

## Chapter 8

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Department of Transport

## 8.1 Integrated Ticketing Scheme – Update

### Background

I referred in my 2005 Report to the project being managed by the Railway Procurement Agency (RPA) to deliver a multi-operator system of integrated public transport ticketing using smartcard technology. It outlined concerns that the way in which the Integrated Ticketing System (ITS) project had been managed had led to a lack of progress, termination of the initial procurement phase and the incurring of substantial nugatory expenditure.

In addressing these concerns the Accounting Officer detailed revised governance arrangements for the project, which were introduced in July 2006. The purpose of these arrangements was to ensure that the project progressed as expeditiously as possible and that the benefits of expenditure to date were realised.

### New Governance Arrangements

The new governance arrangements for the project comprised the following measures

- Establishment of a new high level project board, known as the Integrated Ticketing Project Board (ITPB), charged with the successful delivery of the smartcard technology required for an integrated ticketing system within an agreed specification, timeline and budget. The board to comprise an independent chairperson, the CEOs of the RPA, Dublin Bus, Iarnród Éireann, Bus Éireann, a representative of private bus operators, a senior Department of Transport official and, as appropriate, a senior official of the Department of Social and Family Affairs (DSFA).
- The ITPB, being accountable to the Minister for Transport, was required to formally report on progress to the Minister in September 2006 and every three months thereafter.
- The establishment of a project implementation team to report to the ITPB and be responsible for the day-to-day development and implementation of the project.
- Review and possible amendment to the mandate of the RPA and
- The establishment of the Dublin Transport Authority.

The integrated ticketing project is concerned with the delivery of one coherent system of integrated public transport ticketing involving various transport companies initially in the Greater Dublin Area. Accordingly, the enhanced governance structure for the project is designed to recognise the independent statutory roles of the various stakeholders while ensuring a single focal point for all key decisions in relation to the project. The structure is intended to be interim in nature pending changes in public transport institutional arrangements in the form of the establishment of the Dublin Transport Authority.

### Implementation of New Arrangements

I carried out a review of departmental papers relating to the project and confirmed with the Accounting Officer that the up-to-date position is as set out in Table 32.

**Table 32 Progress on Implementing the New Governance Arrangements**

Measure	Progress
New High-level Board (Integrated Ticketing Project Board, ITPB)	ITPB in place since July 2006 Includes CEOs of RPA, Dublin Bus, Iarnród Éireann, Bus Éireann, private bus operators' representative, the Department and attendance as appropriate from DSFA First meeting 25 July 2006 ITPB has met at least once per month since Appointed a professional advisor to provide independent expert technical support
Progress reports to Minister for Transport	3 reports to date (October 2006, December 2006 and May 2007)
Project Implementation Team (PIT)	A team, comprising representatives of all transport operator stakeholders, put in place. It generally meets fortnightly. Meetings take place with DSFA as required. The PIT reports to the ITPB and is responsible for the day-to-day management of the implementation process.
Review and possible amendment to mandate of RPA	The Department concluded that there was no need to amend the statutory basis for RPA's functions pending the establishment of the Dublin Transport Authority. The Department updated the RPA mandate, in April 2007 by issuing the document titled, 'Policy Principles Regarding Integrated Ticketing'.
Establishment of the Dublin Transport Authority	The Minister has announced the intention to establish a Dublin Transport Authority on a statutory basis. Responsibility for integrated ticketing will be transferred to the new authority on its establishment.

## Recommendation of the Second Report of the ITPB

The second ITPB progress report to the Minister in December 2006 detailed the revised project scope, timetable and budget. The scope of the project was defined to be all scheduled services of Dublin Bus, of LUAS and of a named private coach operator as well as all Iarnród Éireann DART and suburban commuter services, along with a Bus Éireann pilot route serving the greater Dublin area. It would also accommodate the free travel scheme funded by the DSFA by way of a link-up with that Department's Public Services Card initiative.

In regard to the completion timetable, the report envisaged that the ITS would be launched initially on the services of Dublin Bus, LUAS and the private coach operator within 27 months of the decision to proceed with the project (*i.e.* end August 2009). Full integration would be achieved within four years.

The Accounting Officer informed me that the expected capital cost of the project would be €49.6m, of which €11.2m represented costs incurred to end December 2006, primarily on design development. This increase from €29.6m is due to the longer implementation period from 2005 to 2010 and the associated price inflation, increased contributions to transport operators to reflect the cost of integration and to stimulate private sector bus operator involvement, and inclusion of the technical requirements for the 'Free Travel' link-up with DSFA. The budget also includes increased provision for contingency.

The revised budget has been prepared on the basis of the best assessment of current market conditions. Final costs would not be known until tendering has taken place. The ITPB report provided a pre-tender estimate of the annual operating costs of the system and stated that the Project Board would consider the

means by which these were to be met. The Department has decided that operating costs would not be borne by the Exchequer. It envisages that these costs will be met through savings accruing to transport operators from participation in the integrated ticketing scheme and an adjustment to fares, as appropriate, sufficient to off-set the net cost of operating the ITS.

## Concerns Raised by the RPA

In February 2007 a new chairperson was appointed to the Board of the RPA as well as being nominated as chairperson designate of the proposed Dublin Transport Authority. The following month the Board of the RPA, having considered the second ITPB progress report, raised the following concerns with the Department

- The need for formal approval for the project by the Minister and by the respective stakeholder boards
- The RPA's perception of a lack clarity on the arrangements for project governance
- The risks posed by the development of interim schemes
- The need for the signing of binding Heads of Agreement by all participants
- Uncertainty as to who would bear the operating costs of the scheme.

In response to my enquiries, the Accounting Officer informed me that on 19 April 2007, following discussions with the Chairperson and Chief Executive of the RPA, the Department responded to these concerns by way of a Memorandum to the Chairperson of the ITPB and copied to the CEO of the RPA. The Memorandum addressed each of the issues raised by the RPA. The RPA Board subsequently confirmed that it considered that the issues had been addressed to its satisfaction or that steps were being taken to finalise them.

## Interim Smartcard Schemes

The first report of the ITPB, in October 2006, indicated that the Board had agreed to Dublin Bus introducing an interim smartcard from late 2007 on the basis that it was consistent with making progress on the full scheme. In November 2006, Iarnród Éireann obtained ITPB approval to develop its own interim smartcard scheme. This scheme would include an electronic purse facility. Early in 2007, Dublin Bus informally raised with the ITPB the possibility of linking its interim smartcard with the existing Luas smartcard and the one being considered by Iarnród Éireann. In The Departmental Memorandum of 19 April 2007 to the Chairperson of the ITPB addressed the RPAs's specific concerns regarding interim smartcard schemes.

On 30 April 2007, the Department wrote to both Dublin Bus and Iarnród Éireann in relation to interim smartcard schemes informing them that

- The ITS should be the sole integrated ticketing mechanism for public transport ticketing
- There should be no initiatives on linking their interim schemes
- There should be no further enhancements of smartcard schemes without the approval of the ITPB and the Department.

In a letter to the Department on 15 May 2007, the Chief Executive of Dublin Bus reiterated his belief that "...we need to look seriously at developing bus/rail and bus/Luas smartcards". He also pointed out that in due course there would be four smartcards in operation – the two existing Luas and the Private

Operator's Cards with Dublin Bus and Iarnród Éireann cards yet to be introduced. He suggested that "... we should be exploring ways of offering combined products on these cards which will fit in with the ultimate development of the ITS to which everybody is committed."

The Department, in a high-level consideration of the pros and cons of this suggestion, stated, at the outset, that the integrated ticketing system needs to have the capability in the future to accommodate public transport operators outside Dublin, meet competition law requirements, facilitate various fare systems and act as a trusted agent of an independent transport authority. The Department noted that, in facilitating implementation of the full ITS, the approach informally suggested by Dublin Bus could, *inter alia*, deliver a measure of smartcard based integrated ticketing somewhat quicker than the full ITS and would cover approximately 95% of the current public transport market in Dublin for a marginal additional capital cost. Alternatively, if linking the interim schemes resulted in it being an alternative to the full ITS such a link-up would result in limited smartcard based integrated ticketing at a preliminary estimated cost of between €4m - €5m; would be operator driven resulting in appropriately pitched ticket products; and the costs of operating the system may be absorbed by the operators.

On the other hand, the Department considered that any further enhancements to interim schemes could increase the risk to the delivery of the overall ITS project. Both the Department and the RPA considered that linking interim systems could potentially delay the implementation of the full scheme; lead to confusion in the market place; divert scarce professional resources and result in some nugatory expenditure.

The Department also had to consider the possibility that the linking of the interim smartcard schemes would be seen as an alternative to the full ITS. In this scenario, the Department had even more fundamental concerns that the suggestion would potentially reinforce the dominance of the large (State) operators and raise problems from a competition perspective; be a closed technical platform not accessible to all parties; be at variance with the proposed requirements of the Dublin Transportation Authority in relation to fares, information and transport integration; be of no value to passengers who need to interchange between private bus and State operated services and would not be extendable to the rest of the State. Furthermore it would not contain an electronic purse resulting in a lower passenger take-up; have limited linkages to the DSFA Free Travel Scheme and question the reputation of the Department and the RPA.

In conclusion, the Department was firmly of the view that the ITS now proposed by the ITPB is the system that meets the Department's policy requirements and would complement roll-out of the public transport infrastructure under Transport 21, while being sufficiently neutral from a technical perspective to facilitate future decisions of the Dublin Transport Authority in relation to transport integration, fares policy, information provision and market regulation. The Dublin Bus proposal would not achieve this and, while, on the face of it had some short-term merit, it raised additional risks as regards timeliness, costs and technical resources.

The Department considered that the possibility of linking the interim schemes had moved on and was not now as topical an issue as had been considered at the time. Commitments by Dublin Bus and Iarnród Éireann to the full ITS had alleviated its concerns.

## Project Approval

In May 2007, the Department made the case, which it regarded as compelling, to the Department of Finance for investment in a smartcard based integrated ticketing system and sought sanction for the revised budget of €49.6m. In making its proposal, the Department stated that it was firmly of the view that the implementation of the Integrated Ticketing Project would significantly enhance the attractiveness of the public transport infrastructure and services being rolled out under Transport 21 and would contribute to the achievement of wider Government policy in relation to transport and sustainability. The Department also stated that the financial case for the project was supported by both the updated financial

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analysis undertaken by the independent Technical Advisor and the outline business case prepared by the Project Director. These appraisals indicated that there was a positive Net Present Value for the project.

The Department of Finance sanctioned the proposal, subject to the following conditions

- The Department of Transport would continue to fully adhere to the Guidelines for the Appraisal and Management of Capital Expenditure in the Public Sector in respect of evaluation and management of the project, and would reappraise the project in the event that outturn costs were likely to increase or there was any reason to believe that the project benefits would not materialise.
- The capital cost of the project, including agreed contributions to the stakeholder companies and the cost associated with incorporating the Free Travel Scheme, would not exceed €49.6m.
- The full capital cost would be met from within the Transport 21 financial envelope.
- The ongoing current costs of the project would be met by the transport operator companies and not, in any form, by the Exchequer.

In conveying its approval for the project to the ITPB the Department attached additional conditions

- Each stakeholder company was directly responsible for delivery of its element of the overall system in line with the agreed management and monitoring framework for the project.
- The focus of the ITPB and the stakeholder companies should now be on delivery of the integrated ticketing system as set out in the Board's Second Report.
- The ITPB and the stakeholder companies should comply with Department policy in relation to interim smartcard schemes and their migration to the ITS as soon as practicable after its establishment.
- The ITPB should ensure that the costs associated with integrating the ticketing schemes of Bus Éireann's pilot project, and of Iarnród Éireann's greater Dublin area network, with the ITS are finalised as soon as possible.
- The ITPB should develop a detailed implementation plan setting out precisely how integrating ticketing is to be delivered within the committed timescales.
- A Heads of Agreement/Memorandum of Understanding between the stakeholders should be completed before substantive contractual arrangements arising from the 'build' procurement are concluded.

On 27 June 2007, a tender notice was published in the Official Journal of the European Communities to secure a supplier to develop, supply, test and integrate the complete back office and associated interfaces for the ITS. The date for submission of responses to the pre-qualifying stage is 30 July 2007.

The Accounting Officer informed me that the Department had introduced new monitoring and reporting arrangements in accordance with the Capital Appraisal Guidelines to reflect the revised governance arrangements now in place and the renewed emphasis on the delivery of the integrated ticketing project. A new Monitoring Committee, comprising the Department, the Project Board Chairperson, Project Director and others as appropriate was established. The first meeting of this Committee took place on 10 July. While the focus would be on delivery within the agreed programme and capital budget, if, at any stage, it appeared that outturn costs were likely to increase or that the expected benefits might not materialise, the Department would immediately undertake a reappraisal of this project.