Cell carriers to roll out 'mobile wallets' in Utah

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A joint venture between three of the nation's four largest cell phone carriers will soon offer the United States' first commercially available mobile fare payment program to a public transportation system.

Isis, a mobile commerce joint venture between AT&T Mobility, T-Mobile USA and Verizon Wireless, announced Tuesday it will roll out the pilot program in Salt Lake City in 2012, offering an alternative to credit and debit cards for Utah Transit Authority fare payments.

The program is also set to work for point-of-sale purchases at retailers in the area.

"This is the evolution of moving off of plastic," Isis CEO Michael Abbott said in an interview Tuesday. "This is the future of payments."

Abbott said the idea is to eventually make Salt Lake City, and other cities across the country, places where consumers don't need to carry their wallets anymore, communities where your cell phone is as good as cash or credit.

The idea sounds simple: Hop a train, swipe your phone, payment made. Grocery shopping? No cash? No problem.

"Salt Lake City: The Place You Can Leave Your Wallet At Home," exclaims a company news release.

Not so fast, say industry watchers.

"This is simply a silly claim on the part of these vendors," said Charles Golvin, a principal analyst with Forrester Research, Inc.

The chips needed to make the so-called Near Field Communications wireless technology work aren't yet available in most cell phones. Many carriers will be rolling them out next year, but it will take time to get them in the hands of consumers. And while the Utah Transit Authority is already equipped with the necessary technology to read the phones, retailers will also have to begin upgrading their systems.

"There are some out there already but not the majority and it won't be the majority for quite some time," Golvin said. "This is almost certainly going to be like most technology adoption, a slow and steady build over a long period of time."

However, the fact that three of the four largest wireless carriers are now supporting the program means it should gain momentum in the coming years.

"They have their own incentives now to see profit and improve their business through NFC, and that means they will most likely demand that many of their suppliers include that function in the phones they sell," Golvin said.

BlackBerry maker Research In Motion Ltd., has said most new BlackBerrys will have NFC chips by later this year. Google Inc.'s Nexus S already has one, and the company's latest Android software for that and other phones has NFC support. Nokia Corp., the world's largest maker of phones, has committed to putting NFC chips in all its next-generation smart phones.

There's also speculation the new iPhone model due this summer will have an NFC chip, though Apple isn't commenting.

Abbott acknowledged the move will take time to catch on, but said the industry is serious about making mobile payments the future of purchasing transactions.

"This isn't a science fair. This is three carriers across multiple platforms," he said. "It's a transition. It's an evolution.

"If you look back 10 years ago and wanted to get a phone with a camera, you might be able to find one. Today, you can't buy a phone without a camera," he added, noting NFC technology will also soon be standard.

AT&T's Mark Siegel said the companies expect the program to eventually expand nationwide, much like how text messaging became wildly popular once cell phone companies began allowing messaging between different carriers.

"So what happened after that is text messaging exploded and really started to grow," Siegel said. "That's kind of similar to what's happening now with Isis."

The industry has been talking about including NFC technology in phones for years, largely to do just what Isis is proposing, turn them into "electronic wallets." But beyond a few trials, not much has come to fruition except in places like Japan where a similar technology is in place and most cell phones are equipped with the needed chips.

It works like this: A consumer attaches a specific account to their cell phone - a credit card or a checking account, for instance - and simply swipes it for purchases or to board trains or buses and the charge is automatically pushed through and paid.

Still, Golvin said it will be a long transition on the path to persuading people they simply don't need to carry their wallets anymore.

"Consumer behavior changes slowly," he said, noting it took "decades" for debit and credit card use to overtake cash and checks. "It will certainly be a slow build, but they have to start somewhere."