

MEETING DATE: September 17, 2003

SUBJECT: Procurement Authorization - Demonstration Of Prototype Pass Vending Machines (PVM)

RECOMMENDATION

It is recommended that the Commission approve the award of a contract to IBM Canada Ltd. (IBM), in the amount of \$1,497,835.01, for the design and development, supply and rollout of ten Metropass vending machines (PVM).

FUNDING

Sufficient funds for this expenditure have been included in Project 5.2 Revenue and Fare Handling Equipment, under Work Order #7576, Vending Machine Project, of the 2003-2007 Capital Program, as set out on pages 903-905, as approved by City Council on February 26, 2003.

BACKGROUND

A project to update our automated vending machines is entering Phase II with the identification and development of new pass vending machines that will have the capabilities of utilizing debit card technology, remote communication and monitoring capability.

Customer surveys have shown that pass users want a purchasing location that is convenient, along with transactions that are quick and accurate. A recent TTC survey stated that customers have a preference for vending machines that accept Interac. A variety of fare media is sold to customers including tickets, Metropasses and tokens. Currently, Metropasses are sold through Collector's Booths, Metropass Discount Centre and ticket agents. In 2002, approximately 1.8 million Metropasses were sold.

The addition of pass vending machines in our subway stations with debit card acceptance capability will offer an alternative and quick way of purchasing Metropasses. It will streamline fare processing requirements through automatic payment, generate less cash in the system and reduce long line-ups at the Collector's Booths. The PVM's will be strategically placed at locations with high Metropass sales (e.g. Union/Finch).

In addition, remote communication and diagnostic capabilities will allow improved trouble call response and pass inventory monitoring. The debit card acceptance and remote communication capabilities of the PVM's can be adapted for the next phase of

this project with token vending machines. This will be assessed in Phase III of the Vending Machine Project as reported in the 2003-2007 Capital Submission, page 903.

DISCUSSION

Specifications were prepared for the Supply and Installation of Pass Vending Machines (PVM) and a Request for Proposals (RFP) was posted on the TTC's Materials & Procurement web site as of May 6, 2003. Additionally, all companies that had shown an interest in the two previously issued PVM RFP's were contacted via telephone and/or by issuance of advise letters complete with copies of the proposal documents attached. Thirty-two companies were issued copies of the proposal documents out of which two submitted a proposal and are summarized on the attached Appendix 'A'.

NRT Technology Corporation (NRT) submitted the lowest priced proposal. However, they did not execute the required proposal security or the agreement to provide contract security. NRT did not submit any alternatives for consideration. NRT's proposal is considered non-compliant and unacceptable.

IBM submitted the second lowest priced proposal and submitted all of the mandatory and supplementary submission requirements. However, IBM stated several exceptions and qualifications to both the commercial and technical requirements. Staff reviewed all of IBM's exceptions and qualifications, taking into consideration IBM's clarifications provided and have concluded that they are considered reasonable and acceptable. IBM is currently working on a number of contracts for the Commission, however, none of a similar scope to this requirement; as such, a reference check for Ministry of Transportation Kiosks was completed and indicates that they previously completed work of a similar size and nature within the past five years.

IBM's price for the initial two prototype units are priced higher to cover design, engineering and production costs. IBM's cost per unit drops significantly for the next eight units.

Based on a review of the contractors' financial statements, it appears that they have the financial capability to perform the work under this contract.

Considering all of the foregoing, IBM's submission is considered commercially and technically acceptable and is therefore recommended for award.

Gemsys Money Handling Systems Inc., Standard Change-Makers, Inc., De La Rue Cash Systems Inc. and Traf-Park Inc. submitted letters at the proposal closing stating that they declined bidding on this RFP. Standard Change-Makers, Inc. noted in their letter that the work of the RFP is beyond their scope. Additionally, Traf-Park Inc. stated in their letter that the "contractual terms of the RFP" prevented them from responding at an adequate

level, although they also noted a similar custom application that they are currently developing for GO Transit and mentioned discussing alternative solutions with TTC staff.

Prior to the proposal closing date, CGI/Meta-4 sent a letter declining to bid on the RFP stating that the "high risk and the specifications of the product requested do not correspond to our business focus". Furthermore, B.E.S.T. Retails Solutions, together with Communitiq, offered information on an alternative solution via e-mail after the proposal closing, but did not submit a proposal based on the RFP requirements.

Experience on the last two attempts for this requirement indicated that many companies initially show interest in the RFP, but opt out of bidding for one or more of the following reasons: the work is beyond the realm of their expertise or outside of their core business; the quantity of units required does not justify the effort required to price and develop a custom machine; and, the timing and duration of the RFP did not allow them enough time to prepare a proper response.

-

JUSTIFICATION

The proposal submitted by IBM is the lowest priced acceptable proposal.

The introduction of debit cards and automated pass vending machines are improvements that will enhance customer service and further modernize our fare collection system.

This phase of the project will allow us to gain actual field data on customer acceptance and to assess fully the cost/benefit impact and strategic value of this new point of sale. A larger scale implementation will require a more in-depth analysis of the cost implications and full evaluations.

September 4, 2003

6-75-89

Attachment: Appendix 'A'

**PROCUREMENT AUTHORIZATION –
DEMONSTRATION OF PROTOTYPE PASS VENDING MACHINES (PVM)**

COMPANY	TOTAL PROPOSAL PRICE
NRT Technology Corp.*	\$798,100.00
IBM Canada Ltd.**	\$1,497,835.01

* Non-Compliant Proposal

** Recommended for Award