

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: September 27, 2012

SUBJECT: Purchase Order Amendment – Fare Media Cards

ACTION ITEM

REASON FOR CONFIDENTIAL INFORMATION:

This report involves the security of property belonging to the Commission

RECOMMENDATION

It is recommended that:

1. The Commission approve the issuance of a purchase order amendment in the amount of \$11,500,000 to the TTC's fare media card vendor, as outlined in the Confidential Attachment, with a revised upset limit of \$34,745,000. This amendment will also revise the contract expiry date from April 30, 2013 to December 31, 2014; and
2. the contents of the Confidential Attachment remain confidential in their entirety as it contains information related to the security of property belonging to the Commission.

FUNDING

The necessary funds have been included in the 2013 TTC Operating Budget and appropriate funds will be included in future Operating Budgets.

BACKGROUND

The present five-year contract for TTC fare media cards will expire on April 30, 2013.

DISCUSSION

On May 1, 2008, the Commission awarded a contract to the TTC's fare media card vendor in the amount of \$21,645,000 for the five year period from May 1, 2008 to April 30, 2013. In July, 2011 a contract amendment for \$1,600,000 was approved bringing the total upset limit to \$23,245,000. At that time, there were a number of issues that affected the upset limit of this contract. The most significant item was the introduction of the Post Secondary Metropass in September, 2010 that was not part of the original contract scope. The overall impact represented an estimated average of 9.1% more fare media cards being ordered for the primary products. This increase was required to support

increased customer demand. Further, security enhancement features were added to production costs as outlined in the Confidential Attachment.

Additional factors, including the expansion of the Pass Vending Machine network and fare change impacts on customer fare media purchasing preferences, have significantly increased volumes. These factors were not known, nor could be reasonably forecasted, to occur during the term of the contract.

Based on current ridership trends, and purchasing patterns of existing and new TTC customers, it is anticipated that sales growth will continue throughout 2014 as detailed below.

Pass Sales 2010 to 2014 (%)						
Pass Type	2010 Actual	2011 Actual	2012 Probable	2013 Budget	2014 Estimate	% Change 2010 to 2014
Metropass (Adult, Post-Sec, S/S)	3.28M	3.50M	3.66M	3.81M	3.90M	+ 19%
Weekly Pass (Adult, S/S, GTA)	0.82M	0.85M	0.84M	0.86M	0.88M	+ 7%
Total	4.10M	4.35M	4.50M	4.67M	4.78M	+ 17%

Fare Media Card Order Variances From Original Contract Projections (%)					
All Passes	2008	2009	2010	2011	2012
		-9%	-15%	-5%*	19%

It is anticipated that the TTC will move towards a new fare card system (Presto) in 2015. At this time, the potential impact on the current fare media system and rate of customer card conversion are unknown. Extending this contract to December 31, 2014 will allow Staff time to understand the impact on current fare media cards as the conversion plan evolves. Requirements for current fare media cards beyond December 31, 2014 will be dealt with in a subsequent contract which will reflect an appropriate phased-out approach for production volumes.

As a result of increased demand, and the need to support the current fare card structure until the introduction of an automated fare card system, there are insufficient funds remaining in the contract to cover anticipated expenditures. Staff has estimated that an additional \$11,500,000 is required to meet customer demand until December 31, 2014.

This amount is comprised of a shortfall of approximately \$700,000 on the current contract term for the reasons listed above and an additional \$10,800,000 to extend the contract from May 1, 2013 to December 31, 2014. Staff contacted the TTC's fare media card vendor to obtain the best pricing for the extension period and has successfully negotiated an

overall same pricing up to December 31, 2013 and a slight overall increased price (approximately 2.89%) from 2013 to 2014. The TTC's fare media card vendor agreed to the extension at the same existing contract terms and conditions.

JUSTIFICATION

Approval of this request will allow staff to proceed with acquiring an uninterrupted supply of fare media cards until December 31, 2014.

September 24, 2012
48-03

Attachment – Confidential Attachment