

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: June 3, 2022

SUBJECT: **Award - 21-095 RFP Mobile Ticketing Solution**

ORIGIN

This report originates from the Halifax Transit Fare Management Phase 2 Strategy presented to and approved by Regional Council on July 21, 2020.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, S.N.S. 2008, c. 39, subsection 79A(1) provides:

Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if

- (a) the expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality;
- (b) the expenditure is in respect of an emergency under the Emergency Management Act; or
- (c) the expenditure is legally required to be paid.

Administrative Order 2020-004-ADM, the *Procurement Policy*, subsection 28(1) provides:

28(1) The approval authority limits for the awarding of contracts are as follows:

Method	Manager	Director	CAO	Council
Low Value Purchase	\$10,000	\$10,000	\$10,000	\$10,000
Competitive Procurement	Per delegation of authority from Director [not to exceed \$100,000]	\$100,000	\$1,250,000	Any amount
Competitive Procurement – Street, sidewalk, & active transportation Construction projects	Per delegation of authority from Director	\$100,000	Any amount	Any amount
Competitive Procurement – Establishment of Standing Offer	\$5,000,000 (Manager of Procurement only)	\$5,000,000 (Director of Finance only)	\$5,000,000	Any Amount
Alternative Procurement	Per delegation of authority from Director	\$100,000	\$1,250,000	Any amount
Alternative Procurement – Urgent Circumstances per 16(1)(d)	Per delegation of authority from Director	\$100,000	Any amount	Any amount

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Award RFP 21-095 – Halifax Transit – Mobile Ticketing Solution to the highest scoring proponent, Masabi, for a mobile fare payment application and onboard validators at a value of \$1,304,106 with funding from Capital Account No. CM210011 (Transit Fare Management) and maintenance and support services at a total value over 5 years of \$243,936 funded from Halifax Transit’s proposed annual operating budget, as outlined in the Financial Implications section of this report.
2. Direct the Chief Administrative Officer (CAO) to execute the agreement and any ancillary agreements for the installation and operation of the solution, subject to the pre-requisites at section 29(1) of the *Procurement Policy* being met and the terms and conditions of the agreement(s) being acceptable to the CAO.

BACKGROUND

As described in the Halifax Transit Fare Management Phase 2 Strategy presented to Regional Council on July 21, 2020¹, numerous fare payment technologies were considered as possible future electronic fare media options for Halifax Transit.

¹ [See Halifax Regional Council, July 21, 2022 – Item No. 11.1.8](#)

Halifax Transit recommended the following phased approach:

1. A mobile application utilizing visual validation;
2. Onboard validators for use with the mobile application;
3. Plastic, reloadable smart cards; and
4. Open payment (debit/credit tap-to-pay).

Following the approval of the Halifax Transit Fare Management Phase 2 Strategy by Halifax Regional Council, Halifax Transit, in collaboration with key stakeholders, began gathering requirements for a Request for Proposal focused on the first two phases: a mobile application and onboard validators.

DISCUSSION

A Request for Proposal (RFP) 21-095, for the first two phases of the Halifax Transit Fare Management Phase 2 Strategy, was publicly advertised on the Province of Nova Scotia's Procurement website on April 26, 2021 and closed on June 25, 2021. The first two phases will set the foundation to enable subsequent phases, which may include:

- A plastic, reloadable smart card solution;
- Open payment

Proposals were received from the following companies:

- Bytemark
- Cubic Delerrok
- Flowbird
- Garival Inc.
- Masabi
- Modeshift
- Token Transit
- Vix Technology

A team consisting of staff from Halifax Transit, Finance, Information Technology, and other municipal stakeholders, facilitated by Procurement, evaluated the proposals based on the criteria listed below. The RFP was scored using a two-envelope process. Envelope one (1) was the technical component of the RFP. Envelope two (2) was the financial component of the RFP.

Masabi received the highest score of the eight (8) proponents.

Per the conditions of the RFP, with assistance from Legal Services, staff entered negotiations with Masabi facilitated by Procurement to achieve a mutually agreeable contract for the goods and services. These negotiations are ongoing with only a few items outstanding.

Under the assumption that the onboard validator will be the standard validator at Halifax Transit for the foreseeable future, and if the supply of spares included in this procurement is exhausted, there may be a requirement to purchase additional validators from Masabi in the event of fire, vandalism or accident, or other damaging events.

Onboard validators for expansion and replacement buses will be included in the specification at the time of tendering for the new buses.

Considering the increased flexibility a mobile application can provide, Halifax Transit has started considering and planning for the possibility of introducing new fare products to pair with a mobile application.

FINANCIAL IMPLICATIONS

The highest scoring proponent’s cost for the core solution is \$1,304,106. Funding is available from Capital Account No. CM210011 (Transit Fare Management).

Budget Summary:	<u>Capital Account No. CM210011 (Transit Fare Management)</u>	
	Cumulative Uncommitted Budget Available	\$1,600,000
	Less: RFP No. 21-095	<u>\$1,304,106</u>
	Balance	\$295,894

*This project was estimated in the Approved 2022/2023 Capital Budget at \$1,600,000.

The balance of funds will be used for training, advertising, and public communications related to the rollout of the first two phases of the Halifax Transit Fare Management Phase 2 Strategy as well as the preliminary planning for subsequent phases.

The award will result in support and maintenance for a 5-year period beginning immediately following the installation of the onboard validators.

Support and maintenance costs over the 5-year period are broken down as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Cost	Included	\$60,984	\$60,984	\$60,984	\$60,984	\$243,936

The funding for support and maintenance will be included as part of the fiscal 2023/2024 proposed Halifax Transit Operating Budget.

Additionally, further operational costs, based on net gross revenue managed by the platform will be charged by the vendor at a rate of 2.25%. Comparatively, a commission on existing fare media is currently paid to vendors at a rate of 2%.

Estimates for this cost are difficult to determine as the adoption rate of the mobile application cannot be predicted; however, a majority of transit agencies implementing similar technology have typically reported adoption rates between 20% and 40%.

Using May 2022, with revenue of \$1,817,302 from current fare media, as an example, the following chart demonstrates the potential difference in commission/operational costs depending on adoption rate:

	Current Fare Media	Electronic Fare Media	Commission (2%)	Operational cost (2.25%)	Total cost
May 2022 Actuals	\$1,817,302	N/A	\$36,346.04	N/A	\$36,346.04
20% adoption	\$1,453,842	\$363,460	\$29,076.83	\$8,177.85	\$37,254.68
30% adoption	\$1,272,111	\$545,191	\$25,442.22	\$12,266.80	\$37,709.02
40% adoption	\$1,090,381	\$726,921	\$21,807.62	\$16,355.72	\$38,163.34

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this report.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Regional Council could choose not to award this RFP. The current Halifax Transit fare product offering does not include any electronic fare payment technologies. If council chooses not to award this RFP, Halifax Transit will continue to rely solely on existing fare products and postpone delivery of any new fare technology.

ATTACHMENTS

No attachments.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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