

**West of England Partnership
Joint Transport Executive Committee
18 March 2010**

Developing ITSO Smartcard use in the West of England area and the South West Region

Purpose

- 1 To define the objectives, scope, outcomes and governance for the proposed ITSO smartcard scheme relating to the spending plan submitted to the DfT. To seek approval for the 2010/11 spending plan, the appointment of the preferred Host Operator Processing System (HOPS) supplier, and to confirm the implications of the scheme.

Background

2. Following discussion with Executive Members in January 2010 Bristol City Council submitted a spending plan to the DfT for the development of an ITSO smartcard scheme in the West of England area. The spending plan for 2009/10 and the indicative plan for 2010/11 is at Appendix 1, This was reported at the Joint Transport Executive Committee on 4 February 2010. The DfT approved the 2009/10 spending plan by letter received on 22 February 2010 but require submission of the detailed plan for 2010/11 by 26 March 2010.
3. The South West Smartcard Board (SWSCB) comprising Government Office for the South West, councils, operators and passenger interests, was established to drive forward the delivery of a HOPS for the South West Region. The focus of the Board has been to work up a bid for funding to the Department for Transport (DfT), under the formerly proposed funding competition. Over the last 18 months the Board has been working on developing a detailed specification for a regional ITSO HOPS.

Project Scope

4. The DfT has made this funding available to create, or further develop ITSO integrated smart ticketing schemes. As a result, central to the spending plan was the establishment of an ITSO back office, known as a HOPS. It was agreed that the preferred delivery and management of a HOPS would be the responsibility of the West of England authorities, rather than the alternative solution of a South West regional management option. The HOPS is specified so that it can be scaled to a size that can deliver the functionality across the whole South West region. This is considered to be the optimum size in terms of value for money, so long as the South West partners join the HOPS.
5. To establish HOPS usage across the South West, the proposal includes funding for the SWSCB to assist operators to progress their ITSO smartcard schemes. It is important to the West of England that South West partners are involved, as it is critical to reducing overall costs. In order to encourage this, the proposal provides funding for operational expenditure incurred by the HOPS for the first 5 years. This means that early users of the HOPS do not face punitive charges.

6. To enable ITSO operation, each Point of Sale Terminal (POST) must be fitted with an ISAM, a security device that ensures ITSO compliance. This means an ISAM is required for each bus ticket machine, smartcard reader etc. As such, an order has been placed for the purchase 900 ISAMs, to cover developments in the entire West of England Partnership area. These will be fitted into the appropriate hardware and commissioned, as and when the hardware is available.
7. To help facilitate ITSO operation on buses, the proposal includes the purchase and lease of appropriate ticket machines to operators of contracts of behalf of the authorities in the WEP area. In addition, the purchase of smartcards is included so they are available for scheme development.
8. Overall, the scope of the scheme is to establish a HOPS and facilitate adoption of this across the South West. The provision of ITSO compliant ticket machines to contracted operators in the West of England area will provide a platform for smartcard operation on contracted services.
9. It is important to recognise that the project scope does not include the delivery of a working commercial smartcard scheme. It establishes the facility under which this can be more easily achieved, but the early opportunity is to facilitate smart usage of English National Concessionary Travel Scheme (ENCTS) cards on contracted services. It was clear from the DfT that the funding is not intended to provide large operators with hardware such as ticket machines. As a result, this project does not provide First Group with any assistance to further a smartcard scheme, other than the opportunity to use the HOPS. This is not an insubstantial benefit but the major investment needed in ticket machines is a potential obstacle to First's progressing a scheme. Major operators have been encouraged to establish smartcard schemes by the DfT announcing an uplift in Bus Service Operators Grant for bus operations with a smartcard scheme in place.

2010/11 Spending Plan

10. The spending in 09/10 commits a first payment for the creation of the HOPS, estimated at 10% of the overall cost. This therefore commits the remaining 90% as 10/11 spend. This is estimated at £450k, and will deliver the establishment of the HOPS by September 2010.
11. Ticket Machines and depot infrastructure. To ensure wider sub regional coverage of ITSO smartcard capability, it is proposed that ticket machines are purchased by the local authorities and made available to operators of contracts on behalf of the authorities. The machine ownership will remain with the appropriate authority, and made available to the contract operator for use on contracts in the area. This will ensure that the infrastructure will remain within the region.
12. Under the proposed management of the HOPS, the West of England authorities will contract with the SWSCB for the provision of support to South West partners in establishing smartcard schemes, and the management of a HOPS recharging service to the South West region. The anticipated amount required for this in 2010/11 is £120,000 which will be further enhanced across the region by the SWSCB. These elements will greatly reduce the resource demand on the West of England authorities.

13. To ensure the effective delivery of the project in 2010/11, £130k of funding is identified for project management and delivery costs by the West of England authorities. How this is distributed would need to be confirmed, subject to the proposed governance arrangements.
14. The costs given in this section are indicative until the full implications of the preferred HOPS supplier can be determined. An update on this section, together with a copy of the final spending plan to be submitted to the DfT will be given at the committee on 18 March.

HOPS Procurement

15. Using the Accelerated Restricted process under the EU procurement rules, South Gloucestershire Council have tendered for a HOPS on behalf of the West of England authorities.
16. A number of companies showed an initial interest and were sent a pre-qualification questionnaire. Of these, only five returned the questionnaire, and were then sent the Invitation to Tender on 10 February. This needed to be returned by 1 March and tenders were received from four companies: ACT, ECEBS, ERG and Unicard.
17. A working group comprising officers from Bristol and South Gloucestershire Councils (on behalf of the West of England authorities), the South West Smartcard Board and technical consultants MVA shortlisted following an agreed scoring matrix. This is based on a points scoring system for pricing (500 marks); references (100); core tender specification requirements (900); and optional additional functionality (100). A further 400 marks will be split equally between post tender submission on site evaluation of system and supplier, and interview with each of the shortlisted companies. The site visits and interviews are taking place from the 9 March. The preferred bidder and unsuccessful bidders are to be notified on 12 March. JTEC on 18 March will receive a verbal update on who the preferred bidder is, and why they have been chosen.
18. If agreed by committee, and subject to a challenge by one of the unsuccessful bidders, the contract for the HOPS will be awarded by the end of March 2010.

Governance

19. Governance and project management arrangements are proposed for the introduction of the HOPS which follow the agreed sub-regional model for major schemes and other cross boundary projects. These are shown in Appendix 2.
20. In terms of the ongoing arrangements the model is for the HOPS to be owned and managed as a partnership of the West of England authorities, similar to the arrangement for the Concessionary Travelcard scheme. A project team made up of officers from each authority and the West of England Partnership will be established to manage the scheme. This group will contract with the South West Smartcard Board (SWSCB) to manage the usage of the HOPS by other South West authorities and operators. The draft agreement outlining the scheme management responsibilities will be available at the committee. This will establish joint ownership and will mitigate any risk to South Gloucestershire Council as the HOPS procuring body.

21. To ensure delivery of the South West regional approach that is an essential part of the DfT submission, it is proposed that elements of the HOPS management are contracted to the SWSCB. To reduce demands on the West of England authorities, the SWSCB will manage the HOPS related obligations to the South West partners.

Risk

22. The risk of owning/managing the HOPS is that the costs fall entirely upon the West of England authorities. The tenders returned have included fixed costs that can be expected through the life of the contract, including HOPS establishment and transaction costs. These costs can be distributed across the partners in the HOPS. As such, establishing a large number of users in the South West will reduce each individual authority's contribution to the fixed cost element. It is important to achieve this by the end of the 5 year HOPS contract, as the project is designed to fund 5 years of operational expenditure. Subject to agreed reallocation of spend with the DfT, both the shortlisted suppliers prices would allow 5 years of HOPS operation entirely within the projected funding from the DfT. This would mean that HOPS operation would be entirely funded for 5 years. Again subject to the chosen supplier, this could even cover year 6 operation. As we move into arrangements for the HOPS for year 6 onwards we will review the business model for continued operation of the scheme. At present officers consider that the financial risk of the scheme in the longer term to be relatively low through the focussed use of DfT funding during the first 5 years to develop a longer term business model that is deliverable within existing funding. As part of the ongoing operation of the HOPS the business plan and financial risks will be subject to regular review to ensure informed decisions are made about ongoing operation.
23. Although it is expected that HOPS costs are entirely covered by DfT funding for 5 years, there will be demand on staff time for each authority for the management of the HOPS. On the basis of the ENCTS experience, this is expected to be in the region of £15k pa for each authority. It is intended that this be covered by project management funding from the DfT but this only extends to 2010/11. After this time, it is expected that savings will result from more accurate concessionary travel data recording which will fund the ongoing project management commitment.
24. The use of the HOPS by South West partners will depend on the value they would deem to be getting. Given the costs could well be entirely covered by DfT funding for 5 years, the South West partners could be incentivised through no or little charge for a period of time. This would encourage take up and foster the regional aspect of this project. The West of England authorities could seek to generate income through charging South West partners, which would prolong the cost free HOPS usage for themselves. It is essential to ensure that the charging mechanism is fair and commercially competitive, so that the South West partners do not use a HOPS elsewhere. The charging strategy and mechanism needs to be agreed following confirmation of preferred supplier.
25. HOPS requirements for the ENCTS are presently dealt with by ITSO Services Ltd (ISL) at no cost to the authorities. However, this facility will not be available past 2012. Given the likely covering of HOPS costs for 5 years this does not place a major financial burden on the West of England authorities, and will save a cost that the authorities will otherwise need to self fund in two years time.

26. Given their place in the market in the sub-region, it is critical that First Group are contributing HOPS members. This will require the company to have achieved ITSO capability, through a comprehensive upgrade of bus and depot infrastructure. Any scheme in the West of England that does not include First Group is of course limited in scope.
27. The project spending plan is intended as a package to mitigate the above risk. The engagement of the SWSCB to provide consultancy support to South West operators and the provision to operators of ticket machine and other infrastructure, are measures to further the development of smartcard operation, and subsequently the use of the HOPS. The regional approach of the proposal is intended to ensure that optimum HOPS usage is achieved. To support this it is critical that the charging mechanism for third party usage is appropriate.
28. The top 5 risks are considered in the risk assessment at Appendix 3.

Recommendation

That the Committee:

- (a) Approves appointment of the preferred HOPS provider
- (b) Approves proposed governance, scope and objectives of the smartcard scheme
- (c) Approves the funding bid for 2010/11
- (d) Notes the risks (paragraphs 22-28)

Appendices:

Appendix 1: Spending plan submission

Appendix 2: Governance and project management arrangements

Appendix 3: Risk register

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Appendix 1: Spending plan submission

Full Spending Plan 2009/10

Part 1 Background

- 1.1 ITSO membership: Of the 4 West of England Partnership (WEP) authorities, Bristol City Council (BCC) and South Gloucestershire Council (SGC) are both ITSO members.

The WEP is a leading Board member of the South West SmartCard Board (SWSCB), a unique regional partnership for South West England. Established in interim form in 2008, and formalised in 2009, the Board is comprised of 14 members representing over 30 organisations.

These members include the 16 Unitary and County local authorities of SW England, the 11 largest bus companies, the Confederation of Passenger Transport, the Association of Train Operating Companies, the South West Regional Development Agency, the Government Office for the South West, Forum for the Future, Passenger Focus, Travelwatch and the University of Plymouth.

- 1.2 With the support of the South West Regional Improvement and Efficiency Partnership (RIEP), the SWSCB, through a comprehensive range of regional events, workshops and regular Board meetings, has enabled the region to ensure it is in a position to support WEP in delivering the DfT's vision on Smart and Integrated ticketing in the South West. The work of the SWSCB has included:

- A full regional survey of all LAs and Operators on the demand for ITSO ticketing;
- A groundbreaking study of the economic case for a regional approach to ITSO;
- A Report through Forum for the Future on the environmental benefits of smart ticketing;
- the UK's first Interactive Business Case Model for quantifying both the financial benefit cost ratio of investing in a shared Smartcard system

- 1.3 There are over 1 million ENCTS passholders in the SW region, along with a comprehensive range of non ITSO integrated smart and non smart tickets which provide a platform for positive development. For example, in the WEP area there is a smart ticketing scheme currently in place on the University of the West of England (UWE) bus services. These are 5 routes linking UWE campuses and student residential areas. It is a Parkeon proprietary scheme, which has both stored value and period pass options.

- 1.4 Further there are currently 3 integrated ticketing schemes across the WEP area:
- **PlusBus** – A multi-operator bus and rail ticket that allows unlimited travel on participating bus operators' services in either the origin or destination town of a rail journey, as an add-on. Schemes operate in Bath, Bristol and Weston-super-Mare. PlusBus tickets are also available throughout the region.
 - **Freedom Travelpass** - A multi-operator bus and rail ticket covering three zones in the West of England that was launched in January 2008 by First Great Western as part of its rail franchise commitments.

- **BathRider** – Bath & North East Somerset Council has used powers under the Transport Act 2000 to “make” a ticket scheme under which all bus operators in the Bath urban area will be required to issue and accept tickets valid on other operators’ services. Daily and weekly tickets at adult, student and child rates are available. Prices will be set by agreement between the operators.

1.5 Other smart ticketing in the region e.g. members cards/discount cards/period passes/ with an estimate of up to 800 buses in the SW, outwith the WEP area, keen for early ITSO migration.

Part 2 What the money will achieve

2.1 AMS-HOPS. The money will provide an AMS-HOPS for the West of England Partnership authorities, which will be made available to all local authorities and transport operators in the South West region, as the scheme matures. The development of the specification for a South West regional AMS-HOPS has been produced by the South West Smartcard Board (SWSCB) for the WEP and the WEP are currently out to tender for it via OJEU procurement process. A diagram showing the proposed AMS-HOPS procurement options is in Appendix A. The work that has been undertaken to establish the specification is included in the costs for 2009/10 spending, as are the regional development costs of the SWSCB activity that has brought the whole region so far in the last year. This covers the regional conference and seminar activity, the board meetings, smartcard consultancy reports, business case model, environmental reports, project development and contract preparation.

2.2 In order to encourage earliest take up, it is proposed that the AMS-HOPS funding covers the development of the AMS-HOPS to facilitate the maturing of the regional system in terms of the optimum level of engagement to ensure ongoing viability. The AMS-HOPS would be available to other parties outside the region, provided that this does not impinge on the efficient delivery of the intended regional purpose. The AMS-HOPS will support the ENCTS across the region, and the development of commercial and partnership based ITSO smartcard schemes.

2.3 ISAMs. In preparation for ITSO operation across the West of England Partnership area, it is proposed that 900 ISAMs are purchased in 2009/10. This number covers the entire bus operation with the WEP area. It will support early encoding of ticket machines as they are rolled out as proposed in 2010/11, thereby to encouraging early commercial take up across the region.

2.4 Cards. To support the roll out of smart ticketing schemes, it is proposed that a proportion of 2009/10 money is spent on Desfire 4k card stock, to be made available to authorities or operators in the area bringing forward smart schemes.

Part 3 Breakdown of estimated costs

3.1 The development work undertaken by the SWSCB (as defined in para 1.2 above) will total approximately £250k for 2009/10, with the AMS-HOPS itself is expected to

cost £750k. This sum will ensure the development of the AMS-HOPS to provide for the SW region.

- 3.2 On the basis of the ITSO pricing schedule for ISAMs, the purchase of 900 units will cost approximately £52k.
- 3.3 The Desfire 4k cards proposed are currently estimated at £1 per card. Therefore £48k will be spent on the purchase of 48,000 cards in 09/10.
- 3.4 Table summary of 2009/10 costs

Capital Funding	Item	Cost
	1. AMS HOPS	£750k
	2. 900 ISAMs	£52k
	3. 48,000 cards	£48k
	Total Capital Funding	£850k
Revenue Funding	1.SWSCB smartcard project development and regional activities	£250k
	Total Revenue Funding	£250k
	TOTAL funding	£1.1m

Part 4 The Future

- 4.1 The four WEP authorities and the South West SmartCard Board firmly believe that the spending plans as outlined will enable the WEP and the region as a whole to deliver the DfT vision for Smart and Integrated ticketing throughout the South West. The WEP and SWSCB will provide support and technical advice to early adopters within the region to stimulate and encourage the implementation of schemes.
- 4.2 The primary focus is to establish a robust and fully functioning AMS-HOPS to support the ENCTS and wider smart ticketing. The aim is to enable authority contracted services to establish transactions on an ITSO platform in 2010/11. Discussions will continue with the major commercial operator in the WEP area, First Group, to develop a wider scheme, and good progress is expected in 2010/11.
- 4.3 South Gloucestershire Council have plans for both a Youth Concessionary travel scheme and a 'citizens' card encompassing leisure and libraries. SGC have resolved that all smartcard development will be on an ITSO platform.
- 4.4 West of England Rapid Transit. The WEP major scheme programme involves the introduction of Rapid Transit schemes across the WEP area over forthcoming 6 years. This will seek to provide high quality rapid transit services with integrated smartcard schemes central to the proposals on ticketing.

Part 2 What the money will achieve

- 2.1 The delivery of the AMS-HOPS will be completed in 2010/11 which will require, under the terms of the contract, the final testing and acceptance payments to be made. It is expected that the AMS-HOPS will be complete and available for use by the Summer 2010.
- 2.2 Ticket Machines. To ensure wider sub regional coverage of ITSO smartcard capability, it is proposed that ticket machines are purchased by the local authorities and made available to operators of contracts on behalf of the authorities. The machine ownership will remain with the appropriate authority, and made available to the contract operator for use on contracts in the area, in line with compliance with state aid rules. This will ensure that the infrastructure will remain within the region and promotes the operators' involvement in integrated ticketing schemes in the region.
- 2.3 Depot infrastructure. To support the above, it is proposed that the required infrastructure to facilitate ITSO ETM operation, such as depot PC's, readers, etc are supported by the project for the West of England contracted operators.
- 2.4 South West SmartCard Board costs. The SWSCB will provide support and assistance for early adopters in the South West region for the implementation of ITSO schemes. The draft proposed governance of the scheme explaining the relationships is in a diagram at Appendix B.
- 2.5 Project Management and delivery. To ensure the effective delivery of the project in 2010/11, an element of funding will be focused on the WEP authorities for project management and delivery costs.

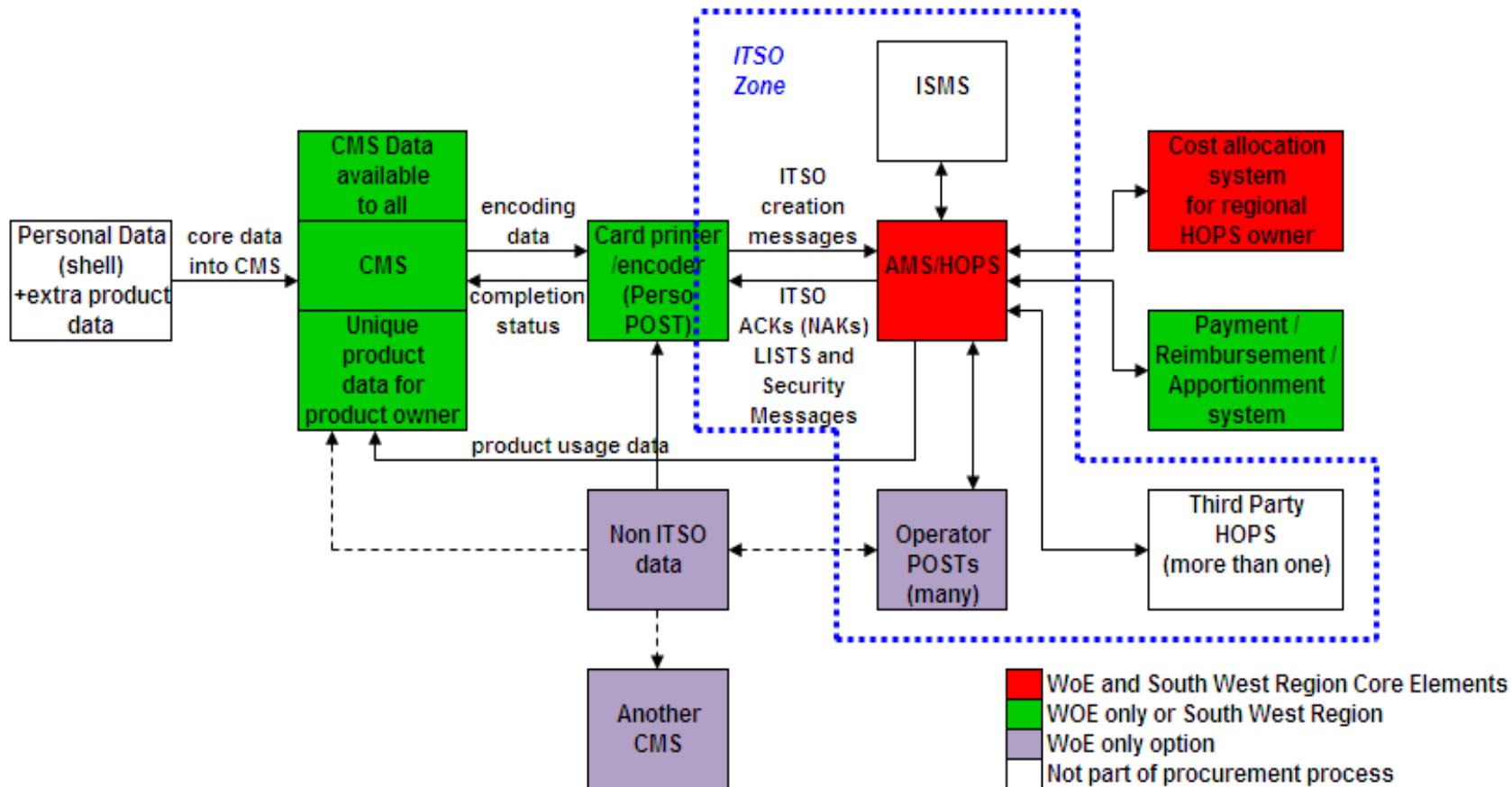
Part 3 Breakdown of estimated costs

- 3.1 The estimated cost of the AMS-HOPS in 2010/11 is £450k but will be confirmed through the OJEU process and finalised for the full spending plan in March 2010.
- 3.2 The number of buses operating under contract to the WEP authorities is approximately 200. On the basis of an estimated £2,500 per bus, the estimated total spend in this area is £500k for 2010/11.
- 3.3 The SWSCB will be providing support and services for the WEP authorities and the region. The anticipated amount required for this in 2010/11 is £120,000 which will be further enhanced across the region by the SWSCB by its members.
- 3.4 Project Management and delivery costs for the WEP authorities would be £130k for 2010/11.

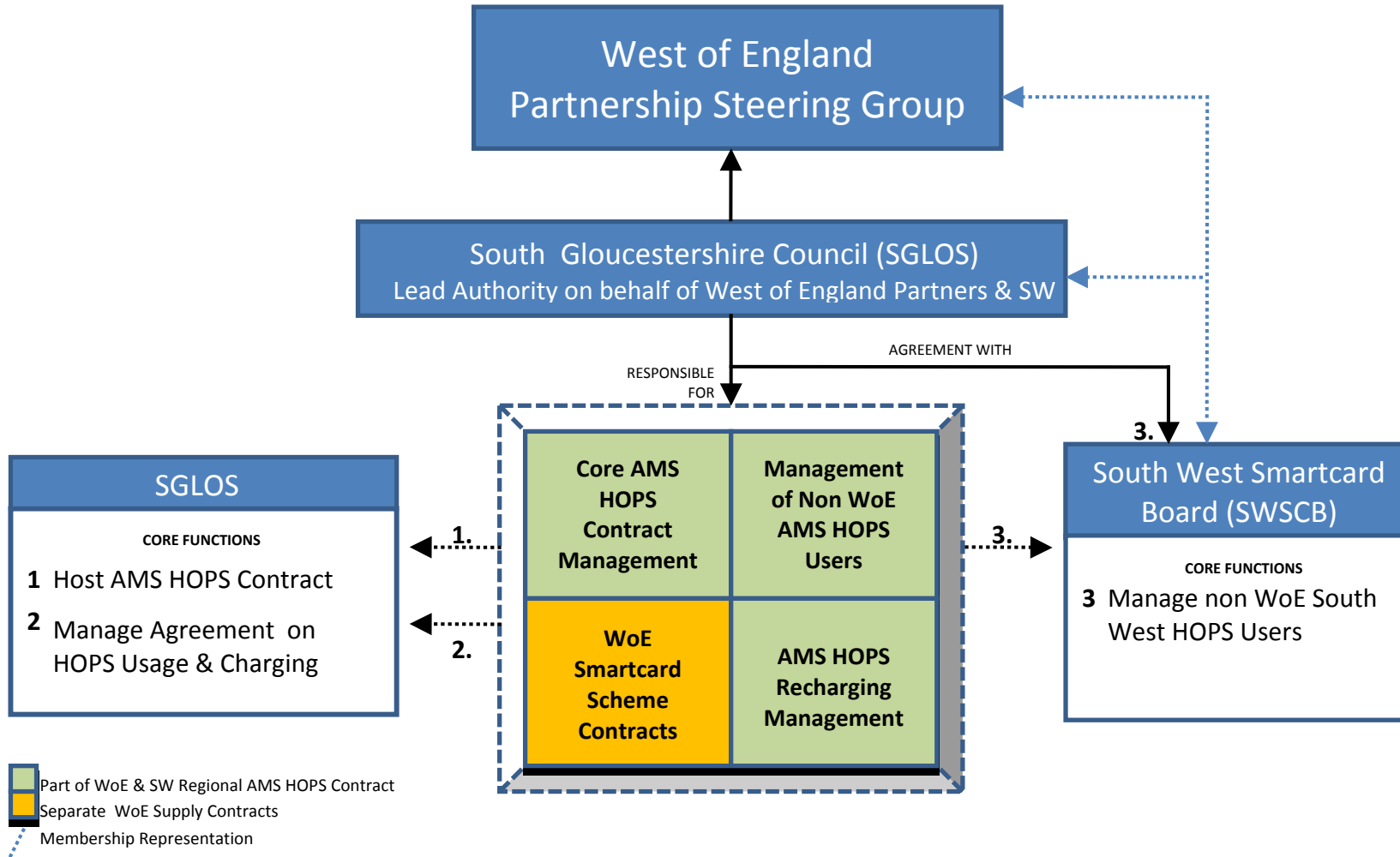
3.5 Table Summary of 2010/11 Costs

Capital Funding	Item	Cost
	1. AMS-HOPS contract	£450k
	2. ETMs and depot support for WEP contracted operators	£500k
	Total Capital Funding	£950k
Revenue Funding	1. SWSCB support and management costs	£120k
	2. WEP project management and delivery	£130k
	Total Revenue Funding	£250k
	TOTAL funding	£1.2m

Overview of Options for Procurement Elements



Draft Proposed Scheme Governance and Contract Management



Appendix 2

GOVERNANCE AND PROJECT MANAGEMENT TERMS OF REFERENCE FOR DEVELOPING ITSO SMARTCARD PROJECT

1. Joint Transport Executive Committee

The West of England authorities have established a Joint Transport Executive Committee comprising the four Executive Members with responsibility for transport. The purpose of the Committee is to develop and implement a Strategy to meet the sub-region's Joint Local Transport Plan and wider economic, social and environmental objectives. This Strategy will comprise a Local Transport Improvement Programme of local transport projects including major transport schemes. Key roles of the Joint Transport Executive Committee are to recommend the Joint Local Transport Plan (JLTP) and major scheme bids, to oversee the implementation and funding of major schemes and other cross boundary projects, and to monitor performance against the JLTP.

2. The Officer Project Board

The Project Board consists of the group who direct, steer and oversee the direction of the project. The Project Board prepare the Project Initiation Document (PID) for approval by the Joint Transport Executive Committee. The Board authorise the project plan (and any agreed variations) to be delivered by the Project Manager and authorise strategic decisions, or seek authority for key strategic decisions from the Joint Transport Executive Committee.

Meetings of the Project Board (see Figure 2) are linked to key milestones. The Board considers highlight and exception reports, changes to the risk log and other key deliverables as defined in the Project Plan. The Board consists of officers of the four authorities with responsibility for transport at a sufficiently senior level that representatives have the authority to act on behalf of their organisation within the thresholds defined in the PID.

Membership of the Board also includes a representative of the West of England Partnership Office and of the Government Office for the South West.

The Project Board nominate a Senior Responsible Owner (SRO) who acts as the sub-regional lead for the overall project representing the authorities and Project Board. The SRO is responsible for chairing Project Board meetings, leads engagement with the DfT, and provides guidance and direction to the Project Manager. The SRO will ensure the project progresses in line with the Project Plan and that the outputs agreed by the Project Board are achieved, working within the thresholds agreed by the Project Board.

The Project Board is responsible for:

- Preparing the Project Initiation Document for approval by the Joint Transport Executive Committee. This will include the Project Plan, risk log, work packages and the communication strategy.

- Agreeing and overseeing the implementation of the necessary actions to secure the achievement of the Project aims.
- Reviewing the Project Plan and approving any changes necessary.
- Approving any changes to the risk log and any additional mitigating actions.
- Approving periodic Progress Reports for the Joint Transport Executive Committee, Joint Scrutiny, the Department for Transport, and the West of England Partnership.
- Approving the budget plan and any changes to this plan via regular highlight reports from the Project Manager.
- Approving any changes to the Project Plan recommended by the Project Manager via highlight reports.
- Considering any exception reports that may arise during the life of the project and requesting exception plans where appropriate.
- Approving any exception plans that may arise.

3. The Project Manager

The Project Manager will be given the authority and responsibility, in conjunction with the SRO, to manage the overall project to deliver the required products within the constraints agreed with the Project Board.

The primary focus of the Project Manager will be to define the Project Plan and to ensure that the project is delivered on time and within specification and budget, seeking additional authorities as necessary.

This will involve development, monitoring, progress chasing and co-ordination of the project as a whole and ensuring that all elements of the project are delivered with the appropriate technical competency. In particular the role will be:

- To obtain approval from the Project Board for the Project Initiation Document.
- To recommend to the Project Board and then implement the necessary actions to secure the aims of the Project.
- To account for the delivery of the project, on time and within specification and budget.
- To secure the approval of the Joint Transport Executive Committee for key strategic decisions.
- To lead a Project Team including representatives from the relevant authorities to ensure adherence to the Project Plan.
- To produce periodic Progress Reports for the Joint Transport Executive Committee, Joint Scrutiny, the Department for Transport, and the West of England Partnership.

Figure 1 – West of England Governance and Delivery Arrangements for Smartcard Project

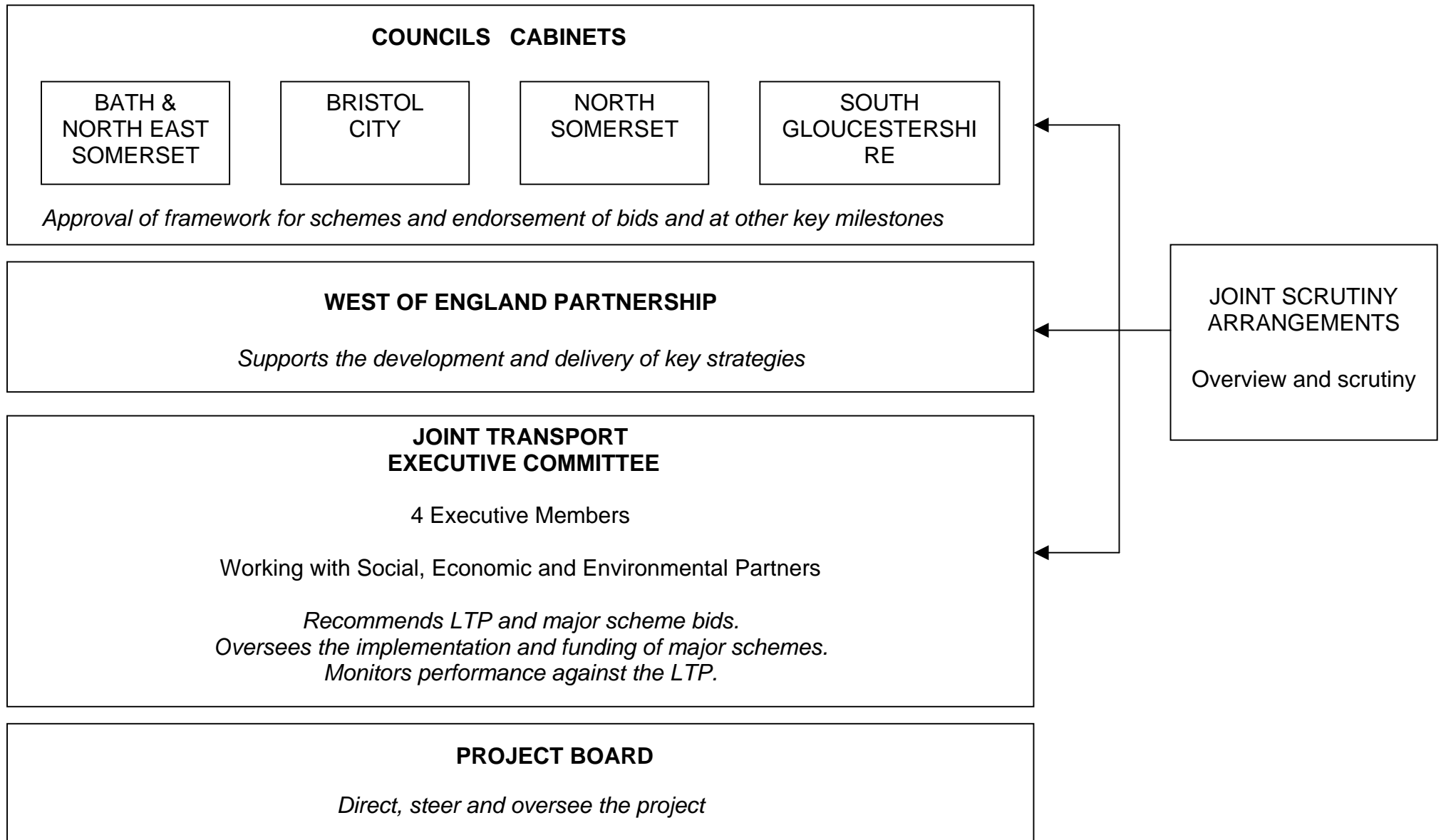
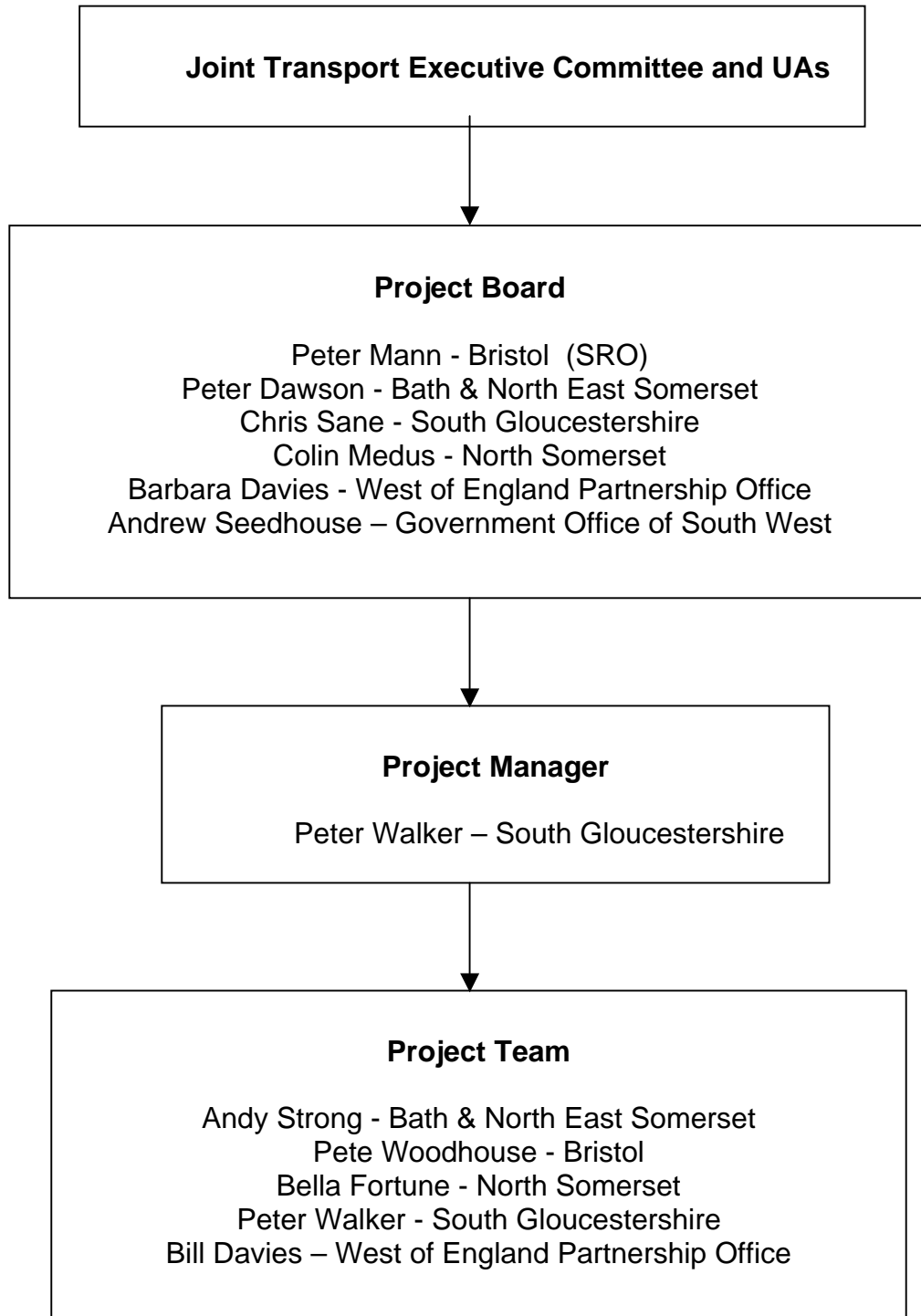


Figure 2
West of England Project Management Structure for Smartcard Project



Appendix 3: Risk Assessment - Top 5 Risks

Risk	Likelihood	Impact	Rating	Action to mitigate risk	Risk Owner
Financial exposure for HOPS ownership	Low	Medium	Low	<p>Tender returns show that DfT funding should cover all costs relating to the HOPS for 5 years.</p> <p>Well considered approach to third party usage charges to encourage participation and spread the costs in year 6.</p> <p>The spending proposals seek to encourage HOPS usage across the South West by supporting early adopters.</p>	
First Group potential non involvement in ITSO smartcard scheme	Medium	High	High	<p>Incentivise through giving HOPS access at no/little cost</p> <p>Look at other options to incentivise such as Quality Partnership requirements</p>	
ITSO related scheme costs. These are costs associated with ITSO based smartcard schemes, such as ownership of products and licensing etc. This will depend on the number of Council promoted schemes proposed and is overall a small scale financial cost. (To be finalised but in the region of £5-20k pa for well established high number schemes)	Medium	Low	Low	<p>Could seek to utilise DfT funding (subject to tender award) if available to cover these costs where possible,</p>	
Management resource requirement	Medium	Low	Medium	<p>This would be required for any solution to the end of ISL HOPS provision in 2012. It is intended that 2010/11 project management costs are included in DfT funding.</p>	
HOPS contract – failure to perform requirements leading to inability to establish smart schemes and deliver to South West partners	Low	High	Medium	<p>Rigorous tender process, with expert technical involvement.</p>	