

**Metro**

Los Angeles County
Metropolitan Transportation Authority

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**EXECUTIVE MANAGEMENT COMMITTEE
NOVEMBER 21, 2013**

SUBJECT: TAP PROGRAM SMART CARDS

ACTION: APPROVE CONTRACT AWARDS

RECOMMENDATION

Authorize the Chief Executive Officer to award two, 36-month, indefinite delivery/indefinite quantity (IDIQ), firm fixed unit price contracts (Contract Nos. PS30203072A & B), effective January 1, 2014 to Gemalto Inc., and Giesecke & Devrient America, Inc. to supply regional TAP cards for LACMTA and Municipal Operators for an amount not to exceed \$16,200,000 inclusive of sales tax and two, one-year options for each contract. Requested funding includes anticipated expansion of the TAP program and the potential addition of up to sixteen municipal operators bringing the total TAP participants to twenty-four.

ISSUE

In April, 2010, the board authorized the Chief Executive Officer to award a 36-month, indefinite delivery/indefinite quantity, firm fixed price contract for TAP cards for an amount not to exceed \$19,009,954 inclusive of sales tax and two one-year options. This contract has expired and replenishment is needed for standard, hard-plastic TAP cards used by full-fare and reduced-fare patrons.

DISCUSSION

LACMTA continues expansion of the nation's largest, bus-based smart card regional transit program. LACMTA currently records over 700,000 taps per day. Due to the growth of this robust system, the region needs to procure additional stock to support TAP card replenishment for Metro and Municipal participants. Over 10 million cards have been distributed since TAP began its implementation and the migration of paper fare products onto smart cards. With ten operators currently participating in the TAP regional program and an additional 14 municipal operators due to come onboard with the program in 2014, card replenishment will ensure uninterrupted regional connectivity and maximize the use of our automated fare system. This purchase will ensure that the TAP system remains flexible in accommodating different fare policies, fare structures, and tariff regulations for both current and expected new participants.

A Request for Proposal was issued with the purpose of maximizing open

competition within a large field of smart card suppliers in order to get the best pricing over the next three years. Smart cards provided by these suppliers will be utilized for processing of existing products and include the necessary flexibility for incorporating new products as fare and tariff rules change. The TAP project will also continue to support the expansion of regional stored value on TAP cards helping to reduce or minimize the usage of cash fares. Cash is still used by approximately 27% of total ridership and is labor-intensive to collect. TAP is a much safer and more efficient fare collection system.

LACMTA anticipates utilizing these contracts on an “as-needed” basis and has no obligation or commitment to order a defined quantity of TAP cards. Bid quantities used in the solicitation are estimates only, with orders to be released as required. Given the smartcard quantities anticipated, prices received for both plastic and thin-plastic cards are well below industry pricing found throughout the United States. TAP cards will be purchased and maintained in inventory and managed by Material Management. As the TAP cards are issued, the appropriate budget project numbers and accounts will be charged.

DETERMINATION OF SAFETY IMPACT

Latched stations require patrons to use a TAP card to gain entrance to gated stations by electronically releasing the turnstile or opening the leaf-barriers on Americans with Disability Act (ADA) gates. Providing TAP cards for latched gated stations has a positive impact on the safety of Metro rail riders by limiting access to paying customers, thus improving transit station security.

FINANCIAL IMPACT

Funding for smart cards is included in the FY2014 budget in Regional TAP operating budget project 300016 under Line Item 50499 -- Materials and Supplies account. Since this is a multi-year contract, the cost center manager and OMB will be accountable for managing the budgeted cost in future fiscal years.

The cost of procured smart cards will be partially offset by card fees charged to customers for each new or replacement TAP card.

ALTERNATIVES CONSIDERED

The current procurement allows Metro to purchase the TAP cards necessary to continue incorporating new TAP partners and to replace expired, lost, or stolen TAP cards. The alternatives considered are as follows:

1. Discontinue the conversion of regional fare media to TAP by not awarding the contract and reverting back to the use of paper fare media. This action is not recommended since it would be cost-prohibitive. In addition, the current TAP card fee will partially offset the cost of the smart card fare media.

Moreover, 465 Los Angeles Sheriff's Department (LASD) fare inspectors and uniformed officers will be carrying the Metro Mobile Validator which is a cell-phone-type inspection device that is being acquired through a separate procurement. These devices will be rendered useless if paper media requiring visual inspection is necessary.

TAP cards are also necessary to access stations with latched gates. The conversion back to a paper-based ticket would require the turnstiles to be unlatched and placed back into free-spin mode. This would impact the increased revenue that has been observed from latched gates.

Another reason not to revert to paper fare media is that electronic sweeps have ensured that sales revenues are automatically collected from over 500 retail vendor outlets each week. This is in contrast to the one-month delay from labor-intensive financial reconciliation of paper fare media that was necessary to account for unsold paper passes that were distributed to retailers.

Yet another reason not to revert back to paper is the more accurate regional accounting that is now available to the region through its migration to TAP electronic fare media. The regional clearing is no longer based on estimates as it was in the past with paper fare media. Today the clearing and settling of regional accounts are based on actual numbers of tapped boardings.

In addition, the return to a paper-based system would result in customer confusion and dissatisfaction from Municipal Operators who have already converted to TAP.

2. Procure reduced quantities of the smart card types that are included in this procurement. This approach is not recommended since it would eliminate the benefit of volume discounts, and result in the need to rebid the cards at potentially higher costs. It would also delay the conversion of 14 new Municipal Operators.

ATTACHMENT

A. Procurement Summary

Prepared By: David Sutton
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Michelle Lopes Caldwell

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Chief Administrative Services Officer

Paul C. Taylor for Paul Taylor

Paul C. Taylor
Deputy Chief Executive Officer

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

PROCUREMENT SUMMARY

TAP PROGRAM, SMART CARDS

1.	Contract Number: PS30203072	
2.	Recommended Vendor: Gemalto, Inc. and Giesecke & Devrient	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: July 10, 2013	
	B. Advertised/Publicized: July 16 & 17, 2013	
	C. Pre-proposal/Pre-Bid Conference: July 22, 2013	
	D. Proposals/Bids Due: September 30, 2013	
	E. Pre-Qualification Completed: Gemalto, Inc. on August 23, 2013 and Giesecke & Devrient America, Inc. on September 9, 2013	
	F. Conflict of Interest Form Submitted to Ethics: October 30, 2013	
	G. Protest Period End Date: November 18, 2013	
5.	Solicitations Picked up/Downloaded: 34	Bids/Proposals Received: 7
6.	Contract Administrator: Maria V. Lechuga	Telephone Number: (213) 922-7206
7.	Project Manager: Cary Stevens	Telephone Number: (213) 922-2401

A. Procurement Background

This Board action is for the approval to contract with Gemalto, Incorporated and Giesecke & Devrient America, Incorporated, for the replenishment of TAP cards for Metro and Municipal participants. These contracts will enable Metro and participating Municipal Operators to continue the conversion of all of their paper products to TAP cards and continue the expansion of the Region's stored value smartcard as the foundation for the region's Universal Fare System (UFS).

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is indefinite delivery/indefinite quantity (IDIQ), firm fixed unit price.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on July 24, 2013, revised the specifications and extended the proposal due date from August 7, 2013 to August 14, 2013; and

- Amendment No. 2, issued on July 30, 2013, clarified items in the Statement of Work and extended the sample cards due date from August 21, 2013 to September 30, 2013.

In addition, forty questions were received and responded to on July 24 and July 30, 2013.

A total of seven proposals were received on August 14, 2013.

B. Evaluation of Proposals/Bids

The solicitation was a standard Request for Proposal in compliance with Metro’s Procurement policies and procedures. A Source Selection Committee (SSC) consisting of Metro staff and an outside consultant performed the evaluation in accordance with the evaluation criteria included in the RFP. The SSC consisted of Metro’s Director of TAP Technology Systems, Metro’s Systems Project Manager and an outside consultant experienced in TAP technology systems.

The proposals were evaluated based on the following evaluation criteria and weights:

- Proposer’s Experience and Skills 15%
- Proposer’s Program Management Team Experience 05%
- Physical and Electrical Smartcard Characteristics 35%
- Printing (Graphics) / Packaging 10%
- Multiple Card Award 10%
- Cost Proposal 25%

Total 100%

The evaluation criteria are appropriate and consistent with criteria developed for other, similar technical type procurements. Several factors were considered when developing these weights, giving the greatest importance to the physical and electrical characteristics of the smartcards and the cost.

During the months of August, September and October, the Source Selection Committee (SSC) reviewed and scored each of the proposals and tested the sample cards. Proposers provided detailed documentation regarding their team’s qualifications, staffing plans, project issues, and experience in producing and supplying TAP cards. Proposers also provided sample cards that were tested to ensure they met the required specifications.

Of the seven proposals received, two firms, Oberthur Technologies of America Corp. and Electronic Data Magnetics Inc, did not submit sample cards and were not considered further. Sample cards submitted by Magnadata USA, Inc. and Valid

USA failed card testing and were eliminated from further consideration. Three firms Gemalto, Inc., Giesecke & Devrient America, Inc., and ASK-intTAG, LLC, met all the requirements. Gemalto and Giesecke & Devrient's cards passed the sample card testing for hard cards and ASK-intTAG passed the sample card testing for thin cards only. The three firms within the competitive range are listed below in alphabetical order:

1. ASK-intTAG, LLC*
2. Gemalto, Inc.
3. Giesecke & Devrient America Inc.

*When pricing was opened for the three firms, a pricing analysis between thin-plastic cards and the PVC/PET hard plastic cards, determined that it would be more price effective to purchase only the more durable hard cards. Therefore, ASK-intTAG, LLC was no longer considered for award.

Qualifications Summary of Firms Within the Competitive Range:

Gemalto, Inc.

Gemalto has been serving transit authorities for over two decades. Its leadership has facilitated ambitious transit programs around the world in such places as Paris, London, Netherlands, Santiago de Chile, Portugal, Malaysia, Italy, Sao Paulo, and China.

Gemalto is known as a world leader in digital security and has over ten years experience in transport applications. Gemalto has developed a complete portfolio for contactless automatic fare collection ticketing media. To date, Gemalto has delivered over 140 million transit cards to transit agencies all over the world, which would also include providing Metro with cards for the last three years. .

The staff at Gemalto is highly qualified with a combined experience of over ninety years in the payment card industry. Their experience encompasses program and product development, industrialization of innovative card bodies, manufacturing techniques, sales management, and operations. .

Giesecke & Devrient America Inc. (G&D)

G&D is an international corporation headquartered in Munich, Germany with over 60 subsidiaries in over 30 countries. G&D is a pioneer in the smart card industry and holds the first international smart card patent. It continues to be a leader in the development of smart card operating systems, applications, and personalization software. G&D's products are in the area of telecommunications, electronic payments, transportation, health, identification, electronic commerce, and mobile

commerce. It is also a leading company in the world offering banknote and security printing, security paper, and bank note processing services. G&D employs over 10,000 people worldwide with annual revenue of over \$2.3 billion.

G&D's combined staff has over ninety-six years of experience in smart card products and services including production scheduling, inventory management, artwork specifications, electrical and optical personalization requirements as well as account management. Their expertise encompasses e-commerce and mobile solutions for banks, transit, retail, and system integration.

G&D has also worked with Metro since 2005 when they began delivering cards and services for the TAP program.

The following represents the final evaluation scores of each firm in the competitive range:

Evaluation Criteria	Criteria Weigh	Giesecke & Devrient	Gemalto, Inc.
Proposer's Experience & Skills	15%	12.84	13.50
Proposer's Program Management Team Experience	5%	03.62	00.77
Physical and Electrical Smartcard Characteristics	35%	35.00	35.00
Printing (Graphics)/Packaging	10%	10.00	06.00
Multiple Card Award	10%	08.88	10.00
Cost Proposal	25%	21.23	25.00
Total Evaluation Score	100%	91.57	90.27
Ranking		1	2

C. Cost/Price Analysis

The final accepted prices have been determined to be fair and reasonable based on adequate price competition.

	Proposer Name	Proposal Amount	Final Proposed BAFO Price
1.	Gemalto, Inc.	\$14,728,850	\$14,728,850*
2.	Giesecke & Devrient	\$16,794,150	\$16,794,150*

* Prices received are for evaluation purposes on and are based on estimated quantities provided by Metro.

D. Background on Recommended Contractor

Gemalto

In June 2006, Axalto and Schlumberger and Gemplus combined to become Gemalto. Schlumberger began its chip-card activities in February 1979 when it licensed and marketed certain chip-card technologies developed and patented by Roland Moreno, who is generally credited with the invention of the chip-card. Schlumberger designed its first SIM (Subscriber Identity Module) card in the early 1990s for the launch of GSM in Europe and this led to the use of microprocessor card technology as an access and security solution for mobile telephony worldwide. By the end of 2012, SIMs had been installed in over 3 billion handsets; more than 5 billion SIMs were sold during the year. Gemplus started its operations in 1988 as a supplier of prepaid phone cards and subsequently developed ties with the telecommunications industry similarly to Schlumberger.

Gemalto has more than 10 years experience in providing transport solutions. They have clients in more than 190 countries and comprise many of the world's best-known mobile operators, banks and financial institutions, governments, enterprises, and transport operators as well as a vast number of other industries.

Giesecke & Devrient America Inc.

Giesecke & Devrient (G&D) G&D was founded by Hermann Giesecke and Alphonse Devrient in Leipzig, Germany in 1852. With over 160 years in business, today, G&D is a family-owned company with its headquarters in Munich, Germany with operations all over the world. G&D provides banknotes and securities printing, smart cards, and cash handling systems. They are the leading supplier of contactless smart cards for the transit industry in North America with over forty million contactless transit smart cards issued since 1999. They have over 10,000 employees, and some 60 subsidiaries and joint ventures around the world.

E. Small Business Participation

The Diversity and Economic Development Department (DEOD) did not establish a Small Business Enterprise (SBE) goal for this solicitation because there were no apparent subcontracting opportunities identified. Gemalto, Inc. and Giesecke & Devrient America, Inc. did not make any SBE commitments.

