

Tickets, coupons among uses for tap-to-pay phones

21 February 2011, By PETER SVENSSON , AP Technology Writer



A mobile phone is displayed with Visa payment platform at the Mobile World Congress in Barcelona, Spain, Thursday, Feb. 17, 2011. Phones that can be used to pay for things, much like credit cards or gas-station key fobs, have been a dream of the wireless industry for years. This year, it looks set to become a dream a reality as both phone makers and wireless carriers get on board. The Mobile World Congress is held from Feb. 14-17. (AP Photo/Manu Fernandez)

(AP) -- Cell phones are usually used to communicate with people far away. This year, they'll get the ability to do the opposite: communicate with things that are close enough to touch.

It may not sound immediately useful, but phones will get some surprising capabilities with the addition of chips for so-called Near Field Communications, a [wireless technology](#) with a range intentionally limited to just a few inches.

The phones will be able to talk to payment terminals designed for "[smart cards](#)," replacing credit and debit cards. They could be used as mass transit passes. You could tap two phones together to exchange contact information.

Or you could tap a "smart tag" on a poster, product or sticker to get your phone to do something, such

as retrieving information from the Internet or placing a call to the product's customer support line. Yankee Group analyst Nick Holland likens these tags to the links that take us from Web page to Web page, only now they're in the real world.

Adding NFC is like adding a whole new capability on the level of [GPS navigation](#) or a camera, Holland said.

The industry has been talking about including NFC in phones for years, mainly to turn them into "electronic wallets." Beyond a few trials, nothing much has happened, except in Japan and Hong Kong, where these systems have caught on for mass-transit ticketing.

But at the world's largest cell-phone trade show, held last week in Barcelona, Spain, it was clear that the log-jam has loosened, in part because NFC chips are now cheaper. Millions of NFC-equipped phones will be in consumer hands in the U.S. and Europe before the end of the year.

Jim Balsillie, the co-CEO of BlackBerry maker [Research In Motion](#) Ltd., said at the show that "many if not most" BlackBerrys will have NFC chips 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.

Based on job postings at Apple Inc., there's speculation the new iPhone model due this summer will have an NFC chip. Apple wouldn't comment.

NFC turns the limitation of short-range communications into an advantage. When an NFC terminal senses an NFC-equipped phone, it knows that's because the user is holding it right up close and wants to interact in some way - for instance, paying for a can of Coke.

That means a lot of the complexity that comes with establishing wireless links - like logging on to a Wi-Fi hotspot or "pairing" Bluetooth devices with each other - can be dispensed with. Tap and something happens . but your phone will probably still ask you if you really want that can of Coke.

The simplicity of NFC also lets it cut through the complications of existing mobile payment systems, which let you send money through an app or text message. These systems have been more popular in Europe.

It's possible to upgrade some current phones with NFC chips. Small memory cards that are accepted by some phones can be given NFC capabilities. Both MasterCard and Visa are experimenting with "jackets" for the iPhone that have NFC chips, for instance.

But not all phones are compatible with these solutions, so the most likely way to get NFC into consumer's hands is with new phones. Research firm Yankee Group estimates that there will be 151 million NFC-enabled phones in 2014, up from 834,000 in 2010.

The wide support from phone manufacturers comes after nearly a decade of much talk but little action. Bill Gajda, head of Visa Inc.'s push into mobile payments, said the NFC idea has faced "a series of chicken-and-egg problems."

Phone makers didn't want to include the chips in their phones if the wireless carriers didn't want them. Wireless carriers saw no use for the chips if merchants didn't have terminals that accepted them. Merchants didn't want to invest in terminals if there would be no phones to use them.

With phone makers and wireless carriers now supporting the idea, the hope is that stores will take the jump too, Gajda said. McDonald's Corp. restaurants in the U.S. and a few other chains already have contactless payment terminals, installed to accept cards that work on a principle similar to NFC. When New York City taxi cabs were upgraded to accept credit cards starting two years ago, they got contactless terminals too.

The Smart Card Alliance estimates that there are half a million contactless terminals in the U.S., in 150,000 to 200,000 locations. That compares to perhaps 6 million locations in the U.S. with traditional card readers, as estimated by Todd Ablowitz, an electronic-payments consultant.

On the phone company side, France Telecom SA's Orange and Deutsche Telekom AG of Germany are rolling out NFC.

In the U.S., three of the four largest [wireless carriers](#): Verizon Wireless, AT&T Inc. and T-Mobile USA, have formed a joint venture, ISIS, to roll out payment services in limited regions of the country in the next year.

It's not clear that payment services will attract consumers to NFC phones, given that using a phone over a card only saves a few seconds.

Rajeev Chand, head of research at investment bank Rutberg & Co., believes ticketing will be the "entry point" for NFC, as speed matters more when passing turnstiles.

In stores, phones with NFC could be popular if they do more than merely replace a wallet of credit and debit cards. They could help merchants track and reward loyal customers, replacing both loyalty cards and printed coupons.

On the payments side, well, NFC is only going to go so far, in Holland's opinion. It will take time for the terminals to spread, and cash isn't going away anytime soon.

"You're still going to have to carry your wallet for the next 20 years," the analyst said.

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