

Report to: West Yorkshire Combined Authority / Transport Committee

Date: 25 May 2018

Subject: **Next Steps in Digital Payment for Travel**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

1 Purpose of this report

- 1.1 The purpose of this report is to set out the next steps in refreshing the Combined Authority's policy on Digital Payment for Travel (also known as the Retail Strategy). The report also sets out how this refresh interacts with other work streams currently under development including the emerging West Yorkshire Digital Framework and the updated Information Strategy.

2 Information

Policy context

- 2.1 The Combined Authority adopted a West Yorkshire Transport Strategy and Bus Strategy in 2017. The Transport Strategy sets out the Combined Authority's vision and policy aspirations for the whole of the transport system for the next 20 years. The Bus Strategy, as a daughter document, sets out the detailed approach to delivering a modern, integrated and innovative bus system. The strategies and their policies are supported by a set of ambitious targets to grow the amount of trips made by rail, bus, cycling and walking. Providing more and better transport options for individuals and businesses is a central theme of the Transport and Bus Strategies.

- 2.2 Both the strategies sit within the emerging policy framework of the Combined Authority, with the development of a Leeds City Region Industrial Strategy at its heart, targeted at placing the City Region on the front-foot with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes. A world class, 21st Century transport system is a vital requirement of a competitive, inclusive economy, where jobs are created, productivity is boosted and the benefits of economic success are shared fairly.
- 2.3 The Combined Authority is now developing the detail of how each policy within the Transport and Bus Strategies can be implemented. This paper sets out activities being undertaken under the Smart Futures theme of the Transport Strategy in respect of Retail Strategy and specifically enabling customers to make digital payments for travel. This paper also explains the interaction of proposals for digital payment systems with planned improvements to the provision of travel information through the Combined Authority's Passenger Information Strategy.
- 2.4 Delivering the Transport and Bus Strategy targets to grow bus trips in West Yorkshire by 25% by 2027, and Leeds City Council's own target of doubling bus patronage over the next ten years will require a step change in the passenger experience of travelling on bus. This step change will be assisted by the delivery of easier ticket purchase and better travel planning in advance of journeys; interactive tools to allow dynamic real time and disruption information to be provided to give passengers better confidence in bus reliability; and also the quality of information provision (both printed and online).
- 2.5 The Leeds target is supported by plans to improve bus infrastructure (and therefore journey times), bus vehicles and real time information provision funded through Leeds Public Transport Investment Programme (LPTIP). The speed and ease of purchasing tickets is also a key component of achieving this ambitious passenger growth target. The Bus Strategy also sets out the longer term objective of moving away from cash payment on the bus, which will help to improve journey time reliability by minimising boarding times. In order to achieve this, it is necessary to provide different purchase options that enable passengers to purchase tickets before boarding the bus, particularly where customers purchase weekly or monthly ticketing products.
- 2.6 The development of Mobility as a Service (MaaS) apps will help to provide access to a portfolio of mobility options and contribute to changes in the way in which many people plan, book and purchase tickets for travel. The Transport Committee meeting of 16th March considered the next steps for the Combined Authority in supporting the development of MaaS in West Yorkshire. In order to deliver a higher quality passenger experience, the Combined Authority are currently developing a Digital Payment for Travel Strategy, which will sit alongside an emerging Passenger Information Strategy and will help to deliver the elements of the Transport and Bus Strategy

outlined above. These Strategies are also key components of Mobility as a Service.

Trends and Progress to Date

- 2.7 Through its Smartcard and Information Programme, the Combined Authority has invested in the infrastructure which supports smart transactions. Over 1.25 million transactions are now made every week by customers using smart MCards and concessionary passes.
- 2.8 There are currently 1.3 million transactions using the multi- operator MCard generating £30 million of annual MCard sales. The MCard uses smartcard technology requiring the customer to obtain a card in advance of travel and to “top up” the card with ticket products such as weekly, monthly and annual season tickets. The MCard is popular amongst longer distance commuters and under 25s where a range of discounted products are available.
- 2.9 Bus operators are already taking significant steps to reduce on bus cash transactions through the introduction of contactless payment facilities. First and Transdev have already introduced contactless payment on buses and other operators expect to introduce contactless before the end of 2018. Operators are reporting a rapid take up of this option with up to 15% of customers switching from cash in the early months.
- 2.10 All operators now have ticket machines that, in addition to smartcards and contactless bank cards, accept QR/ barcode code tickets. All three major operators are now selling M tickets through their own branded mobile apps which generate a QR code which is read by the bus ticket machine. There is a commercial advantage to operators in developing a transactional relationship with customers through the app.
- 2.11 At present there is no mobile phone QR code ticket offer for the multi operator MCard products. An MCard android app was launched in late 2017 which enables customers to buy new tickets through their smartphone and transfer them onto their smartcard. This has proven popular with approaching 20,000 sales are made on the app each week, representing 5% of MCard retail sales. Google is developing an option for android smartphones to operate as a smartcard using the phones’ NFC capability. Apple has not enabled its NFC functionality to be used by third party apps. Only QR/ barcode ticketing can work across all mobile platforms.
- 2.12 Cash transactions on the bus are reducing as customers move to other payment systems. In summary West Yorkshire bus passengers currently have the following options:
1. To pay cash on the bus to purchase a single journey, daily or weekly ticket.

2. To use their contactless bank card to purchase to purchase a single journey daily or weekly ticket.
 3. To obtain an MCard smartcard and load weekly, monthly or annual tickets prior to travel – favoured by long distance commuters and under 25s.
 4. To buy operator only QR/ barcode M tickets through an operator mobile app - discounts for multi purchase favouring periodic travellers such as part time workers.
 5. If eligible, use their concessionary pass smart card.
- 2.13 Some MCard products are available for travel on bus and rail however the rail ticketing environment is governed by the rail industry which is undertaking its own review into ticket prices, products and payment methods.
- 2.14 The key learning points from recent changes are:
- The popularity of operator M Tickets and the MCard app would indicate a customer preference to pay for bus travel using a mobile device; and
 - Contactless bank card use has grown quickly since its introduction, particularly in areas with A B C1 demographics.
- 2.15 West Yorkshire Ticketing Company Ltd (WYTCL) is the Joint Venture Company which manages the MCard and is operated by the Combined Authority, bus and rail operators. WYTCL is actively looking to provide MCard products on a mobile app. Given the issue with Apple phones, a QR code arrangement is proposed. Subject to a satisfactory business case, the development costs to create an app would be met from the Smartcard and Information Programme.

Transport for the North - Integrated and Smart Ticketing programme

- 2.16 Transport for the North's Integrated and Smart Ticketing programme will create an account based ticketing environment from 2019 (with simpler day tickets progressing to offer weekly and multi-operator products). Customers will set up an account with a transport provider or ticketing scheme. They will use their contactless bank card to register each journey and they will pay the cheapest price for all of the journeys made in a day (the fair price promise). The TfN programme will create the back office processing required to monitor travel and collect revenue from the customer through direct debit.
- 2.17 It is predicted that London will become a cashless city by 2036¹. Most London buses do not allow for cash payment. Transport for London recently reported that half of all pay as you go transactions are now made by contactless

¹ <https://www.standard.co.uk/news/london/london-will-be-completely-cashless-within-20-years-a3275826.html>

payments² with the remainder of customers purchasing season ticket products accessed through their Oyster account.

- 2.18 The TfN programme is seeking to follow this lead, however fares are more complex in the deregulated bus environment. In London flat fares operate regardless of journey length enabling the setting of maximum cost for the customer per day. Outside London, fares differ between operators and generally relate to the distance travelled. This adds to the complexity of the TfN system both in its administrative terms and in presentation to the customer. The TfN system will initially charge customers on day by day basis extending to weekly when fully established. Demand will remain for monthly and annual season ticket products including those offered by MCard. Using a contactless bank card as a means of paying for travel is not available to those without bank accounts. Without a solution to this, the move to contactless payment would not support the Combined Authority's Inclusive Growth ambitions. TfN is seeking to develop a card based solution for those without bank accounts however details of this are not known at present.
- 2.19 Under 18s are a key group of bus users who will not have a contactless bank card. At present young people's products represents the highest volume of sales and growth in MCard products and it will be crucial to maintain this.

Travel Information

- 2.20 The Combined Authority provides a range of digital, face to face and paper based travel information services jointly funded by bus operators under its Metro branding. This provision is currently being reviewed to ensure it meets with current customer aspirations as part of a refresh of the formal Information Strategy required by the Transport Act. This review will be integrated with the Digital Payment for Travel strategy.
- 2.21 The CA's Tracker market research survey is undertaken annually to assess use and satisfaction with a range of services including Travel Information. The 2017 survey identified that 45% of respondents use of mobile phones to obtain information across all age groups compared to 20% in the previous year.
- 2.22 The market research nationally and locally indicates that customers want improvements in the provision of travel advice during times of disruption. The CA is working with Transport for the North to facilitate live travel advice updates on its digital feeds.

Mobility as a Service

- 2.23 As discussed in the March paper to Transport Committee on Mobility as a Service), Mobility as a Service (MaaS) apps will enable integration of different modes of travel (including car club, cycle hire, bus, rail etc) and also allow for

² <https://www.standard.co.uk/tech/contactless-payments-tube-rail-tfl-cashless-society-a3821681.html>

journey planning, purchase and payment of travel in one place. MaaS apps are starting to come to market and examples include the West Midlands Whim app.

- 2.24 MaaS apps generally involve a commercial partner who, in addition to providing the customer facing elements, would manage the payment and revenue distribution arrangements, taking a commission of sales.
- 2.25 The Combined Authority has been a partner in the development of the Trav.ly app in West Yorkshire which has the potential to develop into a MaaS offer. Whilst a pilot launch of Trav.ly is planned during the summer, its longer term future is uncertain following the end of its Innovate UK committed funding in August 2018.

Next steps

- 2.26 The refreshed Digital Payment for Travel strategy will be developed over the next six months. Steps in the development of the strategy are outlined below.
- Customer research – June/July 2018
 - Development of strategy and action plan – July 2018 onwards
 - Development of delivery plan – August 2018 onwards
 - Present updated strategy and delivery plan to Transport Committee – September 2018
 - Enter assurance process to gain approval for the work plan and to deliver the strategy – September to December 2018
- 2.27 As part of the strategy development, discussions will be held with the Trav.ly partners to explore the feasibility of using the app as the mobile platform for MCard products with potential for further development as a MaaS service.

3 Financial Implications

- 3.1 There are no financial implications directly arising from this report.

4 Legal Implications

- 4.1 There are no legal implications directly arising from this report.

5 Staffing Implications

- 5.1 There are no staffing implications directly arising from this report.

6 External Consultees

- 6.1 No external consultations have been undertaken.

7 Recommendations

- 7.1 That the Committee notes the current position with digital payment for travel.
- 7.2 That an updated strategy and delivery plan be presented to the Committee later in 2018.

8 Background Documents

None.

9 Appendices

None.