

Frequently Asked Questions: Open and Closed Loop Transit Payments

What Is An Open Loop Transit Payment?

Open loop is when a passenger uses their contactless EMV® bank card or digital wallet on an NFC-enabled device for ticket purchasing and validation. It **relies on the infrastructure put in place by payment systems** such as Mastercard, Visa and American Express.

What Is A White-Labelled EMV® Transit Payment?

There is often confusion between open loop EMV payment and EMV white-label. **They are two completely different concepts.**

Neither is an open standard, using the payment rails of the international card schemes. White-labelled EMV transit payments are a closed loop offer based on these rails.

If transport networks choose to offer ticketing choices to their passengers through a combination of open loop EMV payments and white-labelled EMV solutions, it is vital that they fully understand **the impact that the card schemes will have, such as control over costs, infrastructure and data.**

Is White-Labelled EMV A Direct Competitor To Calypso Technologies?

Yes and no. Yes, in that both offer a ticketing system for certain demographics, but no, as **Calypso offers a truly open standard** operated by the transport ticketing community. This means it is implemented, managed and evolved in a very transparent manner which is controlled by Calypso's members.

Most Experts Believe Operators And Authorities Still Need Closed Loop; Does This Therefore Limit Use Of Open Loop To Visitors And Other Occasional Riders?

Calypso agrees. Open loop ticketing is not a 'one size fits all' solution. **We anticipate a rich dynamic will emerge between open loop and closed loop; they are complementary.**

What we are witnessing is that open-loop:

- Provides another choice for occasional users wanting simple, full-fare single tickets or day tickets.
- Delivers a positive passenger experience for customers with contactless bank cards.

However, **it is not appropriate for many demographics**, especially where a high ratio of unbanked customers exists.

As transport ticketing is very nuanced and requires operators to support large and diverse communities with a range of mobility needs, **they need to deliver a range of ticketing choices** in how passengers can pay to exercise their right to ride.

Can EMV Open Loop Ticketing Support Concessions?

EMV specifications are built primarily for the global payments industry and do not allow you to write data into the card, only to read it. **This can present challenges for operators and authorities who want to offer concession fares or flexible fares that support more agile commuting.**

White-label EMV ticketing payments only support account-based ticketing (ABT), which does allow a range of ticketing options, such as flat rate subscriptions, but are **complex and costly to implement**. This could make it challenging for an operator to offer the range of ticketing options that they want, resulting in the exclusion of some passengers.

Does Open Loop Lower The Cost Of Fare Collection For Most Operators And Authorities?

No. It is important to remember that for many public authorities there is a need to have transparent systems and show how and where public money is being invested and spent. It must be certain that it will not be limited in its actions, decisions or responsibility due to third party interests beyond its control. For example, pressures or restrictions from financial, banking, Google, Apple, Facebook and Amazon (GAFA) or industrial parties. **Controlling costs is key, and in particular any additional fees or technology upgrades requested by a third party.**

The economic model of white-labelled EMV payment is another area to focus on, particularly when you consider that **the inclusive nature of public transport means that networks also have to retain another payment solution**, such as physical tickets.

Another cost consideration is implementation investment, as EMV is not a turnkey solution.

Is CNA Against An Alternative Ticketing Offer?

No. As a true open standards body, **CNA empowers the community to control and evolve the smart ticketing ecosystem for itself and its passengers.** The Calypso standards are created by the transport ticketing community, for the transport ticketing community, to advance smart ticketing systems and support mobility as a service (MaaS) for all. We support and recognise the need for payment choices and listen, respond and drive our work programmes based on the challenges and opportunities of our members.

Our mission is not to profit, but to enable choice, convenience, security and inclusiveness. The UITP may have put it best when it stated that “ticketing exists due to the need to establish a contract between passengers and transport operators, but also because transport is not a good that can be purchased like any other good; ticketing is the gateway to mobility and the freedom for all to move about.” **This is why we do what we do.**

Is EMV Transit Ticketing The Future Of Public Transport Payments?

No. Closed loop EMV ticketing is not showing the strong adoption rates that some anticipated. Transit planners are therefore looking for new, advanced transport ticketing solutions that meet passenger needs while also allowing them to retain control over their networks. Open loop ticketing on its own is not the answer to today's challenges in public transport; but it can certainly still add value.

A complementary ticketing offering that weaves together open- and closed loop offerings based on open standards allows networks to access all the benefits of tap-and-go bank cards while ensuring the passenger experience is inclusive and networks have a sustainable platform for future growth.

This is the future that CNA foresees and is actively involved in making a reality, hand in hand with public transport authorities and operators around the globe.