

An Oyster Card update and a peek into the future

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Presentation Outline



- Status of smart card ticketing in London
- Key developments
- Looking ahead
- Questions and answers

Status of smart card ticketing in London

- Implementation phase completed successfully
 - No delay or disruption claims
 - new and innovative products introduced and marketed
- 50% of Tube and bus journeys now made using Oyster
 - all weekly and longer period Travelcards
 - all Freedom Pass holders
 - 450,000 pay-as-you-go journeys on an average weekday
- 2006 fare proposals encourage customers to switch to Oyster
 - up to 50% off single journey price
 - daily price caps set 50p below one-day Travelcards

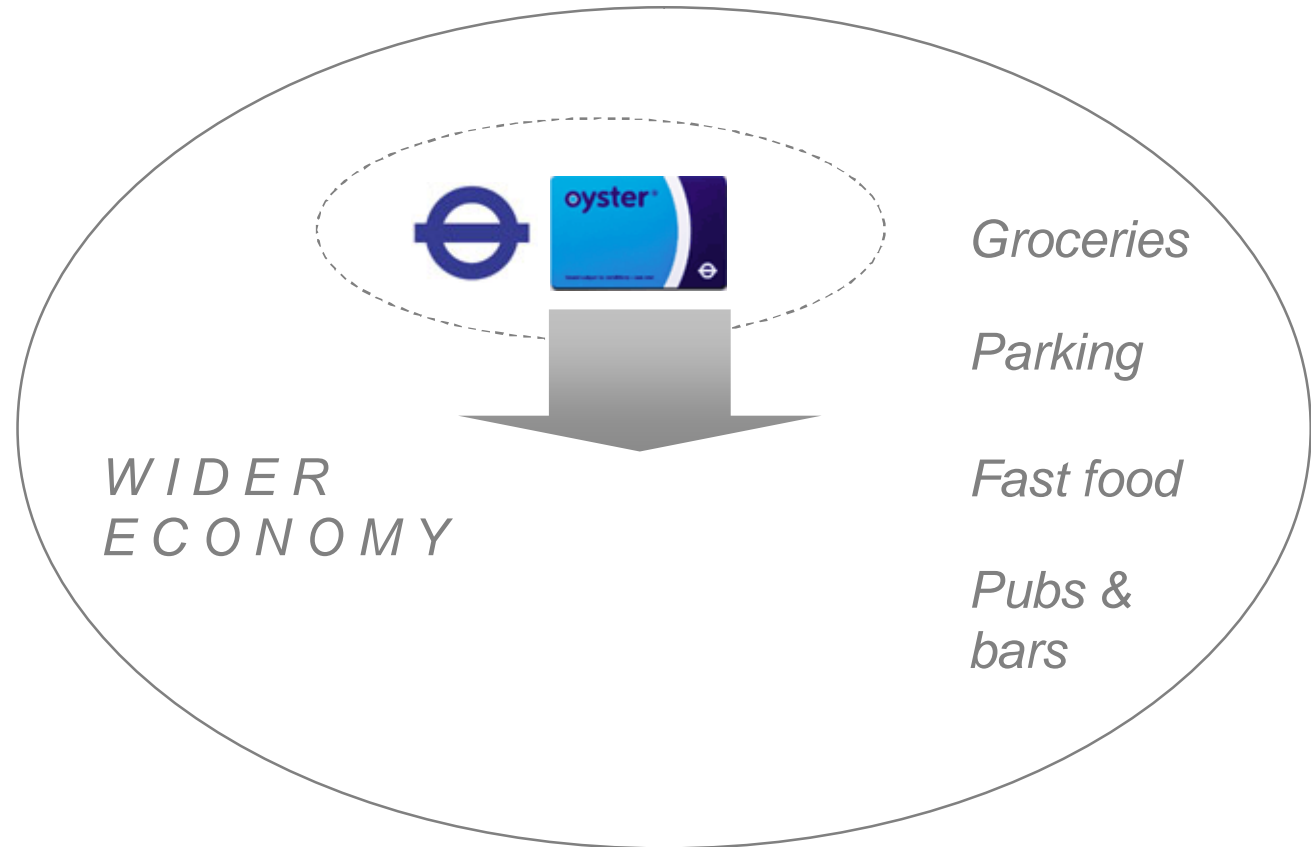
New developments

- Daily price capping
- Weekly Travelcards sold only on Oyster
- Time of day pricing
- Auto-top-up
- Instant tickets on-line or by phone
- e-money

Our initial premise – Oyster could become London’s way to make low-value payments

Hypothesis:

- Octopus in Hong Kong is a model
- Oyster is attractive to merchants who need fast transactions & who don't like credit/debit cards
- TfL could fees if Oyster were the widely-adopted standard for low value payments



We were right but the market is getting crowded – the payments industry sees potential too and has already developed its own contactless products



MasterCard PayPass



AmEx Expresspay



Visa Wave



Dexit



Planning for UK market entry

- This market is about to get crowded
- There will be competing standards over the next 2-3 years
- Our estimates of the £ potential for TfL may be too optimistic now



Planning for UK market entry

Potential partners are keen to work with TfL to gain a competitive advantage

Industry participants in discussions



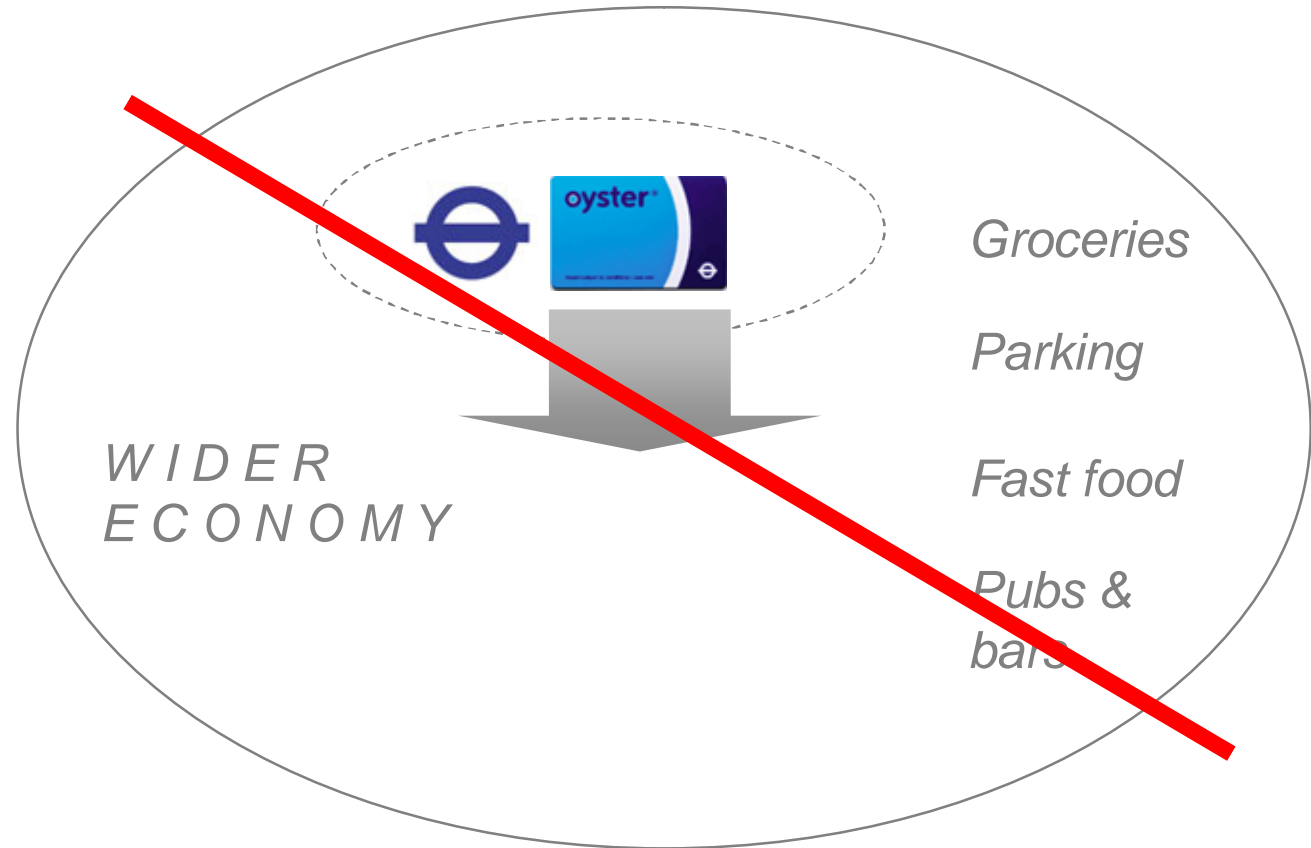
Common themes

- ✓ Value Oyster as a brand
- ✓ Value 3m customer base highly as a means to accelerate take-up of both existing credit/debit cards & new contactless payment cards
- ✓ Value TfL as a high-profile potential partner with a positive image
- ✗ Are not prepared to risk building on proprietary Oyster technologies when industry standard products are almost available

Conclusion – Oyster’s Cubic contactless technology is not easily adaptable to the security & integration needs of the payments market

Key issues:

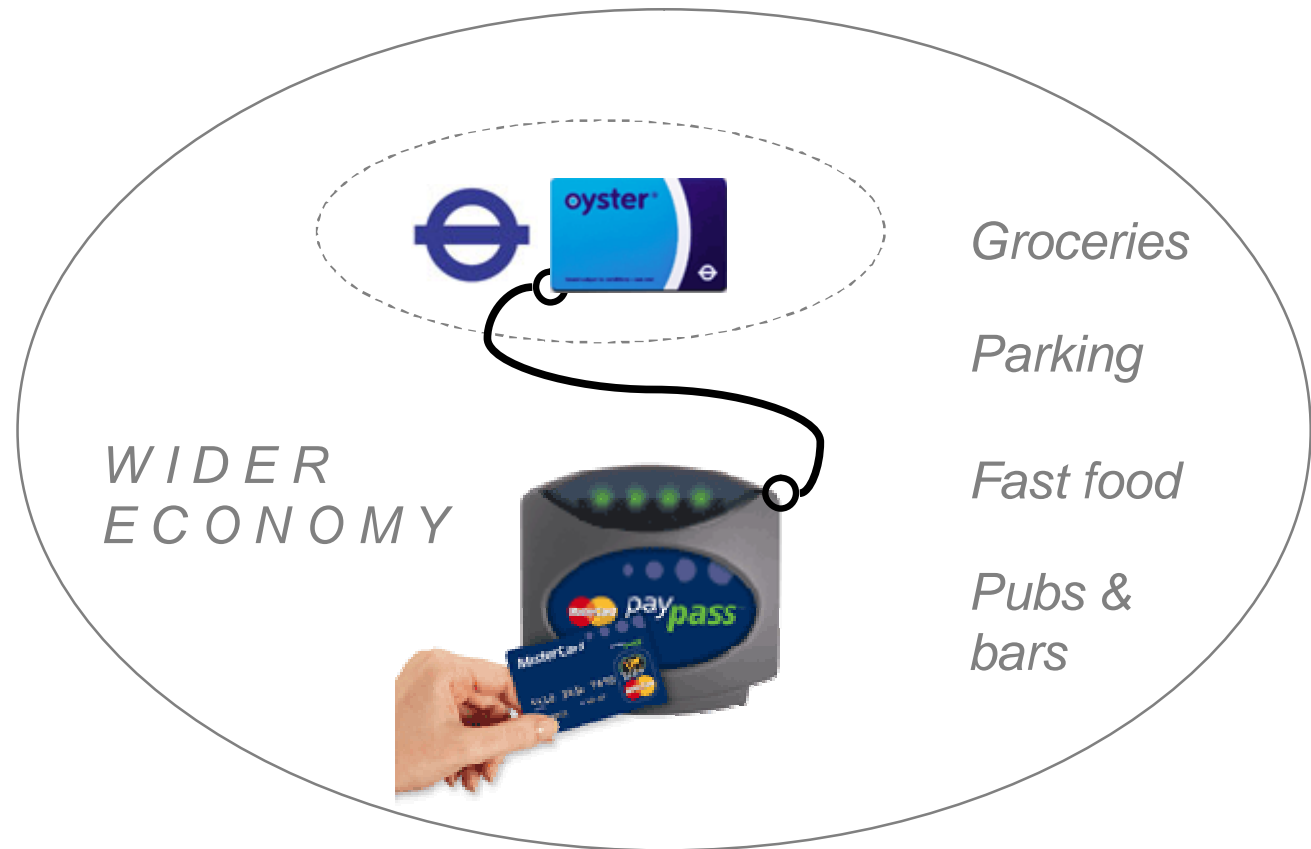
- Oyster smartcard security would need to be improved for payments
- Development & integration costs unlikely to be affordable



Applicants prefer to link Oyster to new payment industry products on the same platform to allow customers to pay in “both worlds” with one card

Reasoning:

- Applicants want to exploit Oyster’s “top-of-wallet” attribute
- But also want to keep it in the technology mainstream and avoid delivery risks where possible
- All agree that carrying both forms of payment on the same card is the simplest way to achieve this



Longer-term: accepting contactless payment cards issued by banks at our readers as well as Oyster cards is appealing – may replace Oyster eventually?

Reasoning:

- The payments industry is embracing contactless technologies that are like Oyster
- These technologies are very secure
- These cards will start to appear in 2006
- We could accept them just like any other merchant
- An open standard is likely to dominate in the end (e.g., Visa licence MasterCard protocols)



Adopting industry-standard technologies supports our ticketing objectives and complements Oyster

Ticketing objective

- Simple and accessible
- Efficient
- Sustain affordability

Benefit of accepting contactless payment cards

- ✓ Allows customers to use a card they already have
 - no need for ticket purchase or Oyster load
- ✓ Reduces TfL costs
 - easier for customers to self-serve
 - less cash-handling
 - less need for TfL-specific ticket machines
- ✓ Frees-up staff for other roles
- ✓ Generates licensing revenue
- ✓ Avoids capex by using existing infrastructure at suppliers' marginal cost
- ✓ Frequent travellers will continue to use Oyster to access discounted fares & period tickets
- ✓ Premium prices for the price-insensitive

Looking ahead

- Infrastructure-less ticketing
 - contactless cards issued by others
 - mobile phones with contactless capability
- Making public transport more accessible
 - reduce crowding by time of day pricing
 - simplify fare structure and provide “smarter” fare media
 - eliminate the intermediate step of getting a ticket
- Driving down the cost of ticketing
 - encourage self service
 - understand the true cost of ticket sales