

Decision maker: Traffic and Transportation

Subject: Smart Ticketing Back Office and Scheme Roll Out

Report by: Head of Transport and Environment

Wards affected: All

Key decision (over £250k): No

1. Purpose of report

- 1.1 To propose a Smart Ticketing Back Office (Asset Management System (AMS)/Host Operators Processing System (HOPS) and possibly Card Management System (CMS)) solution to enable TfSH to fulfil its responsibilities within the large Local Sustainable Transport Fund (LSTF) bid.

2. Recommendations

- 2.1 **That Portsmouth City Council (PCC), Southampton City Council (SCC) and Hampshire County Council (HCC) through the Transport for South Hampshire (TfSH) partnership, procure a Smart Ticketing Back Office (Asset Management System (AMS)/Host Operations Processing System (HOPS) and possibly Card Management System (CMS);**
- 2.2 **Approve Southampton City Council as the Lead Authority for TfSH for the functions outlined in recommendation 2.1.**
- 2.3 **Following a full procurement exercise of this scheme, PCC will fully evaluate our costings before a final decision is made on going ahead with this joint scheme.**

3. Background

- 3.1 The Smart Ticketing Project has been approved as part of the LSTF Major Bid "A Better Connected South Hampshire".
- 3.2 Each of the partners have a statutory duty to have as a minimum AMS HOPS and to provide the England National Concessionary Travel Scheme card.
- 3.3 The aim for the Local Authority Partners is to provide a fully interoperable Integrated Ticketing Smartcard Organisation (ITSO) compliant product, making public transport seamless, easier to use and cheaper as well as promoting growth of the sector. The bid proposes a multi-bus operator card as well as allowing the scheme to include both inland (e.g. Gosport) and Isle of Wight ferry operators. Due to rail franchising issues and deliverability within the LSTF funding period, rail is only anticipated to be included after 2015 and is not currently a funded element of the bid.

- 3.4 The AMS-HOPS is a core central component in every ITSO scheme. It provides the pipeline through which all products/keys and data flows are managed, including between different 'smart' schemes. Most schemes employ a specialist provider to supply and manage their AMS-HOPS as it is a complex piece of software that requires ITSO certification. This links to the ITSO security system, other schemes' HOPS, Point of Sale Terminal, (POST) which can be either an Electronic Ticket Machine (ETM) or ticket office vending machine. These machines add products or value, checks validity or modifies or removes products and or value.
- 3.5 While the CMS is not a formal ITSO component, it is required in order to manage cards/media devices that have been issued, as it provides a means of recording the details of the card holder and products placed on the card. This enables not only the initiating and delivery of the cards to residents, but also hot-listing of lost or stolen cards and their replacement. It also provides general customer relationship management information where that role exists (opening up the possibility of increased understanding of travel behaviour). It is the point where transport and non-transport usage of smart media can be 'joined' from the customer perspective. It is acknowledged that there will be Data Protection Act (DPA) implications from the information collected and duties and the Council's DPA officers would need to advise on how to manage the information and what should be required of the data process or/contractor.

Developing a back office

- 3.6 Areas of work that have been under development, following the submission of the bid, have included working with bus operators in developing both the technical and commercial terms of reference for the project as well as undertaking feasibility work into physical accommodation works at ferry terminals.
- 3.7 The Solent Travelcard is currently owned by the bus operators who are currently working with both TfSH to confirm the commercial and technical elements of the offer for the smart ticketing element, as well as with the ferry operators to engage in the scheme.
- 3.8 Whilst initial work concentrates upon a smartcard for the South Hampshire area it is acknowledged that the field of smart ticketing is moving fast and so solutions need to include not only smartcards but other smart ticketing initiatives such as Near Field Communications technology, mobile phone payments and other emerging payment forms. Near Field Communications is a set of standards for smartphones and similar devices to establish radio communication with each other by touching them together or bringing them into close proximity, usually no more than a few centimetres.
- 3.9 Following investigation of several options (identified in 3.13 other options considered and rejected) it has been proposed by a technical group of officers from all three authorities that procurement of a back office is undertaken

through a lead authority. It has not been possible to join another Local Authority system currently in place or being procured, mainly due to EU procurement regulations. Following approval an appropriate lead authority agreement will be produced.

- 3.10 The intention is for Southampton City Council to be the lead authority in procuring a contract with Portsmouth City Council and Hampshire County Council being involved throughout the process. It is envisaged that the contract would start before all existing back office functions expire. This will enable the successful migration away from existing providers to the new provider in a managed way. This would encompass the AMS, HOPS as well as a CMS to administer the smartcard. Isle of Wight Council will also have the facility to join the back office system should the scheme extend to the Island in the future.
- 3.11 The proposed back office would provide the partners with a joint AMS HOPS system. An AMS HOPS system provides the ability to collect improved and robust transaction data in the use of concessionary passes and act as an “honest broker” of any commercial Smart Solent Travelcard reimbursement proposed through the bid (Journey transaction data applies to individual bus operators which is commercially sensitive.), as well as hosting the back office for small bus and ferry operators. This should allow for business efficiencies between the partner local authorities through an agreed Service Level Agreement, although there will be a need to manage the system.
- 3.12 In addition, to roll out the scheme in accordance with the LSTF bid, a specialist from within the smart ticketing industry has been appointed by Southampton City Council on a fixed term contract funded through LSTF. Portsmouth City Council, Hampshire County Council and the bus operators were involved in this recruitment process. This is to ensure that the smart ticketing system is rolled out in accordance with the timescales of the project and that all technical aspects are delivered. The main activities of this post holder will be to deliver the back office system, bring forward the scheme with transport operators, market the scheme and also in a wider sense promote what the scheme will deliver along with expectation management. The post will work across the three local authorities in the scheme, with bus and ferry operators and Isle of Wight Council as appropriate. Day-to-day management would come from Southampton City Council but the post would be responsible to the TfSH Senior Management Board.

Other options considered and rejected

- 3.13 The following alternative options were considered and rejected;
- (i) Procure three individual Asset Management System/Host Operators Processing Systems (AMS-HOPS):
 - (a) Additional procurement, staffing, and software; and

(b) Would have been a missed opportunity for a collective back office and would have still required an 'honest broker' for Local Sustainable Transport Fund scheme;

(ii) Join an established authority AMS-HOPS:

(a) Would breach European Union procurement rules (The existing offers available from other authorities did not mention Hampshire, Portsmouth or Southampton in its tendering process.); and

(b) Loss of 'control' and (potentially) 'transparency' (no other authorities adopted this route).

(iii) Join a new developmental AMS-HOPS:

(a) Timeframe for delivery outside Local Sustainable Transport Fund funding period; and

(b) Potential conflict of interest if Transport for South Hampshire Authorities have issues when they are part of a much larger scheme.

(iv) Join a bus operator AMS-HOPS:

(a) Competition issues for operators;

(b) Ferry operators would need additional assurances;

(c) Would still need procurement/charging method; and

(d) Loss of 'control' and (potentially) 'transparency' (no other authorities adopted this route).

4. Reasons for recommendations

4.1 To enable the roll out of the scheme as submitted in the Local Sustainable Transport Fund "A Better connected South Hampshire" bid which has been funded.

5. Equality impact assessment (EIA)

A preliminary EIA has been undertaken.

6. Head of legal services' comments

6.1 Smart Card/Smart ticketing Schemes are complex in various ways and raise a host of governance and statutory compliance as well as contractual issues. Clarity will be required and appropriate involvement in any procurement activity as the project develops.

6.2 The Local Authority roles and lead Authorities responsibilities shall need to be properly documented in legal agreements and due consideration given to compliance matters such as health and safety legislation; data protection legislation and in the design and use of Smart Card related infrastructure and scheme operation and equipment in respect of disability discrimination.

6.3 There will be a need for various matters of software development, project management and allocation of liabilities between Card Issuer and Operators to be carefully addressed in a series of interrelated contracts to ensure the products of the project operate correctly and avoid breaches of compliance issues.

6.4 Legal Services will need to be represented on the relevant project teams going forward and detailed plans and documentation envisaged by SCC in the project need to be reviewed at an early opportunity in conjunction between Legal and Procurement.

7. Head of finance’s comments

7.1 Southampton City Council (SCC) will be the Lead Authority for TfSH and have full responsibility for managing and implementing the “Smart Ticket Project”; albeit that PCC will be closely involved in all stages.

7.2 As the Lead Authority, SCC are due to implement a full procurement exercise on this scheme. They will bear the full costs for this exercise.

7.4 a) At this pre-tender stage, Southampton City Council have provided us with the following initial estimated figures:-

Total three year scheme cost for implementation is expected to be	£9.320m
Less three year LSTF Contribution of	(£5.00m)
Less three year Operator Contribution of	<u>(£3.157m)</u>

Net three year cost of implementation for TfSH overall is £1.163m

This is split between:	Capital	£1.000m
	Revenue	£0.163m

7.5 b) Portsmouth City Council’s share of these three year costs is expected to be 20%, this is based on Southampton, Hampshire and Portsmouth joining the scheme.

PCC share of the net three year cost of implementation is £232k

This is split between:	Capital	£200k
	Revenue	£32k

These will be charged in three equal instalments each year of:

Capital	£66.7k
Revenue	£10.9k

7.6 c) After three years the on-going annual running cost for the overall scheme for TfSH will be £1.25m, net of Operators contribution, this will be reduced to £827k.

7.7 d) PCC's share of these annual costs is estimated at £165.5k using 20% share basis.

These will be charged each year as:

Capital	£4.5k
Revenue	£161k

7.8 e) It is forecast that all the PCC's costs will be funded from existing cash limited budgets and monitored on a regular basis.

7.9 Once SCC have gone through a full procurement exercise on this scheme, the Finance Team at PCC will fully evaluate all costings and recommendations before a final decision is made by Portsmouth City Council on going ahead with this joint scheme.

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Signed by:

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Smart Ticketing Back Office and Scheme Roll Out report to TfSH Joint Committee	http://www3.hants.gov.uk/councilmeetings/advsearchmeetings/meetingsitemdocuments.htm?sta=&pref=Y&item_ID=4296&tab=2

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

