

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: JANUARY 23, 2008

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT –
PROVISION OF DEBIT/CREDIT CARD PROCESSING SERVICES

RECOMMENDATION

It is recommended that the Commission approve the extension of the contract with Global Payments Canada Inc. for the provision of debit/credit card processing services for an additional two years to July 15, 2010 and increase the upset limit by \$660,000, for a revised upset limit amount of \$1,301,102.87.

FUNDING

Sufficient funds are available in the 2008 TTC Operating Budget and appropriate funds will be provided in subsequent years' budgets.

BACKGROUND

Global Payments Canada Inc. ("Global") is the present contractor for the processing of debit/credit card payments at certain TTC locations that sell fare media. All sales transactions are "acquired" by Global for a fee based on a percentage of the transaction value for credit card payments and a fixed fee for debit card payments, and the funds are remitted for deposit to the TTC's banking institution. Effectively, Global acts as a "clearing house" for these non-cash payments.

The original contract with Global commenced in 2004 when the debit/credit card payments were separated out from the overall banking services contract. The term of the contract was subsequently extended to July 15, 2008 (due to increased sales at collector booths and the roll-out of Pass Vending Machines in the subway) for a total contract value of \$641,102.87 as approved by the Commission at its meeting of December 14, 2005.

DISCUSSION

For several years, Global and a third party equipment contractor have worked with the TTC on the development of a prototype Pass Vending Machine (PVM) and the "certification" of the machine for non-cash payment. The certification process involves rigorous testing for data accuracy, integrity, and security, and is one mandated by all debit/credit card service providers for any type of third party integrated system, such as the PVM system.

After several years of development work, there are now ten Pass Vending machines in pilot mode in the subway system but further collaborative work with Global Payments is required to achieve operational efficiencies in the downloading and management of sales data for reporting and reconciliation purposes. Furthermore, there are plans to introduce more Pass Vending Machines in the near future.

The payment card industry is also undergoing significant change with respect to technological enhancements. Two areas that will impact the industry (including the TTC) are the migration from magnetic stripe cards to chip based debit/credit cards, and the conversion from “datapac” telecommunications lines to TCP Internet Protocol (IP) transmission.

For the subway collectors group, there is a project in the 2008-2012 Capital Program to undertake a feasibility study in 2008/2009 to define hardware, software and network requirements to enable the desired expansion (presently at 12 booths) of hardware devices at collector booths for the acceptance of debit and credit cards.

For the above reasons, it is not recommended that the TTC consider switching service providers at this critical time of significant impending changes. The preferred approach is to undertake incremental steps to address the technological obsolescence issues (hardware devices, magnetic stripe cards, telecommunications protocol) in collaboration with an existing service provider that understands and has worked effectively with the TTC for a number of years.

It is proposed that the contract be extended for a period of two years. During this time period, we can tackle the impending technical challenges (hardware conversion to accept chip-based cards, obsolete hardware devices, conversion to IP transmission protocol etc.) and gain operational experience to facilitate the preparation of detailed business and technical specifications for the next Request for Proposal.

It has also been our experience that “point-of-sale” systems typically require the client (TTC) to develop extensive operational and control procedures, training manuals and supporting infrastructure that are unique to each service provider. Consequently, a change of service providers has a significant impact which must be planned carefully. For the next RFP, staff will explore a medium to long term contract.

Contract Details are as follow:

Original Upset Limit Amount:	\$ 181,102.87
Previous amendments:	\$ 460,000.00
This Amendment:	<u>\$ 660,000.00</u>
Revised Total Upset Limit Amount:	\$1,301,102.87

The amendment of \$660,000 in fees is for (1) the additional two year extension of \$480,000 based on current sales transaction volumes, (2) an additional amount of \$110,000 as a provision for increased sales levels during the two year extension period, and (3) additional fees of \$70,000 for the current contract period, as a consequence of higher than previously projected sales. In total, the revised upset limit amount is \$1,301,102.87.

Global has performed satisfactorily for the Commission to date.

JUSTIFICATION

A two-year extension to the purchase order and a revised upset limit amount of \$1,301,102.87 to Global will allow staff to work with the existing service provider on a number of technical challenges and set the groundwork for a comprehensive proposal call before the end of the contract extension.

January 10, 2008

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