

China Embraces RFID Smart Cards

A new study says the Chinese market for contactless payment systems will soon be growing by 40 percent per year.

Nov. 14, 2002 - When the People's Republic of China opened to the West in 1978, buses often used wooden planks for flooring, and a ride cost about a penny. Today, Chinese buses are still rickety, but fares have gone up and more and more local residents are paying with RFID-enabled smart cards.

Some 45 Chinese cities have already introduced contactless cards. And the China Ministry of Construction has introduced a plan that would see a total of 120 cities using them by 2005. Those cities have a population of more than 200 million people, and the MOC estimates that 60 percent, or 120 million people, would use a smart card.

A new study by Asia Research & Strategies, a Chinese market research company, says that the transportation sector will drive smart card adoption in China. The report, "Smart Cards/ IC Cards in Urban Public Transportation" says the Chinese market for contactless smart card is poised for dramatic growth

In 1999 and 2000, Guangzhou and Shanghai became the first two cities in China with smart card fare collection systems for public transit. The Shanghai Metro Corp., which runs the local underground railway in China's largest city, introduced automated ticketing for passengers. The system was an instant hit with passengers.

Residents of Guangzhou, Beijing, Chengdu, and other cities can pay for a bus, taxi, subway (metro), or ferry rides with their contactless smart card. The major cities along China's eastern seaboard have been the first to adopt RFID technology. These cities are wealthier and more advanced than those in the interior are, because they have been doing business with the West longer.

The Asia Research report suggest that adoption in China will accelerate because the success of the Shanghai payment system is spurring more cities to look at RFID-enabled payment systems. And since China will be hosting the 2008 Olympic Games, the government is keen to modernize the country's transportation system.

"Estimations are that annual growth rate will reach 40% or more in the future years [beyond 2005]," the report concludes.

The report says there are more than 300 system integrators handling smart card projects in China, including a few that are backed by foreign investors. "The system integrator is replacing the card manufacturer as the main purchaser of chips, and the main players in this market," the report says. Therefore, the systems integrators are becoming important players for foreign manufacturers that want to penetrate the market.

There are also a growing number of card manufacturers certified by Ministry of Construction. The report lists 38 companies that have been approved by the MOC so far. The report costs US\$2,250. It can be delivered on a CD-ROM in MS Word or PDF Format. For more information, send e-mail to infoarschina@sohu.com.

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