LU station staff will not be able to access customers' travel history to resolve incomplete journeys, as they do in the case of Oyster PAYG. This information will however be available through self-service and TfL Customer Service channels. The lack of immediate feedback and greater reliance on remote and self-service channels may be perceived as negative. However, in many cases, for example, in cases of service disruption, corrections will be applied automatically before the customer is aware of an issue and staff will be able to assure passengers on this point. All customers will be encouraged to set up TfL on-line accounts to get access to their journey history, to make incomplete journey refund requests and to receive alerts from TfL,

such as a notification that a payment request has been refused by their bank or card issuer. These capabilities therefore empower customers by improving their options to self-manage their ticketing arrangements, while also improving access to information.

d. Revenue inspection

- 4.11 The revenue protection model for CPCs on rail differs from Oyster, in that although it remains possible for customers to be subject to Penalty Fare or prosecution at the point of inspection, a new scenario is introduced where a customer with no history of irregular travel could receive instead a rail maximum fare after analysis of their validation history in the contactless system. Tram is a special case, where rail maximum fares only currently apply in very specific circumstances, namely where it is not possible to ascertain whether the card has been used on the rail network (see Condition 6.7.3 of the Tramlink Conditions of Travel). In the context of the roll-out of CPCs to tram journeys it is considered necessary, to ensure a sufficient deterrent against non-payment, to extend the scope of maximum fares to cover failed revenue inspections in respect of tram journeys. It is therefore proposed to introduce a new “Maximum tram fare resulting from a failed revenue inspection” which may be applied where a customer is found not to have touched in correctly. This is unlikely to be controversial, as the same customers using Oyster would expect to be subject to a Penalty Fare. Item 5 of the Mayoral decision requested covers the introduction of the new fare, and the necessary consequential changes will be made to the Tramlink Conditions of Travel prior to launch.
- 4.12 The new “Maximum tram fare resulting from a failed revenue inspection” will initially be set at £5.10 off-peak and £7.50 peak. It will be subject to annual review along with all other fare change proposals.

5. Financial Comments

- 5.1 Approval is being sought to approve the extension of CPC acceptance to the TfL rail network and to introduce multi-modal daily and weekly ‘Monday to Sunday’ capping as part of TfL’s wider Future Ticketing Programme.
- 5.2 There will be no financial implications for the GLA arising from the proposal, the full costs of which will be borne by TfL. Any costs to TfL were approved by the TfL Board (taking account of the revenue and savings impacts outlined) and were in the delivery of the project that enables contactless payments. There are no additional costs to TfL arising from this decision.

6. Legal Comments

- 6.1 Under section 155(1) of the Greater London Authority Act 1999 (“the GLA Act”) the Mayor may issue directions to TfL as to the manner in which it is to exercise its functions, including directions as to the exercise of its powers in specific circumstances. Under section 174(1) of the GLA Act, the Mayor is under a duty to exercise his power to issue directions to TfL under section 155(1) so as to ensure that, inter alia, the general level and structure of fares for public passenger transport services are determined. This applies to services provided by TfL and other parties who provide services acting under contracts with TfL.
- 6.2 The proposed introduction of bus fare capping affects the general level of fares to be charged. The proposed introduction of payment by CPC on rail provides an additional manner in which fares may be paid...

- 6.3 The proposed introduction of a new Maximum tram fare falls within the scope of the Mayor's power under section 174(1) in that it affects the level of fares for Tramlink services.

7. Investment & Performance Board

This decision was endorsed by the Investment and Performance Board on 24 July 2014.

8. Planned delivery approach and next steps

Activity	Timeline
Announcement	Week ending 25 th July 2014
Multi-modal launch	16 th September 2014

Appendices and Supporting papers:

Appendix 1: Direction

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? Yes**

If YES, for what reason: Subject to clarification of a minor operational issue with the Train Operating Companies.

Until what date: Expected date of 01 August 2014

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION

Tick indicates approval (✓)

Drafting officer:

Christian van der Nest, Transport Manager, has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director:

Tim Steer, Head of Transport, has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Fiona Fletcher-Smith, Executive Director for Development, Enterprise and Environment, has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Isabel Dedring, Deputy Mayor for Transport, has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES

I have been consulted about the proposal and confirm that financial and legal implications have been taken into account in the preparation of this report.

Signature

Date

CHIEF OF STAFF

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date