



## Contactless payment at Subway entry gates – Award of Contract

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**Date of meeting** 24 November 2023

**Date of report** 8 November 2023

### Report by Director

#### 1. Object of report

To recommend the Committee approve the award of a contract to upgrade the Subway ticketing system to accept contactless payments (credit/debit cards and mobile wallets) at the Subway entry gates, to Scheidt & Bachmann.

#### 2. Background to report

The Subway smart ticketing system was installed in 2013 and was at the time an industry-leading implementation of ITSO smartcard ticketing providing flexibility, convenience and value for customers.

The smart ticketing equipment in Subway stations (including Ticket Vending Machines, Ticket Office Machines and Entry Gates) was supplied by Scheidt & Bachmann, who provide ongoing maintenance on a contracted basis.

In the first 10 years of operation, the Subway smart ticketing system has facilitated more than 107 million journeys, with ticket sales of around £155 million.

The original Subway smart ticketing offer has been incrementally improved adding the following features:

- Online smartcard registration and ticket sales;
- Acceptance of third-party smartcards (e.g. ScotRail smartcards and National Entitlement Cards);
- Increased range of ticket options, specifically a 10-week ticket aligned to school/university terms;
- Concession fares using Pay As You Go (PAYG) on National Entitlement Cards;
- Child Fares using PAYG on U16 National Entitlement Cards; and
- Auto-topup of PAYG and Auto-renewal of season tickets for smartcard customers.

Subway smart ticketing continues to deliver a wide range of benefits for customers, with PAYG offering the ideal flexible solution for current hybrid working patterns - over the past year more than £5.6 million in PAYG topups have been loaded to customer smartcards.

Sales of single-use (disposable single/return/all-day) tickets for Subway travel however remain high, despite a price advantage for customers using PAYG on smartcard. In 2022/2023 4.3 million adult single-use tickets were sold for Subway travel, of which 3.5 million (82%) were paid for by card.

In the 10 years since installation of the Subway smart ticketing system, the wider context of ticketing and payments has changed significantly. During that period the use of contactless card payments in general has increased enormously, including for public transport use.

The use of contactless payment cards (credit/debit cards) for public transport is widely expected by Subway customers, mirroring the experience with all major bus operators in the west of Scotland, as well as on transport networks in London and other cities.

Customer surveys carried out in 2021 found that the option to use a payment card (or mobile phone) at the Subway entry gates was the most likely intervention to encourage increased Subway usage.

There is an opportunity to improve the Subway customer experience by offering seamless travel by way of contactless card payment at the entry gates (including the use of mobile wallets) giving a high-quality end-to-end customer journey from payment to travel.

The proposal is directly in support of Regional Transport Strategy policies particularly Policy 19 (Ticketing and information).

### **3. Outline of proposals**

#### Hardware and software changes

SPT has considered the options to enable contactless payment at gates for Subway customers. For operational and financial reasons, engaging with the supplier of the existing gates (who are also engaged on an ongoing contract to maintain the gates and other ticketing equipment) is the only feasible option to deliver this.

The proposal is therefore to directly negotiate with Scheidt & Bachmann (S&B) to upgrade the existing Subway ticket entry gates to accept contactless card payments (debit/credit cards and mobile wallets such as Apple Pay and Google Pay).

The project would require capital investment to upgrade hardware – a new smartcard reader and PC requires to be installed in all 86 Subway gates and supporting software systems. There would also be ongoing annual costs for software maintenance and other support.

The physical works in stations would be limited to changes within existing devices - there is no requirement to remove or install entire gates or gatelines. This is significantly less disruptive than any alternative (and more expensive) approach of entirely replacing the Subway ticketing system.

S&B have provided a costed proposal for carrying out this work, with a capital cost of £436,840.

Customers would have the option to simply tap their contactless bank card at the Subway entry and exit gates. The initial project implementation would deliver contactless payment for:

- Single, return and all-day adult Subway travel
- Weekly cap on adult Subway travel.

These would be delivered seamlessly for customers, for example without needing to pre-select if they require single, return or all-day travel. Customers would have no need to visit the ticket office or use the ticket vending machine, and no need to register any details online.

Customers would also benefit from a self-service portal allowing them to view details of their journeys and payments, with the option to obtain a receipt if required. Customer support would also remain available by phone or email.

Child travel, concession travel, and long-term season ticket travel would not be included in the initial phase of the project. Charging standard adult fares can be achieved without knowing any information about the customer (as any payment card will be charged the same fare). Standard adult fares account for more than 80% of Subway journeys.

In addition to the improved customer experience, benefits will include:

- Significant opportunities for carbon savings in support of SPT's commitments to act on the climate emergency by reducing the number of chip-embedded paper tickets issued;
- Operational efficiency by reducing ticket queues;
- Future opportunities to remove existing ticketing hardware in some stations (e.g. some ticket vending machines) reducing ongoing maintenance costs;
- Savings and risk mitigation relating to smartcard supply; and
- A step towards establishing a modern software platform for future opportunities to extend the use of Account Based Ticketing on Subway.

The project scope has been extensively discussed between SPT and Scheidt & Bachmann, with a workshop held in October 2023 to finalise details. This was attended by technical and project experts from Scheidt & Bachmann with experience of the existing Subway system, and of major contactless payment implementations in Ottawa (Canada) and Bonn (Germany).

Scheidt & Bachmann's senior management have also met with SPT senior management to discuss the best possible approach to successful and timely project delivery.

Subject to approval of contract award, the project is expected to be completed within 18 months. The work will be a significant project within SPT's corporate programme and an internal project manager will be assigned to co-ordinate on SPT's behalf.

The capital costs for implementation will be £436,840, payable in phases on completion of an agreed set of milestones.

After year 1 the annual support cost will be £152,090 per year; there is no minimum term and the agreement will be renewed on an annual basis. Opportunities exist to deliver a cost neutral position if patronage increases modestly and if maintenance savings by removing other ticketing equipment are captured.

The contract costs also include the transaction fees for card payments. This fee is very closely comparable to the cost of retailing a disposable Subway ticket paid by card (including transaction fee and blank ticket stock cost).

#### **4. Committee action**

The Committee is recommended to approve the award of a contract for the value of £436,840 to Scheidt & Bachmann with annual costs of £0 in the first year and £152,090/year from the second year onwards.

#### **5. Consequences**

Policy consequences	<i>Supports the vision and priorities of the Regional Transport Strategy in particular Policy 19 (Ticketing and information)</i>
Legal consequences	<i>The contract will be awarded subject to agreed Terms and Conditions.</i>
Financial consequences	<i>The capital costs are allocated within 10048 Smart and Integrated Ticketing budget</i>
Personnel consequences	<i>None identified.</i>
Equalities consequences	<i>An Equalities Impact Assessment will be carried out.</i>
Risk consequences	<i>Risk register to be maintained as part of project management.</i>
Climate Change, Adaptation & Carbon consequences	<i>Anticipated to support shift to sustainable Subway travel with carbon benefits.</i>

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