

October 16, 2002



Metropolitan
Transportation
Authority

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Oct 16 - e-commerce

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER *[Signature]*

FROM: LONNIE MITCHELL
EXECUTIVE OFFICER, PROCUREMENT
AND MATERIAL MANAGEMENT *[Signature]*

SUBJECT: ELECTRONIC COMMERCE (eCommerce)

ISSUE

Several Board members and staff have inquired into MTA's plan for implementing electronic commerce (eCommerce). This report provides an overview on a strategic business initiative to enable electronic procurement (eProcurement) web applications, automate procurement processes and open an Internet procurement (iProcurement) portal, which will enable us to engage in network supply-chain buying, selling and collaboration.

DEFINITIONS

Electronic Procurement involves the automation of the requisitioning, approval, purchase order management, and accounting processes through an Internet-based protocol. It is supported with workflow automation for processing quotes and bids, sourcing and evaluation, awards, supplier notifications, buying from catalogs and invoice processing.

Procurement Portal provides an infrastructure and buying/selling services in support of the management and operations of Procurement. It is a gateway that can lead to buying communities and new Internet markets (iMarkets). More advanced features include auctions, supply chain collaboration and complex request for proposals.

BACKGROUND

Starting in June 2000, Procurement Management undertook a lengthy process to understand and identify Internet technology solutions that could best meet MTA's requirements for conducting electronic commerce on the Internet. We identified basic requirements that:

- The solution must fit seamlessly with our Financial Information System (FIS).
- It must deliver effective buying and selling tools to streamline and automate procurement processes.
- It must deliver value in the buying of products and services.

As part of this effort, we investigated and viewed demonstrations of electronic marketplace (eMarketplace) portals and how they could be used to improve supply-chain efficiencies and provide electronic collaboration with eMarketplace suppliers. The following is a chronology of key events to date:

Early 2001, Management decided to upgrade its FIS to the new web-based version 11i. This version provides a friendly web browser user interface for ease of use and software for supporting business workflow automation. A key enhancement is its web architecture design and functionality for supporting electronic commerce transactions on the Internet.

May 2001, Management presented this recommendation to the MTA Board of Directors and received approval for its licensing agreement with Oracle. The licensing rights included upgrading to FIS 11i and Oracle's eBusiness suite of Internet procurement tools, iProcurement. These buying tools ultimately enable the decentralization of non-strategic buying and provide the back-office procurement portal needed to conduct electronic commerce on the Internet marketplace.

Early 2001, the Board hired Booz Allen to conduct a management audit of MTA and received its recommendations at the September 2001 Board Meeting. The audit recommended MTA use the electronic commerce initiative to reduce cost/time of buys and expand competition. Management concurred with the recommendations.

December 2001, the Information Technology Services, Finance and Procurement departments completed the FIS 11i upgrade, which positioned the MTA to implement the suite of Internet procurement tools.

DISCUSSION

Phase 1 – eProcurement

The business intent in implementing Oracle's iProcurement is to provide a web-interface for self-service catalog buying and provide the functionality for decentralizing non-strategic acquisitions for all users, including the Service Sectors. The user-friendly web-based shopping cart functionality gives users the tools and guidance for ordering, receiving and paying for items purchased from supplier catalogs. The suite of Internet procurement tools will also serve as the back-office procurement portal to advance to network buying and electronic marketplace transactions.

Oracle's Internet Procurement suite contains three modules:

- **Internet Procurement:** Enables automated transaction workflow collaboration with FIS and catalog suppliers, including inventory catalogs.
- **Internet Supplier Portal:** Allows suppliers doing business with MTA to access information about their business relationship with MTA, including purchase order information, delivery and receipt status, invoice and payment information. Suppliers will use this application to register to do business with MTA.
- **Purchasing Intelligence:** Collects transaction data and translates the data into management information.

STATUS: Each of these modules will be implemented sequentially and Internet Procurement is being deployed first. Testing has been completed and the application will be “stress tested” by a limited number of users. Full deployment agency-wide is scheduled for December 2002. We will next bring Internet Supplier Portal on-line, and Purchasing Intelligence will follow this.

Phase 2 – Procurement Portal

With planning for iProcurement back-office procurement portal in place, we next identified an industry-specific electronic marketplace where MTA can facilitate strategic and complex procurement transactions on the Internet by our professional Buyers. This includes RFPs, sealed bidding, supplier management, etc.

STATUS: In June 2002, we narrowed the search to two potential industry service providers of eMarketplaces. They were iRail (endorsed by the Canadian Urban Transit Association) and TransportMAX (endorsed by the American Public Transportation Association). In the months that followed, Procurement Management met with each provider and received several in-depth demonstrations of their applications and services. The matrix below summarizes what we learned.

Transit Industry eMarketplaces Function/Architecture Comparison

Function/Architecture	Request for Quotation (RFQ)	Request for Proposal (RFP)	Forward Auction	Enterprise Resource Planning (ERP) Implementation	Compatible with MTA ERP Application
iRail	Yes	Yes	Yes	No	No
TransportMAX	Yes	Limited (Phase 1)	No	Yes	Yes

Function/Architecture	Requisition Integration with MTA ERP	RFQ Integration with MTA ERP	PO Creation Workflow Integration with MTA ERP	Supplier Setup Integration	Cost To MTA
iRail	No	No	No	No	“Free”
TransportMAX	Yes	Yes	Yes	Limited	\$15,000 Subscription Fee

In July 2002, MTA selected TransportMAX as its eMarketplace procurement portal, because TransportMAX showed good functionality and we found its non-profit status (see below) and a minimal subscription fee to registrants (based on the value of the amount of business conducted in its eMarketplace) a reasonable business model. Other key benefits are its operating design, built on the Oracle eMarketplace Exchange Platform, that would provide a seamless fit with MTA's FIS and Internet Procurement enterprise system; and, TransportMAX is the American Public Transportation Association (APTA) solution for the transportation industry.

STATUS: TransportMAX was created through a competitive RFP process. APTA hired Fusion, a professional firm who specialized in association eCommerce sites, to develop industry specifications and assist in the evaluation and award. Many firms competed, including iRail, and TransportMAX was the successful proposer. APTA awarded the contract to TransportMAX to develop and maintain the transit industry's specific eMarketplace. As detailed in the company's literature, TransportMAX is designed as a break-even business model and, should revenues exceed expenses, then the excess revenues will be reinvested in TransportMAX to provide new or expanded services and/or reduce user fees.

August 2002, MTA issued integration and automated workflow requirements for conducting transactions in the TransportMAX eMarketplace. As a result, we received a cost proposal for integration deliverables in the amount of \$73,000, and we are currently working with TransportMAX to start the systems integration effort.

NEXT STEPS

MTA is deploying the Oracle Internet Procurement solution agency-wide in December 2002. Internet Supplier portal and Purchasing Intelligence will follow soon after.

TransportMAX is scheduled to be on-line and in use by MTA professional Buyers in December 2002.

CM:TM02-033