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GREATER TORONTO AREA FARE SYSTEM (PRESTO) PROGRESS REPORT

The Transportation Services Committee recommends:

- 1. Receipt of the presentation by Rajeev Roy, Manager, Transit Management Systems, Transportation Services Department; and**
- 2. Adoption of the recommendation contained in the following report dated November 20, 2009, from the Commissioner of Transportation Services.**

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

This report provides an update on the Greater Toronto Area (GTA) Fare System or “Presto” project. Regional Council was previously updated at the January 2009, Transit Committee meeting.

3. BACKGROUND

The Presto Card will allow seamless fare payment across municipal boundaries

The proposed GTA fare system, known as “Presto”, will provide a common fare card allowing customers to ride on any participating GTA transit system without pre-purchasing tickets or passes. Customers will not have to consider fare policies for each transit system nor have the exact cash fare as they move from one system to another. The Presto card will allow fare payment and accommodate the fare policies of all transit systems, including intersystem transfers, discounts and customer loyalty schemes, in a way that will be transparent to the customer. Customers will, however, still be able to pay in cash if they choose.

Presto will provide the following tangible benefits to transit customers:

- Transit customers across the GTA will be able to use a single card to travel on and within the participant transit agencies. In York Region, the Presto card will replace all

existing non-cash fare media (tickets, passes) with a single card with the exception of York Region Transit (YRT) Mobility Plus service.

- The Presto card can be used for individual transit agency programs (such as monthly passes) but the true customer benefit will be achieved by having customers utilize the Presto ePurse. The ePurse will be an account which allows customers to use the same card funds in an integrated fashion across GTA transit systems. A YRT/Viva customer boarding a bus to connect to a GO train would use the same card on both systems and the card would automatically track any discounted fare arrangements between the agencies.
- The Presto card is reusable. Instead of the current passes and tickets, which either expire or are presented at each trip, the Presto card will carry an account balance with various methods to reload value that are both automated and manual.

Presto will also provide the following benefits to the Region:

- Ability to introduce discounts and customer loyalty schemes based on transit usage which may increase the ridership.
- Likely reduction in fare evasion on YRT/Viva services.
- Better tool for fare reconciliation with Brampton and GO Transit.

Fare payment and reconciliation will be managed by the central system and equipment installed on buses and at stations

There are two major components to the Presto system:

- A computer system including fare transaction processors installed on all conventional buses and at Viva stations.
- A central system enabling fare integration and reconciliation between the transit agencies.

The Presto Project is jointly funded by the Ministry of Transportation of Ontario (MTO) and the Region

In 2003, the Ministry of Transportation of Ontario (MTO) committed up to \$40 million to cover a portion of the two major components. The MTO will cover 33% of capital costs attributed to each transit system's needs, and 100% of the capital and ongoing operating expense of the common central system. Participation in the Presto Project remains a condition for GTA transit service providers to receive provincial gas tax revenues.

The Presto system will be governed by a common set of business rules

The Presto system is designed based on common set of business rules which will apply to all participating transit service providers. It provides for the following:

- Centralized card procurement, initialization, revenue clearing and settlement.
- Policies around card issuance, distribution, and replacement.
- Loading value (ePurse) or pass product to the card.
- Fees and commissions to be paid to the agents. Etc.

The business rules allow the individual transit service providers to increase their fares independent of others.

The Administrative Framework between MTO and Transit Service Providers for Procurement was signed in 2003

In 2003, the Region signed an Administrative Framework Accord between MTO and the other GTA transit service providers. The accord provided the administrative framework needed to co-ordinate the design-related activities between the transit systems. The accord was not a legally-binding document; rather it was designed to enable the project Steering Committee to make timely decisions and recommendations to successfully complete procurement documents and address transit service providers concerns during the design process.

On December 16, 2004, Regional Council approved the Procurement Governance agreement between MTO and Transit Service Providers which was signed in 2005.

In June 2005, the Region signed the procurement agreement with all other participating agencies. The procurement agreement authorized MTO to act as an agent of the Region and all participating service providers for the procurement of equipment and services required for the Presto. It also defined the governance structure, procurement guidelines, relationship between the parties, and the roles and responsibilities of the various parties.

On June 22, 2006, Regional Council approved MTO as authorized agent of the Region to award the contract for the supply, installation and operation of the Presto system. The contract was awarded to Accenture Inc.

The Ministry, with participation from all other GTA transit service providers, went through a request for qualification process for short-listing the potential vendors capable of successfully delivering the Presto system. The request for proposal (RFP) was released to four short-listed vendors in October 2005 and three responses were received in January 2006 from the following three vendors:

- IBM Canada Ltd.
- Accenture Inc.
- CGI Inc.

The submitted proposals were evaluated by an expert panel of representatives from the participating municipalities, the smart card system project office and the Ministry. Based on technical and management and oral evaluations, Accenture Inc. was selected as the successful vendor for the supply, installation and operations of the Presto system.

Also on June 22, 2006, Regional Council approved the Operating Agreement between MTO and Transit Service Providers which was signed later in 2006

The Operating agreement for the Presto system between MTO and transit service providers defines the following:

- A framework for detailed decision-making regarding the operation of Presto involving the Ministry, GO Transit and service providers.
- The roles and responsibilities of participating service providers.
- Longer-term governance rules for example any other service provider joining the Presto system.
- Customer communications plan and the respective responsibilities.

It includes the terms and conditions necessary for the operation of the Presto system and legally binds all the participating agencies. Back in 2006, it was estimated that the ongoing annual operating costs associated with the Presto card would amount to approximately \$3.5M. As part of the 2011 budget process, a more detailed estimate of annual operating costs will be established.

As well on June 22, 2006, Regional Council approved the Capital Funding Agreement between MTO and the Region which was signed in 2008

The Region was required to enter into a Funding Agreement with the Ministry to obtain the province's share of one-third of the capital cost of the Presto system. The funding agreement describes the terms and conditions of the sharing of capital costs of the Presto system. The funding agreement is based on the procurement agreement signed in June 2005 by all participating agencies.

4. ANALYSIS AND OPTIONS

PROJECT TIMING

The Presto project is slightly behind schedule compared to the revised plan submitted at the January 2009, Transit Committee meeting

The revised project implementation schedule has slipped further due to the following reasons:

- Defects encountered during software testing.
- Delay in the submission of a few system operating manuals.

Table 1 below provides a summary of the updated project implementation schedule.

Table 1
Presto Implementation Schedule

Transit Agency	Updated Schedule
Oakville (10 buses), 3 GO Lakeshore West Stations	November 30, 2009 <i>(Reported in January update – Sept. – Dec. 2009)</i>
Oakville, Burlington, GO Lakeshore West Corridor	May 10, 2010 <i>(Reported in January update – Sept. – Dec. 2009)</i>
Brampton, Mississauga, GO Georgetown/Milton Corridor, Hamilton Street Railway	September 20, 2010 <i>(Reported in January update – Mid to late 2010)</i>
York Region (Original Schedule – Mid to late 2009), Durham, GO Barrie/Richmond Hill/Stouffville/Lakeshore East Corridor	January 17, 2011 <i>(Reported in January update – Mid to Late 2010)</i>

York Region staff are continuing to work on various aspects of the project

York Region staff have been making satisfactory progress on various aspects of the project including but not limited to the following:

- Creation of a business transformation plan which will ensure an easy and smooth transition during Presto implementation.
- Integration of Presto equipment with the existing Viva stations and terminals and proposed VivaNext stations.
- Fare structure and opportunities for loyalty-based programs after Presto is implemented.
- Card distribution network and opportunities for selling pre-loaded cards to ensure customer convenience.

BUSINESS ISSUES

The Presto project office is investigating the opportunity to implement a business intelligence system

A business intelligence system refers to skills, technologies, applications and practices used to help a business acquire a better understanding of its commercial context. Business intelligence may also refer to the collected information itself.

With a Presto business intelligence system, the service providers will be able to:

- Achieve better strategic planning and decision making.
- Perform usage analysis (i.e., ridership and customer analysis conducive to improving service quality and enhancing customer service).
- Perform sales analysis (i.e., revenue, fares).
- Conduct ‘what if’ scenarios that could allow for the analysis of proposed fare changes to revenue model.
- Use for other analytical requirements/needs assessment.

York Region has supported this initiative, but has kept options open to integrate the Presto data with our own business intelligence project, which is currently underway.

The Presto project office is conducting an assessment of a third party sales network for card distribution and loading value to the card

The Presto project office has established a sub-committee to undertake the assessment of key requirements for a third-party sales network for card distribution and management. The sub-committee will examine the various options, propose recommendations, identify potential gaps, and develop effective solutions/distribution strategies. The sub-committee will also look into the options of selling pre-loaded Presto cards and a dedicated third-party sales agency vendor network (e.g. postal outlets, retailers). Canada Post has shown its willingness to become a dedicated outlet for card distribution and management.

OPERATIONAL MATTERS

Limited TTC involvement in Presto continues to pose operational challenges for York Region

The TTC's involvement is very important for the implementation of Presto within York Region as there are 14 TTC-contracted routes operating directly between York Region and the City of Toronto. As a result of this, York Region representatives have been working with the TTC to coordinate activities, document concerns, clarify requirements and address design issues to help facilitate a smooth implementation of Presto. A transition period is required during the time that York Region implements Presto and TTC becomes a full participant. The TTC has had a limited role in the Presto project to

date. Because of the size and complexity of the TTC's operations, becoming fully engaged with the Presto project has taken longer than anticipated. Currently, the project is proceeding with the assumption that TTC will ultimately become part of the Presto system. For the time being, the TTC participates in all aspects of the project and has committed connection points to ensure an integrated customer experience with the other transit agencies.

The Presto project office is working towards a Program Management Structure for managing the system after its complete rollout in April 2011

To date, the Presto project office has focused its efforts on the design and implementation of the project on behalf of the participating service providers. In the future, as the project is implemented at participating transit service providers, the Presto Project Office will need to transition from a project delivery team to a program management structure. The Presto project office has retained Deloitte to analyze the various design options and recommend Presto's program management structure for April 2011 onwards. Based on the business model selected, a congruent operating, organizational, financial and funding model will be developed.

GTA Fare System Executive Committee membership changes with new Transit General Manager

To deal with a number of overlapping issues, provide direction to the various project teams and make higher level decisions, an Executive Committee, chaired by the Assistant Deputy Minister, MTO, was established and currently meets on a monthly basis. Authority was given to the Regional Chair to appoint a member to this Committee. As the replacement for Donald Gordon, the Regional Chair appointed Richard Leary, General Manager, Transit as York Region's Executive Committee Member, to perform any action and provide any required recommendations, instructions and approvals on behalf of the Region.

5. FINANCIAL IMPLICATIONS

In June 2006, Regional Council authorized an expenditure of up to \$7.39 million as the capital cost for the implementation of the GTA fare system on YRT/Viva, exclusive of applicable taxes. An expenditure of \$527,000 has been incurred to date, exclusive of applicable taxes. It is estimated an expenditure of \$3 million will be incurred in 2010 and the rest of the approved amount will be spent in 2011. Sufficient funding is contained in the proposed 2010 Business Plan and Budget to cover these costs and sufficient funding will be included in 2011 Business Plans and Budget to cover the remaining costs.

One of the criteria to qualify for provincial gas tax funds is to demonstrate participation in the smart card project. York Region was one of the first municipalities to join the project.

The Region will be responsible for ongoing operating costs associated with the Municipal Service Provider System beginning in 2011. As part of the 2011 budget process, a more detailed estimate of annual operating costs will be established.

6. LOCAL MUNICIPAL IMPACT

The development of a smart card system will further enhance public transit as a transportation option. This, in turn, will support the modal split objectives of the Region and all local municipalities.

7. CONCLUSION

It is likely that the Presto smart card system will be fully operational in York Region by early 2011. YRT staff will continue to keep Regional Council apprised of the progress and timelines as the project progresses and seek direction as required.

For more information on this report, please contact Rajeev Roy, Manager, Transit Management Systems, at Ext. 5682.

The Senior Management Group has reviewed this report.