

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: JUNE 29, 2012

SUBJECT: EASE OF FARE PURCHASE – CUSTOMER IMPROVEMENT

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission endorse this report outlining the TTC roll-out of debit card acceptance for Metropasses at Collector booths over the course of 2012 and 2013.

FUNDING

Both the one-time and on-going costs of this proposal are unbudgeted. Sufficient funds are available in the 2012 TTC Operating Budget due to favourable ridership results to undertake this work and sufficient provision will be made in future operating budgets. The implementation of Presto on the TTC will obviate the ongoing operational costs while the one-time expenditure in data and power infrastructure will allow provision of other customer offerings in the future when no longer required for payment card acceptance.

BACKGROUND

As part of the need to modernise the TTC; to improve customer satisfaction; to improve collector safety by reducing cash; and to prepare customers for a shift to a smartcard system the TTC is examining a greater acceptance of payment cards at its stations.

The TTC currently accepts payment cards for the purchase of a Metropass (\$126) at 12 collector booths at 8 stations. These 8 stations account for 25% of overall fare sales and 24% of these sales are purchases of a Metropass via a payment card.

The first quarterly Customer Satisfaction Survey indicated that only 52% of regular TTC customers surveyed found it "Very Easy" to purchase fare media. Although this relates to all fare media (passes, tokens and tickets) there can be little doubt that the requirement for customers to purchase a Metropass using \$126 in cash at the 61 stations that do not accept payment cards would fall outside of this happy 52%.

Handling fees (paid for by the TTC) for payment card transactions vary between an average credit card fee of 1.9% (of the total value i.e. \$2.39 for a Metropass) and a debit card fee of about \$0.07 (as a straight fee i.e. \$0.07 for a Metropass).

The TTC collects significant amounts of cash in its system and this change will remove between one-quarter and one-third of that cash from the system.

DISCUSSION

There are 95 staffed collector booths at the TTC. Seventy-seven (77) of these booths are staffed on a daily basis, another sixteen (16) are staffed during peak periods and two (2) are staffed occasionally. To make the improvements outlined above it is clear that ideally these ninety-five (95) collector booths be able to accept payment cards. With twelve of these booths already accepting payment cards eighty-three (83) booths must be modified.

In order to implement this change both power and/or data connections need to be made to these eighty-three booths.

It is proposed to implement the easiest sixty (60) locations in 2012 with the twenty-three (23) more difficult locations being undertaken in 2013.

One-time Costs

Installation of power and data connections are estimated at \$251,000 in 2012 (60 locations) and \$189,000 in 2013 (23 locations). Additional estimated facility modification costs of \$130,000 would be incurred in 2012 to accommodate an increase in clerical positions to reconcile payment card purchases for a total one-time cost of \$381,000 in 2012.

On-going Costs

On-going costs include items such as line rental fees, payment unit rental fees, labour costs (for reconciliation of payment card purchase), and handling fees. As noted above handling fees vary depending upon what type of payment card is accepted.

Excluding handling fees the on-going costs are \$86,000 in 2012 (60 locations for 4 months) and \$668,000 in 2013 (83 locations for 12 months).

Staff commit to finding sufficient headcount elsewhere to offset the positions needed to implement this for the remainder of 2012.

Handling fees vary depending upon new locations accepting only debit cards or both debit and credit cards. With this change it can be assumed that very few, if any, cash purchases of Metropasses will be made at TTC stations.

The incremental handling fees of selling Metropasses via only debit card at all locations are \$85,000.

The incremental handling fees of selling Metropass via only credit card at all locations would be \$2.592m

Currently the split between debit and credit card purchases is about 40/60. Assuming this proportion remained constant the full annual handling fees of selling Metropass via debit and credit would be \$34,000 (debit) and \$1.555m (credit) for a total of \$1.589m. Greater use of credit cards by customers would increase this total.

Pass Vending Machines (PVMs)

The principle goal with fare purchase is to move customers, as much as possible, to a self serve model. The TTC PVMs are an important part of this strategy and take considerable pressure off Collector booths. PVMs currently only accept debit cards and to upgrade them to credit card acceptance would cost approximately \$2m. With a remaining lifespan of 3 years (until PRESTO) this is not a value for money proposition.

Purchase Time and Queue Time

Extensive analysis of the time it takes to make a transaction using both cash and payment cards has been undertaken. A typical cash purchase takes between 10 and 20 seconds and a payment card transaction between 60 and 90 seconds. This purchase time has an obvious knock on effect on the time customer must spend in a queue to make a purchase from a collector. Increasing the number of payment card transaction may either increase the average queue time at stations (as more customers pay with cards) or decrease the average queue time (as payment card transactions are spread out from the current 8 stations to all 69 stations). The customer disbenefit of increased overall queue time will need to be closely monitored during the rollout of payment card acceptance.

Staff and Customer Safety

Anything that can be done to decrease the amount of cash carried by our customers (prior to purchasing a Metropass) and handled by our collectors will increase the safety of both our collectors and customers. In addition to the customer service benefits of making purchases easier there are significant safety benefits of reducing cash purchases from the TTC system.

JUSTIFICATION

Upon the full implementation of PRESTO (and retirement of the TTC fare system) the overall costs of selling fares by credit and debit cards are covered by the TTC fixed rate payment to PRESTO of 5.25%.

Installation of the equipment and infrastructure to allow the use of payment cards at TTC collector booths would cost \$381,000 in 2012 (60 locations) and \$190,000 in 2013 (23 locations). This infrastructure will not become redundant upon the introduction of PRESTO

but can instead be repurposed to provide other customer / staff tools. For example the data and power provision could be used to provide the backbone of tools used by mobile Customer Service Assistants in stations.

Annual costs of running an expanded payment card system vary significantly depending upon if locations accept only debit cards or both debit and credit cards. Total additional annual costs are \$753,000 if only debit cards are accepted and \$2.257m if both debit and credit cards are accepted.

	2012 (approx 60	2013 (approx 23	Ongoing (until
One-time	\$ 380,508	\$190,000	\$0
On-going	\$ 85,434	\$668,000	\$668,000
Debit Card Only Handling fees (\$0.07 / Metropass)	\$ 13,959	\$ 85,000	\$ 85,000
Credit Card Only Handling fees	\$648,038	\$2.592m	\$2.592m
Debit and Credit Handling fees (40/60 Split)	\$397,325	\$1.589m	\$1.589m
Total On-going w/ Debit	\$ 99,393	\$753,000	\$753,000
Total On-going w/ Credit	\$733,472	\$3.260m	\$3.260m
Total On-going w/ Debit/Credit	\$482,759	\$2.257m	\$2.257m

Furthermore, accepting credit cards at collector booths but not at PVMs (a further \$2m cost to modify) would conflict with a customer self serve principle as customers migrate to collector booths to use their credit cards.

Most customer benefit will derive from the ability to pay for Metropasses with any form of payment card (as opposed to needing to pay with \$126 in cash). Although some incremental customer benefit exists if both debit and credit cards were accepted the overall very high costs of credit card handling fees outweigh the customer benefits.

The increase in purchase time and the risk of an increase in queue time necessitates a cautious approach to both a rollout program and to the type of fares that can be purchased via debit card. For this latter reason it is prudent to initially constrain purchase by debit card to Metropasses only (as is the case now) before considering a wider variety of fare purchases by debit card.
