SUMMARY STATEMENT

ITEM NO. SUBJECr: Agreement with Cubic Transportation Systems Inc. to Pilot an Account Based Open Payment Processing System for PATCO’s Automated Fare Collection System

COMMITTEE: PATCO Operations & Maintenance

COMMITTEE MEETING DATE: September 15, 2010

PATCO BOARD ACTION DATE: October 06, 2010

PROPOSAL: That the Board authorizes staff to enter into an Agreement with Cubic Transportation Systems, Inc. to pilot an Account Based Open Payment bank card processing platform at PATCO. The Cubic pilot would allow acceptance of contactless bank cards at existing fare collection system gates. Cubic proposes to upgrade the current fare collection system at no cost to PATCO.

PURPOSE: To enter into a zero cost contract with Cubic Transportation Systems, Inc. to allow a pilot of an Account Based Open Payment system for a period of one year on the existing fare collection equipment. Cubic will provide various operating and system upgrades to the current system at no cost to PATCO.

BACKGROUND: Cubic Transportation Systems, Inc. is the system integrator of PATCO’s Automated Fare Collection (AFC) system. Currently, the AFC system accepts the contactless FREEDOM stored value card at the various AFC devices (vending machines, gates). The trend in the transit industry is to move from a transit branded contactless card, such as FREEDOM, to the use of Visa, MasterCard, or American Express branded and issued contactless bankcards as a form of payment at fare gates. Transit agencies, such as SEPTA, in the fare system procurement process are looking to implement an Open Payment system solution as part of their fare collection process.

In recent years, the technology and processes for open standard bankcard payment systems have reached the point where they can meet the needs of transit systems. Cubic has approached PATCO with a proposal for a 1-year Open Payment System Pilot which would allow branded contactless bank cards to be used as a form of payment at PATCO’s fare gates. The Pilot program would meet both PATCO’s and Cubic’s objectives:
Cubic:

1. Secure a location to pilot Cubic’s account based open payment bank card processing platform,

2. Demonstrate Cubic equipment can accept both open payments and closed contactless cards simultaneously.

PATCO:

1. Obtain a no charge upgrade from Microsoft Windows 2000 Operating System to Microsoft Embedded XP. Currently, the AFC devices use a Windows 2000 Operating System. The 2000 Operating System is no longer supported by Microsoft. An operating system upgrade would be needed in the near future to allow for the continued optimal operation of system components. The approximate monetary benefit of this no charge upgrade is $500,000.

2. To facilitate the use of both closed contactless cards and open contactless bankcards, the smart card readers on all gate devices will need to be upgraded from the current Tri-Reader 2 to the next generation of card reader. This approved smart card reader will encrypt the card data at device level before it is sent to the central computer system or the bank card processor. This is an upgrade PATCO will be required to make in the future. The approximate monetary benefit from this no charge equipment upgrade and installation is $100,000.

3. As a condition of the Agreement, PATCO expressed the need for Cubic to examine the transaction time of the existing gates with the goal of a quicker gate reaction time. Cubic confirmed as part of the Operating System and card reader upgrade, they would expend system engineering hours to find a solution. The approximate monetary benefit from this engineering effort is $80,000.

4. Evaluate the benefits of implementing a system wide open payments solution with no out-of-pocket costs.

5. Have open payment components in place and system ready in preparation for interaction with regional transit partners.
As part of the agreement, PATCO requires a definitive and advertised end to the pilot. Cubic will develop all collateral material with this transparency and turn off open payment acceptance at the card readers at the end of the pilot program. Also, Cubic guarantees all fees associated with any pre-paid contactless bank cards Cubic and their banking partners may “seed” in the PATCO service area will have transparent fees and full disclosure to patrons. Cubic will cover the cost of the transaction fees associated the processing of contactless bank cards at PATCO gates.

It is recommended the Board authorizes staff to enter into an agreement with Cubic Transportation System, Inc. to conduct an Open Payment Bank Card Pilot program and upgrade the AFC system at no cost to PATCO.

**SUMMARY:**
- Amount: $0
- Source of Funding: N/A
- Operating Budget: N/A
- Capital Project #: N/A
- Master Plan Status: N/A
- Other Fund Sources:
- Duration of Contract:
- Other Parties Involved:
RESOLUTION

Resolved: That the Board authorizes the proper officers of the Authority to negotiate an Agreement with Cubic Transportation Systems, Inc. to pilot an Account Based Open Payment Bank Card processing platform at PATCO for a period not to exceed one year. The pilot will be at no cost to PATCO and PATCO will receive the benefit of $680,000 in no cost system upgrades.

Resolved: The Chair, Vice Chair and the President must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of PATCO. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and President and if thereafter, either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of PATCO, along with the President. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s), while they are absent or unavailable, then the President shall execute such document(s) on behalf of PATCO.

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