

One Payment Card?

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On 27 Jun 06, the Infocomm Development Authority of Singapore (IDA) announced the launch of the new Singapore Standard for Contactless ePurse Application (CEPAS), SS 518. CEPAS is a significant milestone as it is the world's first nationwide interoperable micro-payment platform for both transit and retail payments.

To many, the interoperable standard will finally provide consumers the long awaited "all-in-one" smart card that let them take the MRT, other public transport vehicles, pay the ERP or ERP enabled car parks and make purchases at retail shops.

Many industry players lamented that the CEPAS has taken too long to arrive and as a result, Singapore has lagged much behind Hong Kong's popular Octopus Card.

Launched in Sep 1997, the Octopus card started as a transport card but in 2000, HK Monetary Authority granted a deposit taking licence to the train operator thereby removing the earlier restriction of a maximum of 15% of its turn-over for non-transit related services. Since then, the popularity of the Octopus card has grown. Today there are 13 million cards in circulation with over 9 million transactions per day.

In contrast, NETS which is currently owned by DBS, OCBC and UOB introduced the CashCard in 1996. The following year, all vehicles in Singapore were fitted with an in-vehicle reader with the CashCard being adopted as the sole payment mode for Singapore's road toll payment system. There are over 6 millions CashCard in circulation but despite various promotion and marketing efforts by NETS to drive the usage of the CashCard for non-transit purpose, transit usage of the CashCard still formed the main bulk of the daily transactions.

In Jan 2002, Ez-Link Pte Ltd, a subsidiary of the Land Transport Authority of Singapore (LTA) was set up for the sales, distribution and management of Ez-Link cards for both transit and non-transit usage. Competing heads-on with the CashCard; Ez-Link has over the past few years extended the no. of retail locations from school canteens to fast food outlets and supermarket with moderate success.

Together with CashCard, the total number of transit cards with retail purchase options stand at close to 15 millions. While the card base is larger than Hong Kong's 13 millions Octopus cards, total transactions per year of 1.7 Billion in Singapore is about half of the 3.3 Billion transactions per year in Hong Kong.

While the interoperable standards will facilitate collaboration between NETS and Ez-Link, there are fundamental issues that need to be resolved.

Firstly, all the players including banks and transport cards will need to upgrade their existing terminals to accept the new standard. For CashCard terminals alone, there are some 770,000 in-vehicle units (May 06), 30,000 EFTPOS and 1,600 ATM that will have to be upgraded.

What about the business model?

In Hong Kong, besides the government which has been the primer mover of the Octopus Card development; the Octopus Card is also supported by all the transport operators. Coincidentally on 27 Jun 06, the Octopus Card was also piloted in taxis in the New Territory operated by the Yellow Taxi Group.

Notwithstanding differences in card standards, the Hong Kong MTR has signed an agreement with the developer of the Shenzhen Metro's automatic fare collection system towards making Octopus cards compatible with the fare collection system in Shenzhen Metro.

For many years, NETS which is owned by the 3 local banks in Singapore and Ez-Link Pte Ltd which has CitiBank as its issuing bank have been competing for the same pool of merchants and retailers for non-transit business. Considering the huge investment costs for the conversion of the cards, upgrading of terminals, computer systems and other infrastructures; banks, transport companies and all existing players have to come to terms that Singapore has a relatively smaller captive market and collaboration on the business front in addition to using common card standard is the key factor in the success of the "One Payment Card" initiative.

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