For Action
with Confidential Attachment

PRESTO, Fare Policy and Collection Strategy Update

Date: February 10, 2021
To: TTC Board
From: Chief Strategy & Customer Officer

Reason for Confidential Information

This reports contains information that is subject to solicitor-client privilege.

This report is about litigation or potential litigation, including matters before administrative tribunals.

This report contains information about a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the TTC

Summary

The purpose of this report is to provide an update on the progress made since the last PRESTO update to the Board in September 2020. This includes:

- timing of the Settlement Agreement amending the current contract with Metrolinx now planned for April 2021;
- timing of Metrolinx's re-procurement of their major vendor, procurement of modernized devices for the TTC and the delayed progress on the delivery of open payment by PRESTO until June 2023,
- information update on TTC's issuance of a Request for Information (RFI) on January 18, 2021 which is the first step on the critical path to the TTC procuring a new vendor to replace the current fare collection system by the end of the TTC-Metrolinx agreement in 2027.

This report describes how many initiatives to modernise fare collection on the TTC are taking place concurrently and in partnership wit Metrolinx-PRESTO; all with the purpose of improving customer experience on the TTC. It also provides an update on the Fare Policy and Collection Strategy which is being developed concurrently with the Settlement, the development of TTC's re-procurement requirements with PRESTO, and the process to select a vendor to replace PRESTO by the end of the contract in 2027. A more in-depth overview of the Fare Policy and Collection Strategy and the results from the RFI and peer agency review will be provided to the Board in May 2021,

Recommendations

It is recommended that the TTC Board:

1. The TTC Board receive this report for information

2. The information in the Confidential Attachment remain confidential as it is subject to solicitor-client privilege.

Financial Summary

There are no financial implications resulting from the adoption of this report.

In addition to internal resources, the 2021 Operating Budget approved by the TTC Board on December 21, 2020 and subject to City Council approval on February 18, 2021 includes $660,000 for consulting services associated with the TTC's Fare Policy and Collection Strategy. This is a continuation of the work commenced in 2020 and supports the work outlined in this report.

Future reports to the Board will outline the financial implications resulting recommended actions.

The Interim Chief Financial Officer has reviewed this report and agrees with the financial summary information.

Equity/Accessibility Matters

With continued discussions on the Settlement negotiations with PRESTO, equity and accessibility continue to be imperative in planning for the future of fare collection at the TTC. The TTC is committed to meeting the requirements outlined in the Accessibility for Ontarians with Disabilities Act (AODA), as well as continuing consultations with the Advisory Committee on Accessible Transit (ACAT) on introducing policies that promote equity and accessibility.

The TTC's development of the Fare Policy and Collection Strategy has also taken into account customer feedback and challenges faced by equity seeking groups across the city. As part of the TTC's consultation plan for the Fare Policy and Collection Strategy, an external workshop with transit advocacy groups was conducted, followed by individual interviews and focus groups. The TTC also launched an online survey targeted at better understanding customer demographics, travel patterns, and the overall customer experience.

Decision History

At its meeting of June 12, 2019, the TTC Board received a comprehensive implementation update on PRESTO. The report identified the remaining gaps from the 2012 Master E-Fare Agreement that prevented the TTC from fully migrating to

PRESTO. Moreover, it outlined the critical and medium impact dependencies to the stop selling and stop accepting of legacy fares.
https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2019/June_12/Reports/15_PRESTO_Implementation_Update_June_2019_updated.pdf

At its meeting of October 24, 2019, the TTC Board had before it a report from the Auditor General entitled, *Review of Toronto Transit Commission's Revenue Operations: Phase Two – PRESTO/TTC Fare Equipment and PRESTO Revenue*, which focused on a review of the functionality of fare equipment, the TTC's contract with Metrolinx and capturing all PRESTO revenue transactions on the TTC through PRESTO's back-end systems.
http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2019/October_24/Reports/5_Review_of_TTC%27s_Revenue_Operations_Phase_Two_PRESTO_TTC_Fa.pdf

In response to this report, the TTC Board adopted that the TTC CEO prepare a comprehensive plan to address the PRESTO findings contained in the report, specifying the responsibilities of the TTC and Metrolinx, identifying timelines for execution and report back to the TTC Board. In addition, the Board adopted a motion to complete a Fare Collection Request for Information (RFI). The RFI will help the TTC learn more about new service providers and technologies, including open payment, being used by transit properties worldwide.
http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2019/October_24/Reports/Decisions/5_TTC_Revenue_Operations_Phase_Two_PRESTO_TTC_Fare_Equipment.pdf

At its meeting of May 13, 2020, the TTC Board considered a report detailing the proposed scope of work for two TTC policy documents: the 5-Year Fare Policy and the 10-Year Collection Outlook.
https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2020/May_13/Reports/11_Development_of_the_5_Year_Fare_Policy_and_10_Year_Fare_Co.pdf

At its meeting of September 24, 2020, the TTC Board received an update on the PRESTO implementation achievements, the progress on the negotiations with Metrolinx on further improvements to the PRESTO system, how to achieve the remaining key milestones, and resetting the TTC's ongoing relationship with PRESTO.
http://ttcstaging.affsys.com/About_the_TTC/Commission_reports_and_information/Commission_meetings/2020/September_24/Reports/4_PRESTO_Annual_Update.pdf

Issue Background

In September 2020, staff provided the Board with a PRESTO update which included details on the advancements toward Settlement made through negotiations, the outstanding PRESTO requirements from the original TTC-Metrolinx 2012 Master E-Fare Agreement, and an update on the Fare Policy and Collection Strategy. Since the September 2020 update, the TTC and Metrolinx have continued working together to reach the Settlement Agreement on the remaining contract deliverables. Work is still

underway on developing a new agreement and delivery plan. Reviewing the high number of outstanding business requirements and agreeing on their detailed delivery plans has taken TTC and Metrolinx staff teams more time than initially estimated, so a final Settlement report to the TTC Board is now planned for April 2021.

The TTC and Metrolinx also continue to collaborate through TTC's Fare Policy and Collection Strategy, which is running concurrently alongside Metrolinx's re-procurement plans and Settlement discussions. Additional details on the Metrolinx and TTC procurement plans is outlined in the comments section below.

Comments

Negotiations and Settlement

The TTC continues to work with Metrolinx to address unresolved contract deliverables and clarifying business requirements.

To date, the TTC and Metrolinx have addressed a number of gaps and outstanding contract requirements from the 2012 Master E-Fare Agreement. Since the last update in September 2020, both organizations continue to work collaboratively on addressing unresolved contract deliverables and clarifying business requirements to reach a mutual agreement. The resolution of these long standing items will allow the TTC and Metrolinx to focus on implementing the remaining contract items, resetting the relationship, and improving the current fare payment system for customers. Both TTC and Metrolinx are committed to continue to work jointly on completing the overall Settlement requirements, expected to be completed by April 2021.

Additional details on Settlement negotiations are discussed in the confidential attachment.

Open Payment and Metrolinx Re-Procurement

The TTC continues to work with Metrolinx to ensure that the TTC's requirements for open payment and the device refresh are integrated into PRESTO's 2022 re-procurement.

Metrolinx is in the process of re-procuring vendor(s) who provide the payment technology and equipment for the PRESTO fare collection system, because their current vendor contract is expiring in October 2022. In PRESTO's next generation of fare collection, new vendor(s) would enable progressive fare collection innovation, including open architecture and open payment.

The TTC, being PRESTO's largest customer, is participating in PRESTO's 2022 re-procurement process to ensure the needs of TTC customers are integrated in the final solution. The key objectives are to deliver a fare collection solution that enables TTC fare policies, is flexible for future change, ensures access and equity for all customers and reduces the total cost of ownership.

Throughout this process, open payment remains a key component to modernizing fare collection in Toronto. PRESTO has developed a recovery plan that recognizes the importance and urgency to the TTC to deliver open payments to our customers as soon as possible (Attachment #2). PRESTO's 2022 re-procurement will include the replacement of the current TTC PRESTO devices, which is necessary to enable open payment. The new PRESTO device requirements will be determined through early learnings of the TTC's Fare Policy and Collection Strategy. A staff report and recommendations on device refresh will be brought to the TTC Board in May 2021. It will take approximately 24 months to procure, test and install new PRESTO devices across the TTC network and would allow for open payments on the TTC sometime in Q3 2023.

The TTC will continue to work closely with PRESTO throughout 2021 to share any additional early learnings from the Fare Policy and Collection Strategy to ensure they are incorporated into PRESTO's re-procurement process.

Fare Policy and Collection Strategy Update including RFI

Since the last update in September 2020, the TTC has made significant progress in the development of the Fare Policy and Collection Strategy.

A current state assessment of the TTC's fare policy is underway. It incorporates feedback received by internal and external consultation including a workshop with transit advocacy, social advocacy, regional prosperity and academic groups to gain their perspectives and insights into the current state of the TTC's fare policy. A public survey is also underway until February 18, 2021, to further understand customer demographics and perceptions of TTC fare policy. Additional activities include peer reviews of comparable international and Canadian transit agencies and in-depth interviews with key City of Toronto and GTA municipal stakeholders.

As previously identified in our September 2020 report, it is imperative that fare policy leads the fare collection strategy. The outcomes from the fare policy current state are being used in the assessment of our current state of fare collection. In addition, several fare collection current state internal workshops were conducted, and included participation from PRESTO. These workshops provided the basis of the RFI and agency peer review. The intent of the RFI and peer reviews is to collect industry and peer agency information regarding the variety of fare collection technologies, system operations and business models available, understand best practices, and innovative technologies the TTC should consider which will be used to inform the TTC's future strategy on fare collection.

A report incorporating the outcomes of both the Fare Policy and Fare Collection current state, will be provided to the Board in May 2021.

In the coming months, the Fare Policy and Collection Strategy will move into the next phase of work, the future outlook. In this phase, objectives, fare policy goals and their trade-offs will be identified, with the intent to have a long-term strategy on what will be available to the TTC in the future, as well as understand the impacts they will have on revenue, ridership and service levels.

With the continuation of the global COVID-19 pandemic, the TTC has included a COVID-recovery response to the development of the Fare Policy and Collection Strategy.

Ridership levels at the TTC reached an all-time low due to the COVID-19 pandemic in 2020. State of emergency declarations and corresponding safety measures to address the pandemic have impacted travel needs and customer perceptions of taking public transit during this time. As part of the Fare Policy and Collection Strategy, we will look at the changing needs and behaviours of customers during and after the pandemic, and apply those learnings to the final Fare Policy and Collection Strategy.

Planning for the Future of TTC Fare Collection

While collaborating with Metrolinx on PRESTO's 2022 re-procurement remains a priority, the TTC has a risk mitigation program underway to chart a critical path for a future TTC fare collection system as early as 2027.

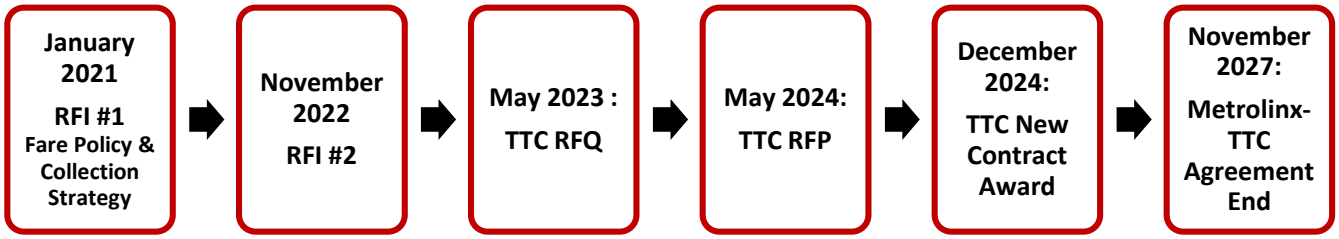
The TTC and Metrolinx have made major strides in renewing our fare collection relationship including a new governance structure, collaborative efforts through the Settlement negotiations process, PRESTO's 2022 re-procurement and future planning.

With the TTC's PRESTO agreement with Metrolinx set to end as early as 2027, staff are taking steps now to be prepared to procure a TTC fare collection system. If the TTC was required to procure a new fare collection system by 2027, preparations would need to begin as early as 2022, allowing for a minimum of three years to transition from PRESTO to a new fare collection system.

The first step now underway, is to complete the RFI as part of the Fare Policy and Collection Strategy. The RFI has been issued and peer reviews are underway, to understand fare collection technologies, system operations and business models available, and to understand best practices and innovative technologies. These learnings will be used to inform the final fare Policy and Collection Strategy, to be completed at the end of 2021. Once completed, the TTC would issue a comprehensive RFI, developed with the requirements and direction provided from the Collection Strategy (RFI #2).

A preliminary work back schedule and timeline is shown in Figure 1. Regular reporting to the TTC Board for information and direction will occur throughout the six-year work program.

Figure 1: Draft TTC New TTC Fare Collection System Procurement Timeline



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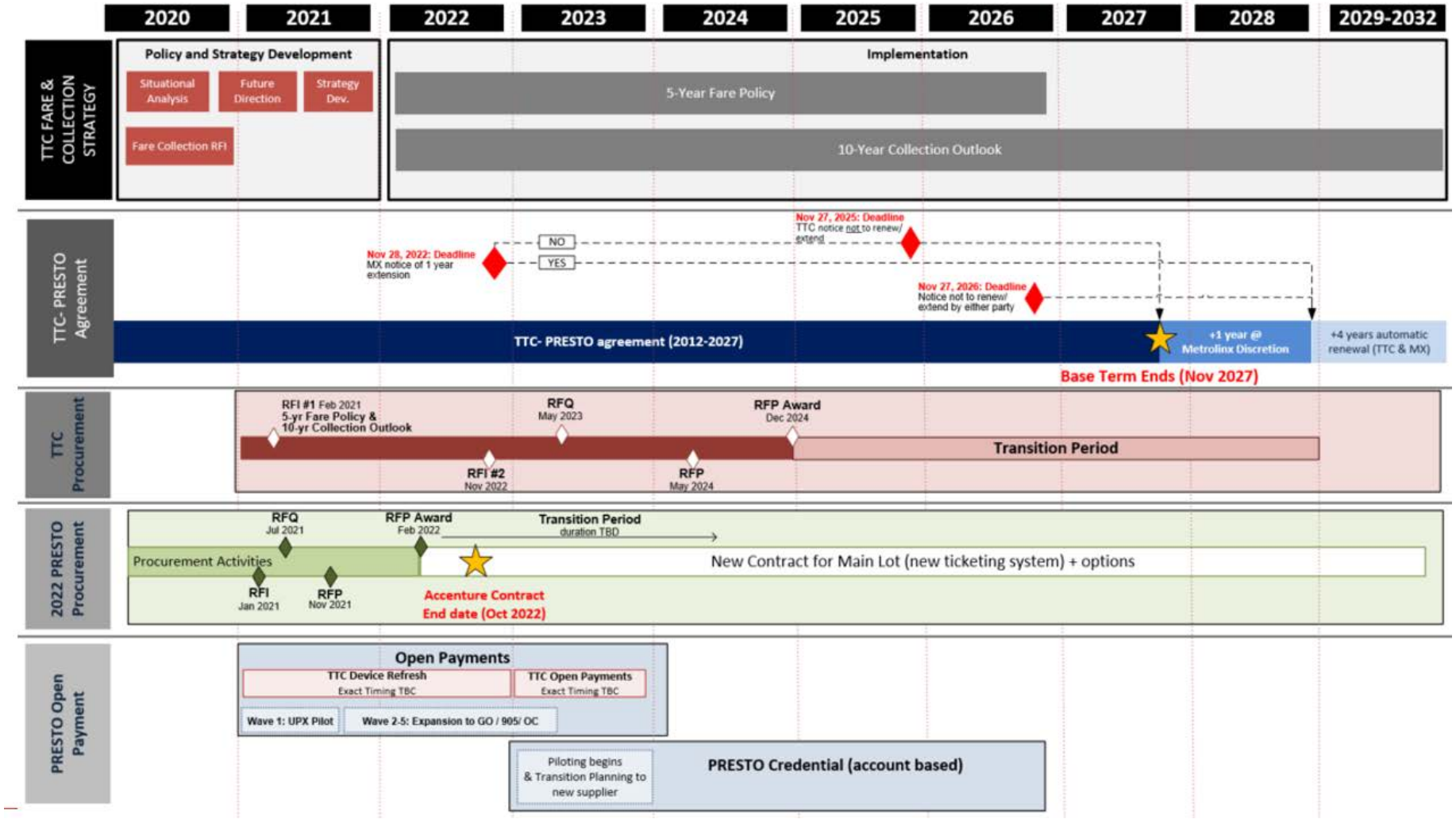
Attachments

Attachment 1 – Confidential Attachment
Attachment 2 – Critical Path: PRESTO – TTC Program

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