



# Buyer's guide: Contactless mass transit payment solutions

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# Introduction

Post-pandemic, public transportation ridership is on the rise everywhere—not just in major metropolitan areas. From mid-February 2022 to April 2022, national public transit ridership increased to roughly 60%-65% of pre-pandemic levels.<sup>1</sup>

Expanding how mass transit agencies think about their service and customers can help create a thriving future for your agency and the communities it serves. Evolving payment technology to meet changing customer demand and focusing on making public transit an accessible choice for everyone are good first steps to achieving this goal.





# Ridership is on the rise in small, medium and large-size cities.

Hybrid work environments, renewed interest in travel and tourism, and demographic shifts away from large urban areas are changing how, when, and why people use mass transit. A recent APTA study showed growth across the board, even in mid-size and suburban areas.

**40.76%** YoY increase in U.S. mass transit usage<sup>1</sup>

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**83.19%** YTD rise in all commuter rail usage<sup>1</sup>

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**64.86%** YTD rise in light rail ridership in Denver, CO<sup>1</sup>

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**86.55%** Q2 rise in commuter rail usage in Nashville, TN<sup>1</sup>





# How modernizing payments helps keep ridership growth on track.



## Simplicity

More than ever, riders expect to be able to use the same payment options they use in other areas of their lives. Tap-to-pay and digital wallets make paying for transit quick and easy, and a recent Visa study found that 90% of U.S. commuters expect transit agencies to accept contactless payments.<sup>2</sup>

For agencies, implementing a payment system makes accessing ridership data and reporting easy and accurate.



## Speed

Faster boarding times mean people get where they need to be on time, improving customer trust and building loyalty. Speedy boarding also helps agencies operate more efficiently, reducing idling time associated with the traditional closed-loop process.



## Savings

Reducing expenses associated with cash handling and issuing closed-loop cards can help your agency save operational costs. A payment strategy can help optimize current cash flow and forecast future saving opportunities for tomorrow. It also allows riders to save through flexibility and cost savings – such as making fare capping possible and more straightforward to implement.

## Is your agency a good fit?

Contactless payment can benefit any size agency with its flexibility, simplicity, and accessibility. The right partner can create a cost-effective, efficient solution for transit operators of any size—from a small fleet of vans to a metropolitan bus service.

### Contactless can scale for agencies that operate all types of vehicles, including:

- Buses and light rail
- Subways and cable cars
- Streetcars and trolleys
- Commuter trains
- Van pool services
- Ferries and water taxis
- Paratransit services for senior citizens and people with disabilities
- Monorails and tramways

### Your agency could benefit from our solution if:

- It has an existing closed loop system. Just keep your current system and add a contactless payment option.
- Needs to reduce the costs of payment acceptance to boost ROI.
- Your current system doesn't already use EMV payments.
- Has destinations that draw riders besides regular commuters, including sports arenas, universities, airports and tourist attractions.
- It doesn't have access to comprehensive transaction cost and ridership data.



### Real world results: a success story.

A bus agency in California recently tested a pilot program with 120 buses and validators.

Their projected annual fare revenue is **\$1.1M.**



## See how the right solution can pay off for your agency.

Helping leadership and other stakeholders understand the potential savings of implementing a contactless solution is the first step in gaining buy-in. Use the formula below to estimate savings. Note: if you don't have access to the data in this calculator, you may want to consider a payments partner that offers a more holistic view of their transactions.

### Closed loop cost calculator

1. Determine your agency's average transaction size
2. Calculate the average fee total your agency pays per transaction (credit card processing fees typically cost a business 0.18% to 0.50% depending on the type of card)
3. Find the average number of trips a rider uses per day on your transit system
4. To estimate the fees paid per rider per day, multiply the average transaction size (step 1) by the average fee total you pay per transaction (step 2), then multiply that total by the average number of trips a rider uses per day (step 3)
5. Compare that cost with what that total would be for open loop (reference the following page)



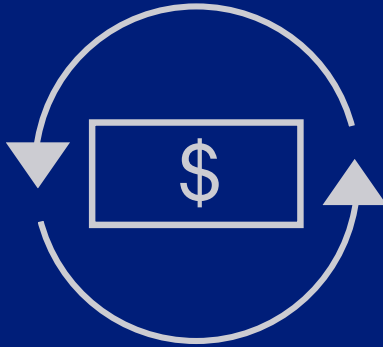
### Open loop savings calculator

1. Multiply the average transaction size by the estimated average number of trips a rider uses a day
2. Multiply that total by the average fee total you pay per transaction
3. Subtract that total from the number calculated on the previous page in the Closed Loop Cost Calculator section in order to see your average savings per rider per day.

### What can impact saving trends?

- Attractions or events that bring in one-time transit users
- Variations in credit card mix—for example, use of higher-cost commercial cards for transit travel could surge during seasonal businesses conferences in your area
- Larger market forces that push riders into special use cases such as veterans, unbanked, or seniors

### Open loop systems save your agency transaction fees.

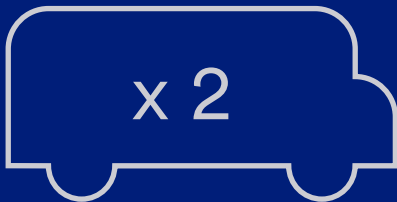


Here's a hypothetical example:



**Maya commutes to work by train = 1 trip, \$1**

**She buses to and from lunch = 2 trips, \$2**



**Then she takes the train home = 1 trip, \$1**

**With closed loop, you pay a fee for each of the 4 trips.**  
(a total of **\$0.41-\$0.43** depending on card type based on 2022 rates)

**With open loop, you pay one transaction fee of \$4.**  
(a total of **\$0.11-\$0.12** depending on card type based on 2022 rates)



# Possible roadblocks—and how to overcome them.

Fluctuating budgets, outdated infrastructure, and complex bureaucratic systems are just a few of the challenges government agencies face. Choosing the right payments partner can smooth your path to integrating a successful system that satisfies leadership and customers.

Here are few talking points that address common roadblocks to help bring every stakeholder on board.

CHALLENGES	SOLUTIONS
Difficulty selling costs to agency leadership	We offer options to help illustrate ROI
Estimating future agency savings	Use the Savings Calculator on page seven to get an idea of potential savings
Limited budget or internal resistance	Your agency may want to consider a small pilot that can be scaled up as it demonstrates success
Expense of retrofitting equipment/adding new equipment	With our program, the only investment your agency makes is the validator. It works with existing infrastructure; no new booths/turn styles needed
Resistance to innovation	Our solution isn't fare payment replacement – it's simply a new option that can boost rider perception of the agency and create operational efficiencies
Concerns about rider adoption	Education is critical. Our team can provide education, marketing and outreach to drive awareness about benefits to leadership, staff, and customers
Considerations for the unbanked and special class riders	We can work with you to ensure your special use case are covered. Unbanked and other special classes can be flagged in the system and we can create unique integrations tailored to the needs of you community
Loyal ridership concern about changes	Contactless payments is just another convenient way to pay fares. Smart cards will still be accepted. Riders can use their existing card some or all of the time. Monthly passes are still valid until used up
Infrequent riders' confusion about usage	Education and signage, especially at point of use can demystify contactless payments





## Let's connect.

We've successfully partnered transit agencies of all types and sizes to implement payment solutions that drive savings, improve operations and increase ridership satisfaction. Our partners include SC Soft, Kontron, LittlePay, Masabi, Conduent, Cybersource, and Thales. Ready to take the next step? To learn more about how contactless payments can benefit your agency, contact us.



### About U.S. Bank

Our payments professionals understand the nuances of your industry and provide personalized guidance to help keep your revenue cycle and financial operations running smoothly. We offer banking, payment and investment solutions to enable your organization to deliver a better citizen financial experience and sustain healthy revenue.

Visit us: [usbank.com/corporate-and-commercial-banking/industry-expertise/public-sector](https://usbank.com/corporate-and-commercial-banking/industry-expertise/public-sector)

1. <https://www.apta.com/wp-content/uploads/APTA-Transit-Ridership-Brief-April-2022.pdf>
2. <https://www.pymnts.com/digital-payments/2022/dallas-area-rapid-transit-on-how-contactless-payments-can-increase-ridership-following-the-pandemic/>

