Contactless Open-Loop Fare Payment Demo

NorCal Transit Symposium

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About MST – Pre-COVID

- $53M operating budget

- 20% Farebox Recovery

- 162 heavy-duty buses, trolley replicas, mini-buses

- 4.5M Annual Passengers Operating in 4 counties

- Fares based on route-distance: ($1.50, $2.50, $3.50, $12.00)

About MST – Today

- $58M operating budget

- 5% Farebox Recovery

- 162 heavy-duty buses, trolley replicas, mini-buses

- 2.5M Annual Passengers Operating in 4 counties (1/5th of California Coast)

- Fares based on time:: $2-for 2 hours

About Cal-ITP

Making travel simpler and more cost-effective by...

1 Enabling contactless payments

2 Automating discounts

3 Providing accurate and complete information for trip planning in real time

NEXT TRAIN

3 MINUTES

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US Transit Fares Challenges

- Cash transactions provide the least discount to transit passengers and greatest expense to the transit operator

- Most systems offer and often misunderstood suite of fare products.

- Closed-Loops Systems (Clipper, TAP, Compass, Ventra, Orca, etc…)

  - Expensive to install and maintain

  - Only work within a limited geographic area

  - Lock up people's money to be able to purchase a single product

- Dedicated apps are also becoming common but provide similar challenges.

Project Vision

Simplifying the transit payment experience

From a transit rider's perspective, paying for transit should be as easy as paying for a cup of coffee: customers know they can instantly pay by tapping their contactless bank card or smart device, no matter which coffee shop they visit.

With transit, riders need to plan and adapt to a complex system of passes, cash fares, and single-use tickets
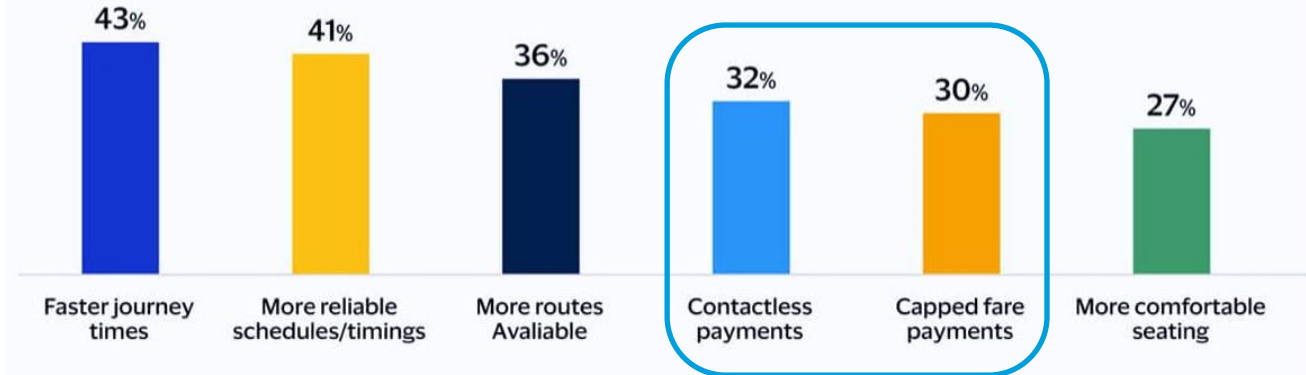
![CAL ITP logo]

Rider Expectations are Changing

A 2022 Visa study surveyed people in 14 global markets and found that 90% of respondents expect public transit to offer contactless payment options and 63% stated that fare capping would encourage more trips.

Key motivators

Most likely to entice riders to ride public transit

VISA

| 43% | 41% | 36% | 32% | 30% | 27% |
| Faster journey times | More reliable schedules/timings | More routes Avaliable | Contactless payments | Capped fare payments | More comfortable seating |

Visa's Future of Urban Mobility Survey, June 2022. Survey conducted by Wakefield Research among 11,550 adults who take public transportation in 14 markets: U.S., Canada, Australia, New Zealand, France, Italy, U.K., South Africa, UAE, Qatar, Kazakhstan, Peru, Saudi Arabia, and Egypt.

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Building Blocks of Cal-ITP

FARE VALIDATORS

Onboard or on-platform devices that are equipped to read riders' contactless bank cards and smart devices.

FARE CALCULATION SOFTWARE

Software that instantly determines the correct fare for a trip based on distance, applicable discounts, and frequency of travel.

PAYMENT PROCESSOR

Software embedded in fare validators that transmits money from a rider's bank card to the transit provider.

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Cal-ITP: Progress to date

- **2021:** Launched demos with transit agency partners to prove the concept.

- **2022:** Master Services Agreements for Payment Validators and Transit Processing are live.

- **2023:** NASPO contract that allows agencies to procure affordable connectivity plans with AT&T's FirstNet.

- EPAY Agreement with Elavon provides reduced interchange for transit agencies.

- **Nine** agencies have procured off the MSAs including an out-of-state agency and an ongoing pilot w/ CCJPA.

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Desired Demo Outcomes

Sell transit like coffee

Letting customers pay their fare using what's already in their pockets saves time and money, while reducing operating expenses for transit operators.

Simplifying the transit payment experience. Let the system provide the best possible price for the customer.

The Demo

- Project kickoff May 2020: Go Live May 2021
- New devices onboard MST fixed route buses (120), excludes ADA paratransit
- Tap to ride using contactless credit, debit, or enabled device
- Tap on and off and pay for only distance travelled
- Fare capping - daily, weekly, monthly
- Discount fares for seniors, veterans, and disabled
- Promote tools for unbanked passengers
- $1.00 off promotion demo with VISA
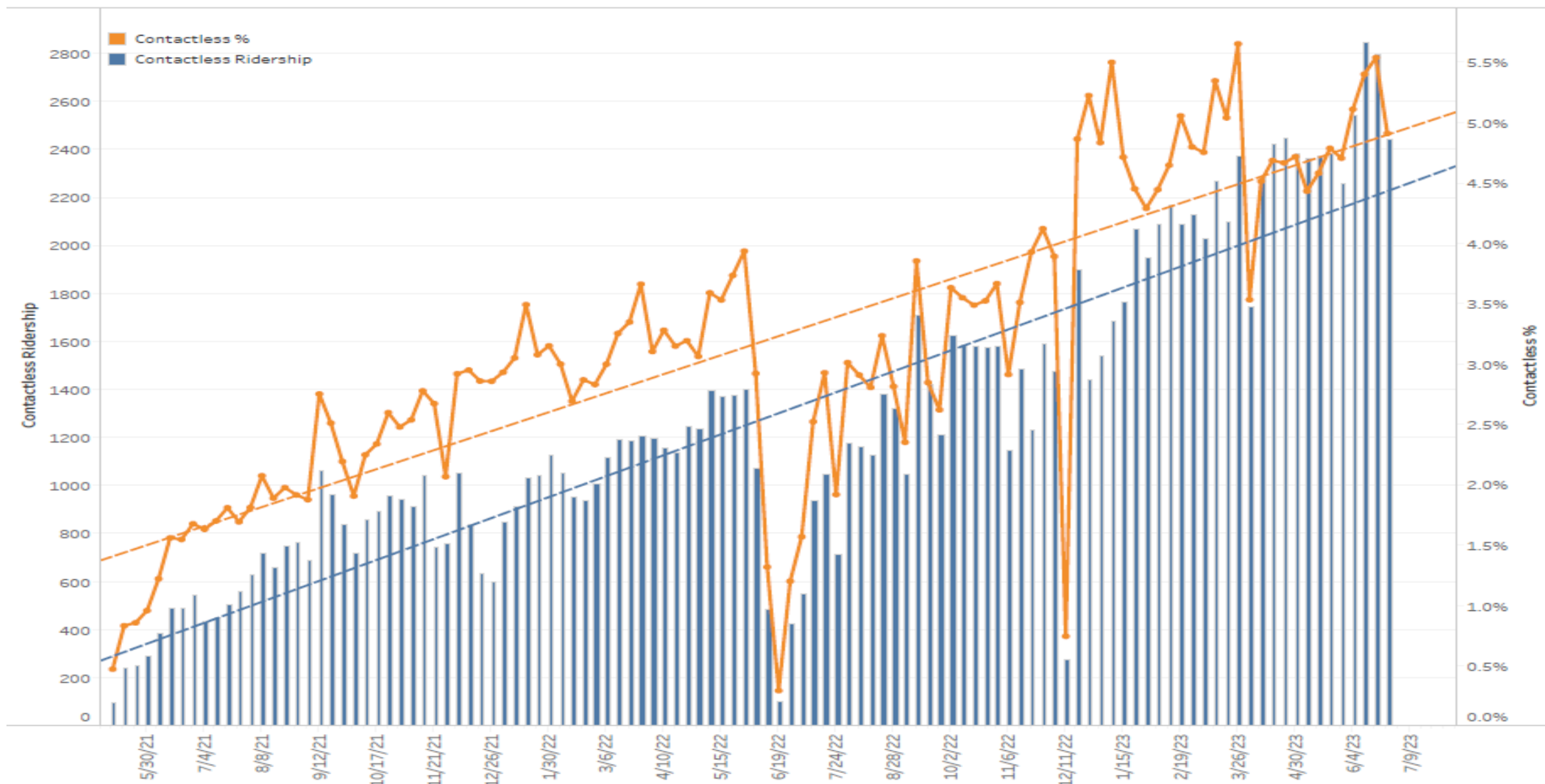

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MST MONTEREY-SALINAS TRANSIT

Lessons Learned

- Open-Loop Contactless systems can be cost-effective and easy to install for small urban / rural operators

- State DOT can lower costs through Master Service Agreements

- Data provided can influence future fare policy decisions.

- There are various solutions for the unbanked that are untapped.

- Interchange fees can be costly unless you have negotiating leverage

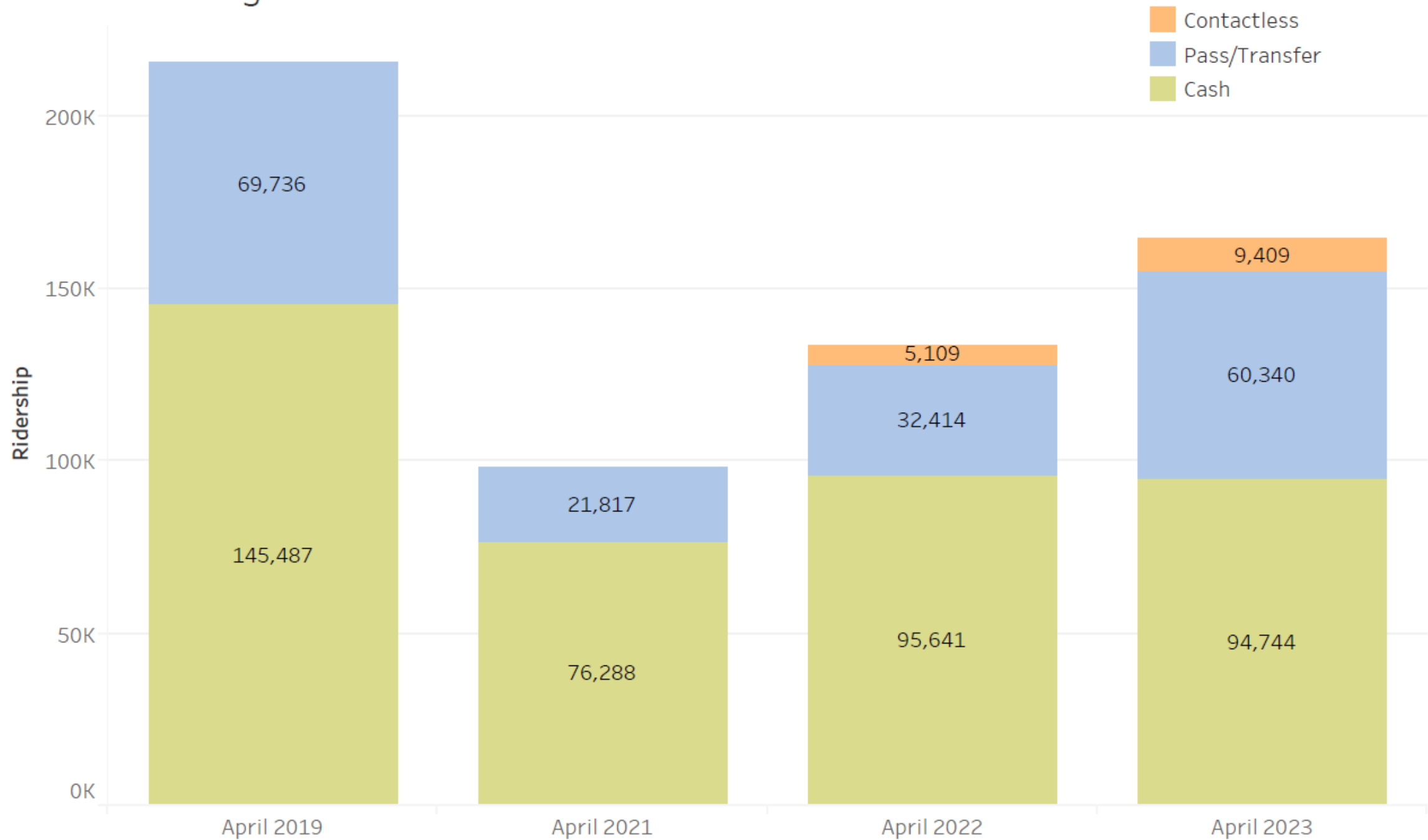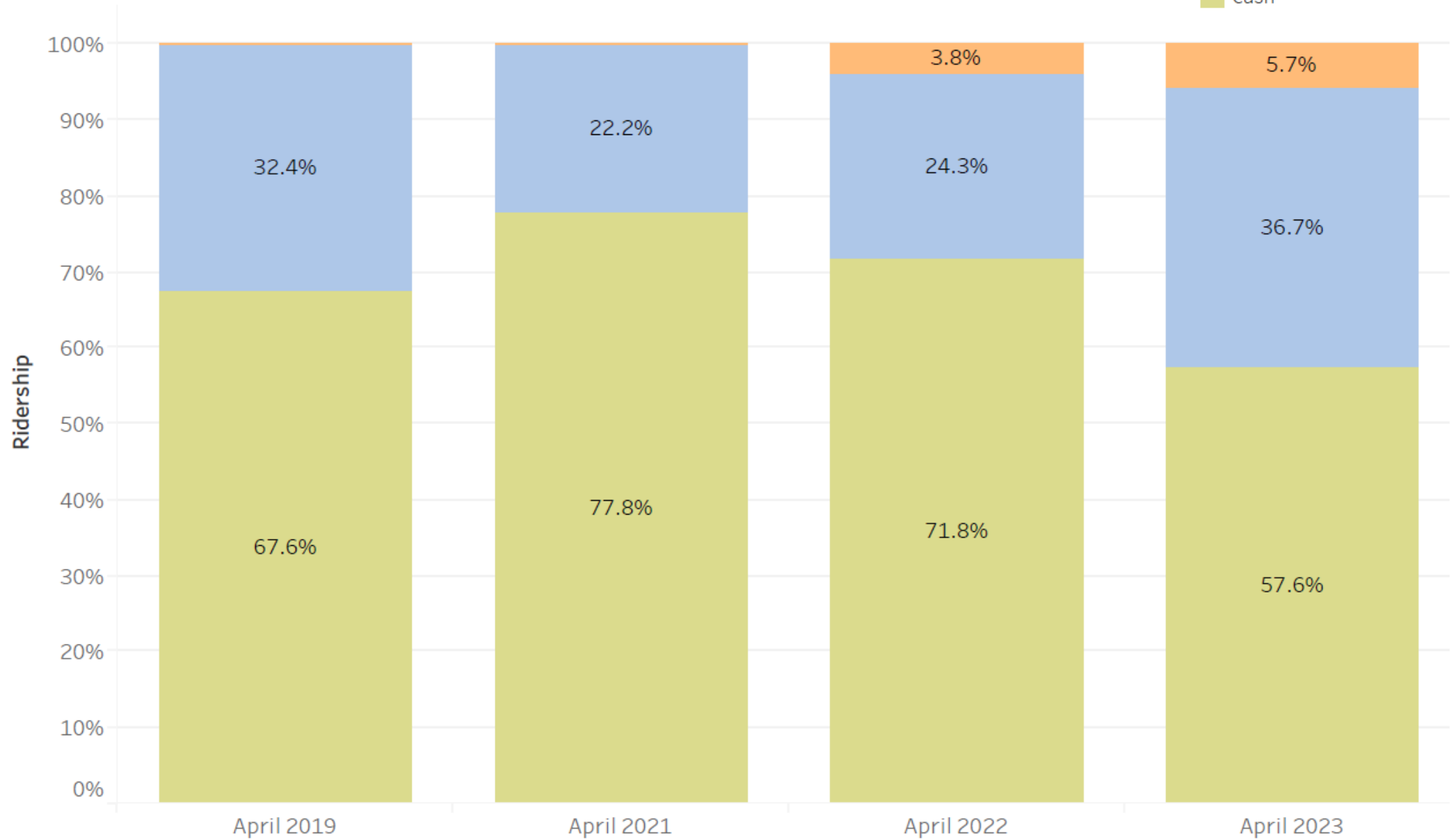- Multiple vendor validators can run simultaneously

Monterey Salinas Transit
Weekly Contactless Trips

Actual Boardings

Legend:
- Contactless
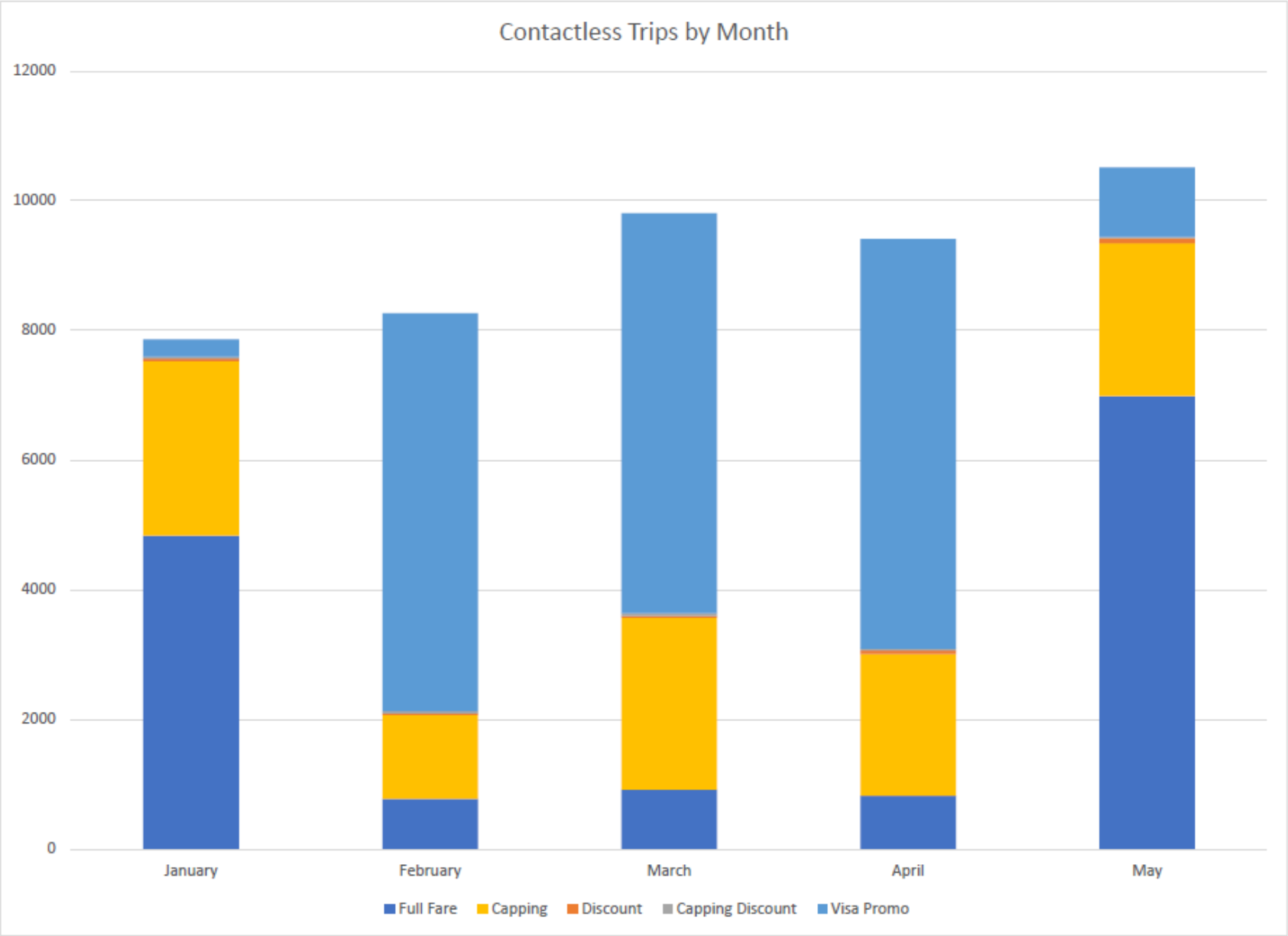- Pass/Transfer
- Cash

Ridership

	April 2019	April 2021	April 2022	April 2023
Contactless			5,109	9,409
Pass/Transfer	69,736	21,817	32,414	60,340
Cash	145,487	76,288	95,641	94,744

Percentages

	April 2019	April 2021	April 2022	April 2023
Contactless			3.8%	5.7%
Pass/Transfer	32.4%	22.2%	24.3%	36.7%
Cash	67.6%	77.8%	71.8%	57.6%

Growth in Unique Riders Using Contactless since Jan 2023

Unique Contactless Riders by Month

■ Full Fare ■ Discount
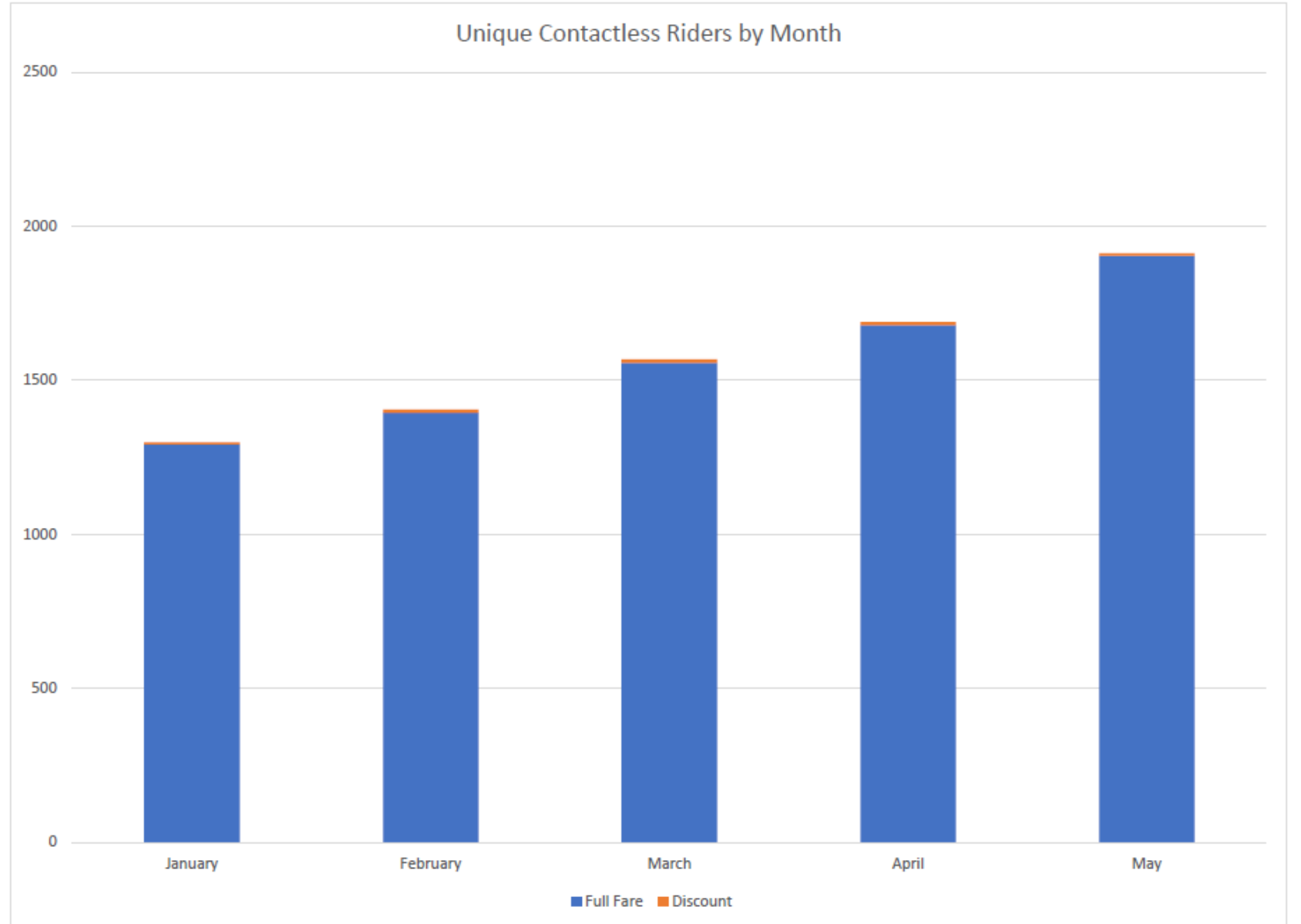
Total contactless trips per month since January 2023

Contactless Trips by Month

- Full Fare
- Capping
- Discount
- Capping Discount
- Visa Promo

Fare Revenue Breakdown by Type
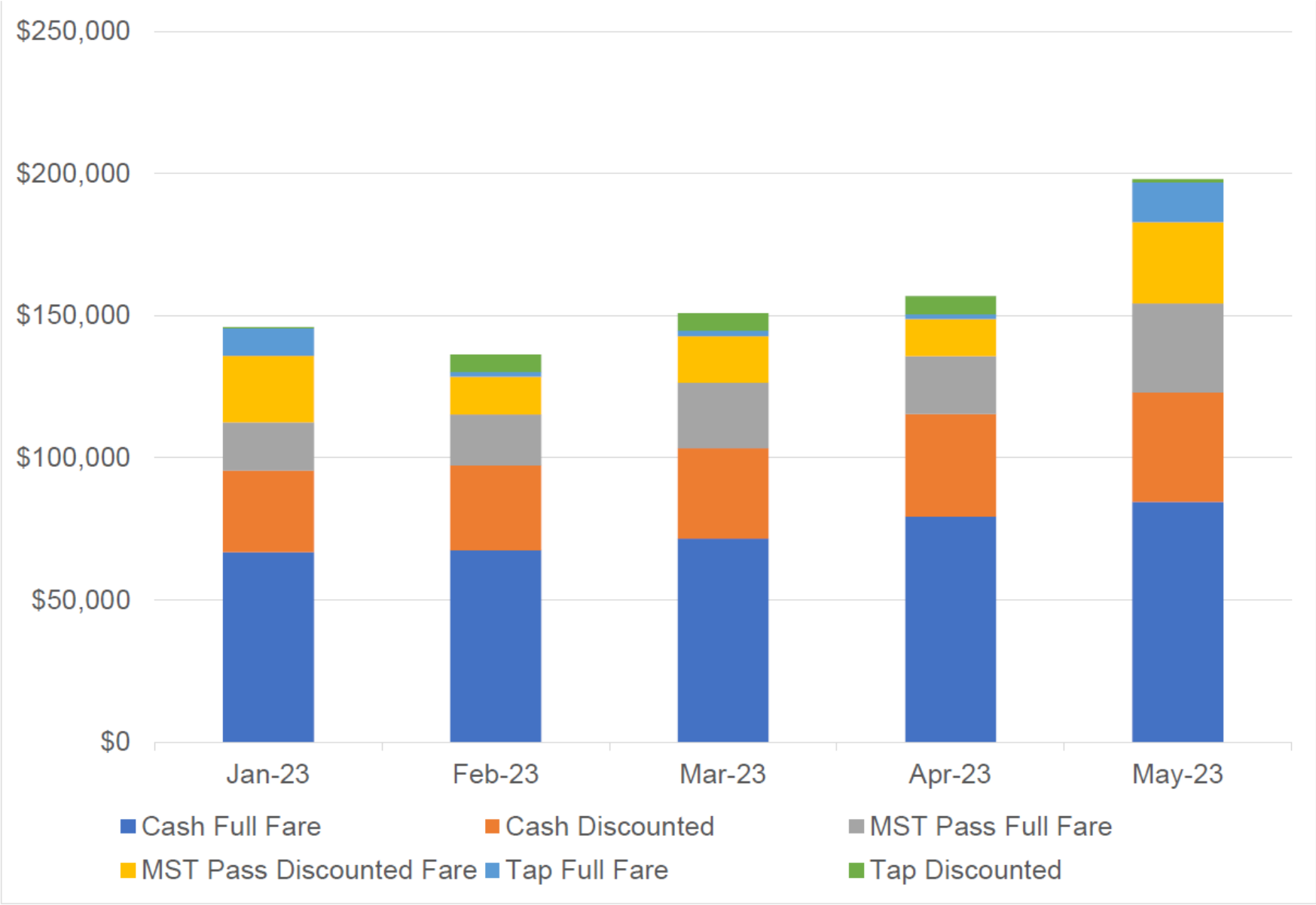
The Results

- Immediate acceptance with continued strong, sustained growth

- Over 600% growth in transactions from June 2021 vs June 2023

- Introduced CashApp contactless payment accounts for unbanked customers

- Introduced ½ price discounted fares for seniors, disabled, veterans

- High interest from peers around the US (Santa Barbara, Sacramento, Caltrain, NorCal rural counties and other states including IL and SC)

- Data was used to update MST fare policies

- 20% decrease in cash transactions in 2 years

Finding solutions for the unbanked

- MST partnered with CashApp to provide an option for riders who do not have a contactless card. No bank account needed; customers only need an email, phone number, or State ID to open an account.

- CashApp users can create a digital or physical debit card that can be used to buy groceries, coffee or ride transit!

- Customers can load paper money into their account for a $1 fee at 1,000s of retail locations (such as Walgreens, 7-Eleven, Family Dollar) or have paychecks and tips directly deposited to their account.

Next Steps

- ✓ Promote New Discount Eligibility Verification tool using Login.gov authentication

- ✓ Procure additional services and equipment from statewide Cal-ITP Procurement

- ✓ Implement time-based fare policy ($2.00 for two hours).

- Begin deployment on ADA paratransit and mobility services, including taxi vouchers.

- Add local community colleges and universities to discounted contactless fare program.

- Open system to AMEX and Discovery contactless payment schemes

- Advocate for a nationwide interchange rate for low-cost transit transactions

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Coming Soon

Connect your bank card to your public transit discount with Cal-ITP Benefits.

You can tap your credit or debit card when you board an MST bus, and your discounted fare will automatically apply every time you ride. Cal-ITP doesn't save any of your information, and you don't need to create an account. Verify to get your benefit, and connect your bank card today. **Learn more about Cal-ITP Benefits.**

Select the option that best applies to you: *

○ **I am 65 years of age or older**

You must be 65 years or older. This benefit does not expire, but you may need to renew. Using this benefit means your new transit fare is half of the standard fare.

○ **US Veteran**

This option is for people who have served in the active military, naval, or air service, and who were discharged or released therefrom under conditions other than dishonorable. You will need to **verify your identity through VA.gov**

○ **I have an MST Courtesy Card**

This option is for people who have a current Courtesy Card or an MST RIDES Eligibility card. This benefit may need to be renewed in the future. Using this benefit means your new transit fare is half of the standard fare.

Coming Soon

You selected a Veteran transit benefit.

You will need a few items to connect your benefit:

Access to your preferred VA related account

You will need to sign into VA.gov in order to verify your identity and your veteran status. VA.gov uses the following services:

- Login.gov
- ID.me
- DS Logon
- My HealtheVet

If you do not have an account with any of these services, you will need to create one. We recommend using Login.gov.

Your bank card details

Your card must be a contactless debit or credit card by Visa or Mastercard.

Questions about the items above? Please visit our **Help Page**.

Continue to VA.gov 🛡 LOGIN.GOV

Next Steps for Cal-ITP

- Layer on additional innovation. Look into recurring requests such as family travel and regional transfers.

- Work with vendors and agencies to optimize the procurement process more

- Support more agencies in getting contactless payments for transit.

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Thank you!

For more info, e-mail:
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