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4C

OPERATIONS COMMITTEE
DECEMBER 4, 2008

SUBJECT: CONTACTLESS SMART CARDS

ACTION: AWARD CONTRACT FOR CONTACTLESS SMART CARDS

RECOMMENDATION

Authorize the Chief Executive Officer to award a 24-month firm fixed unit rate contract under Bid Number PS30202281 to eAccess, LLC, the lowest responsive, responsible bidder for contactless smart card for an amount not to exceed \$1,500,000, inclusive of sales tax.

RATIONALE

TAP Operations is responsible for the implementation and the regional operation of a smart card based Universal Fare System (UFS) in Los Angeles County. All Metro paper fare media will be converted to the Transit Access Pass (TAP) smart card that allows seamless multi-modal travel throughout the region using smart card technology.

TAP Operations has successfully converted the Metro pre-paid regular fare monthly and weekly passes to TAP cards since February 2008 by installing TAP sales devices in over 400 third party vendor outlets that completes in December 2008. Other paper fare media including the Day Pass (a paper ticket issued by bus operators) for cash riders, and remaining Metro pre-paid passes, such as the Senior/Disabled, Student (K-12) and College/Vocational passes will also be converted to TAP cards. This current card procurement will ensure that we have sufficient quantities of TAP cards to convert these reduced fare media passes now on paper. Metro sells approximately 475,000 non-recycled, pre-paid paper or sticker products each month, not including cash riders buying daily paper Day Pass tickets. Approximately 13 million non-recycled paper tickets are sold systemwide each year. Transition to TAP will permit the re-use of plastic smart cards instead of daily, weekly and monthly "throw away" paper and sticker products.

More critically, this procurement will ensure that we have sufficient TAP card stock to penetrate cash riders that represent 50% of our ridership. To date, this segment of our riders has not yet been introduced to TAP. Final migration of the cash paying customer to the re-usable, re-loadable TAP cards will achieve full TAP implementation as envisioned at the inception of this project.

Management Audit Services Department (MASD) conducted an audit of Day Pass controls at five sampled bus divisions in June 2008. The audit report recommended expediting the

conversion of paper Day Passes used by the cash rider to TAP cards in order to minimize the paper fraud with paper tickets. In response to MASD's recommendation, TAP Operations will expedite the conversion schedule for Day Passes beginning January 2009 as soon as the Marketing department launches public announcements and promotes the transition of this important segment of riders to TAP with targeted outreach to this community. This phasing will permit cash riders ample time to get smart cards, while paper tickets are being phased out. The phased process with full penetration of TAP smart cards to cash riders currently buying paper tickets is expected to complete by end of March 2009. A public outreach and marketing campaign is essential to accomplish this conversion.

With Metro Rail Gates being installed beginning Summer 2009, it is critical to complete the conversion of pre-paid passes and migrate the cash customer, 50% of our current ridership, to TAP cards.

FINANCIAL IMPACT

The funding of \$500,000 for contactless smart cards is included in the FY2009 budget in Regional TAP operating budget project 300016 under Line Item 50316 Services. Since this is a multi-year contract, the cost center manager and Chief Real Property Management and Development will be accountable for budgeting the cost in future fiscal years.


ALTERNATIVE CONSIDERED

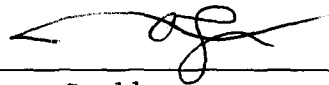
The alternative is not to award the contract and continue to use paper Day Pass tickets and Reduced Fare Passes. This approach is not recommended since it will hinder regional integration and cause significant customer inconvenience for Senior, Disabled, and student riders when Metro Rail gates are installed starting Summer 2009.

ATTACHMENTS

- A. Procurement Summary
- A-1 Procurement History
- B Bid Tabulation

Prepared by: Jane Matsumoto, Deputy Executive Officer, UFS/TAP Operations
Don Dwyer, Director Contracts Administration


Roger Moliere
Chief Real Property Management and Development


Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

NXP Mifare 1K Classic Smart Card

1.	Contract Number: PS30202281		
2.	Recommended Vendor: eAccess LLC		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$1,328,227.50	Recommended Price: \$1,328,227.50	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Unit Price		
5.	Procurement Dates:		
	A. Issued:	10/24/2008	
	B. Advertised:	10/24/2008	
	C. Pre-proposal Conference:	N/A	
	D. Proposals Due:	11/6/2008	
	E. Pre-Qualification Completed:	Pending	
	F. Conflict of Interest Form Submitted to Ethics: 11/6/2008		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: N/A	Date Small Business Evaluation Completed:	
	B. Small Business Commitment: N/A% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 7	Bids/Proposals Picked up: 17	Bids/Proposals Received: 8
8.	Evaluation Information:		
	A. Bidders/Proposers Names: ASK (non-responsive) Gemalto (non-responsive) eAccess G&D CPI Card Color ID (non-responsive) Hitachi (non-responsive) *Bid amount(s) based upon max. quantity of 1.5M cards	<u>Bid Amount:</u> \$1,039,200 \$1,110,000 \$1,328,228 \$1,380,000 \$1,447,500 \$1,525,532 \$1,833,975	<u>Best and Final Offer Amount:</u> N/A
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: 11/27/08		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		
10.	Contract Administrator: Mark Lu	Telephone Number: 213-922-4689	
11.	Project Manager: Regina Chan	Telephone Number: 213-922-4046	

BOARD REPORT ATTACHMENT A-1 PROCUREMENT HISTORY

NXP Mifare 1K Classic Smart Card

A. Background on Contractor

eAccess LLC of San Diego, California, a subsidiary company of Cubic Corporation, formed in 2007. eAccess has done business with Sistema de Tren Urbano Electrico de Guadalajara, Mexico, and has not done business with Metro in the past.

B. Procurement Background

Metro staff utilized a sealed bid-type of procurement, under Invitation for Bids (IFB) No. PS30202281, for the provision of NXP Mifare 1k Classic Smart Cards. Prior to the stated bid deadline, seven firms submitted bids. Bids were submitted by CPI Card Group, Giesecke & Devrient (“G&D”), ASK Contactless Technologies, Inc. (“ASK”), Hitachi America, Ltd., (“Hitachi”), Color ID, LLC (“Color ID”), Gemalto and eAccess.

Under the terms of the fixed unit rate contract, if awarded, the successful contractors provide Smart Cards on an as-needed basis, based upon the unit rates submitted under the terms of the IFB.

The Diversity & Economic Opportunity Department (DEOD) did not recommend a DBE goal for this procurement. Based on industry practice, the prime contractor is expected to complete the entire scope with its own workforce. However, pursuant to the DBE Program, if either of the contractors utilizes the services of subcontractors, they are expected to afford maximum opportunities to DBE firms in all subcontracting and supply services areas throughout the life of the contract.

C. Evaluation of Proposals

Color ID and Hitachi were deemed non-responsive, insofar as the firms did not meet the delivery requirement set forth in the IFB. Additionally, ASK and Gemalto were deemed non-responsive, because each firm submitted offers that deviated from the detailed specification provided by Metro. Consequently, the foregoing firms were eliminated from further consideration in the competitive procurement process. G&D, CPI Card, and eAccess were the only firms that provided a responsive bid.

D. Cost/Price Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based upon adequate price competition under the competitive procurement process described herein.

ATTACHMENT B

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY BID TABULATION Bid No: PS30202281 NXP Milfare 1K Classic Smart Card

Bids Out: 10/24/08 Total 17
 Bids Opened: 11/06/08 Total 8
 Advertisement Date(s): 10/24/08
 Newspaper: Daily News

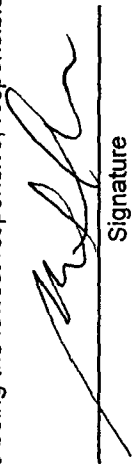
Item No.	Description	Qty	Unit	ASK Contactless Technologies Inc.	Color ID LLC #1 (not made in USA)	Gemalto Inc.	eAccess LLC
1	NXP Milfare 1K Classic Smart Card	500,000	EA	Unit Price: \$0.72 Total Price: \$360,000.00	Unit Price: \$0.72 Total Price: \$360,000.00	Unit Price: \$0.75 Total Price: \$375,000.00	Unit Price: \$1.07 Total Price: \$505,000.00
2	NXP Milfare 1K Classic Smart Card	1,000,000	EA	Unit Price: \$0.68 Total Price: \$680,000.00	Unit Price: \$0.67 Total Price: \$670,000.00	Unit Price: \$0.745 Total Price: \$745,000.00	Unit Price: \$0.858 Total Price: \$858,000.00
4	NXP Milfare 1K Classic Smart Card	1,500,000	EA	Unit Price: \$0.64 Total Price: \$960,000.00	Unit Price: \$0.66 Total Price: \$990,000.00	Unit Price: \$0.740 Total Price: \$1,110,000.00	Unit Price: \$0.818 Total Price: \$1,227,000.00
Subtotal				\$2,000,000.00	\$2,020,000.00	\$2,230,000.00	\$2,590,000.00
Sales Tax (8.25%)				\$165,000.00	\$166,650.00	\$183,975.00	\$213,675.00
Total				\$2,165,000.00	\$2,186,650.00	\$2,413,975.00	\$2,803,675.00

1,227,000
 101,228
 1,328,228

Item No.	Description	Qty	Unit	Giesecke & Devrient	CPI Card Group	Color ID LLC #2 (made in USA)	Hitachi America Ltd.
1	NXP Milfare 1K Classic Smart Card	500,000	EA	Unit Price: \$0.945 Total Price: \$472,500.00	Unit Price: \$0.969 Total Price: \$484,500.00	Unit Price: \$1.07 Total Price: \$535,000.00	Unit Price: \$1.18 Total Price: \$590,000.00
2	NXP Milfare 1K Classic Smart Card	1,000,000	EA	Unit Price: \$0.93 Total Price: \$930,000.00	Unit Price: \$0.967 Total Price: \$967,000.00	Unit Price: \$1.04 Total Price: \$1,040,000.00	Unit Price: \$1.16 Total Price: \$1,160,000.00
4	NXP Milfare 1K Classic Smart Card	1,500,000	EA	Unit Price: \$0.92 Total Price: \$1,380,000.00	Unit Price: \$0.965 Total Price: \$1,447,500.00	Unit Price: \$1.03 Total Price: \$1,545,000.00	Unit Price: \$1.14 Total Price: \$1,710,000.00
Subtotal				\$2,782,500.00	\$2,899,000.00	\$3,120,000.00	\$3,460,000.00
Sales Tax (8.25%)				\$229,556.25	\$239,167.50	\$257,400.00	\$285,450.00
Total				\$3,012,056.25	\$3,138,167.50	\$3,377,400.00	\$3,745,450.00

I hereby certify eAccess as being the lowest responsive, responsible bidder and recommend the award to them for total price, including sales tax, of \$ 1,328,228.

11/7/08
 Date


 Signature

Note: Total estimated quantity of cases is 1.5 million.

