

DEPARTMENT OF TRANSPORTATION**Request for Letters of Interest to Participate in an Operational Test of an Electronic Payment System for Transit Fare Collection and Other Applications**

AGENCY(S): Federal Transit Administration (FTA) and Federal Highway Administration (FHWA).

ACTION: Notice.

SUMMARY: The U.S. Department of Transportation (USDOT) announces a Request for Letters of Interest from eligible applicants for an operational test of an electronic payment system for transit fare collection and other applications. The USDOT is interested in identifying and evaluating issues associated with the establishment of partnerships between public transit service providers and other entities in the development and use of multiple-application electronic payment systems. The Department is specifically interested in an operational test of a payment system that includes a variety of applications, with preferred emphasis on multiple transportation applications, government benefits applications, and retail applications. This Request for Letters of Interest will be followed by a Request for Proposals (RFP) at a later date. To assist potential respondents this notice contains proposed draft text of the RFP.

DATES: Letters of Interest shall be submitted by 4:00 P.M. EST on or before 60 days after the date of the **Federal Register** Notice.

RESPONSE FORMAT: Letters of Interest shall not exceed five (5) pages in length. A page is defined as one (1) side of an 8½ by 11-inch paper, line spacing no smaller than 1.5 with a type font any smaller than 12 pt. The first page of the Letter of Interest shall include the name, address, and telephone number of the individual to whom correspondence and questions may be directed. Within the Letter of Interest, the respondent is asked to provide a summary of a potential proposed operational test with goals and objectives consistent with proposed draft text of the RFP presented below. Respondents are also invited to include comments on the proposed draft text of the RFP below. These comments shall not exceed ten (10) pages in length and shall be submitted as an Appendix to the Letter of Interest.

ADDRESSES: Letters shall be submitted to Walter Kulyk, Director, Office of Mobility Innovation (TRI-10), Federal Transit Administration, 400 7th Street SW., Room 9402, Washington DC 20590 and shall reference Electronic Payment System Demonstration.

ELIGIBILITY: *It is important to note that only those agencies that submit Letters of Interest will be eligible to respond to the Request for Proposals.* The Request for Letters of Interest is extended to public agencies and organizations in the United States including public transportation agencies and operators, transportation authorities and commissions, metropolitan planning organizations, local Councils of Government, and State and local Departments of Transportation.

FOR FURTHER INFORMATION CONTACT: Sean Ricketson, Office of Mobility Innovation, (TRI-11), at (202) 366-6678.

SUPPLEMENTARY INFORMATION:**Proposed Draft Text of a Request for Proposals (RFP)**

The remainder of this notice contains proposed draft text of the RFP to be made at a later date. Please note that though the text is draft, Section II, Vision, Goals and Objectives, is final and will not change. The remaining text is subject to change and revision. Respondents should use the draft text to guide their summary proposals to be included in their Letters of Interest. Respondents are also invited to comment on the text.

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I. Background

Recent developments in card systems and card technology present a unique opportunity for public and private institutions to establish mutually beneficial partnerships in the development and management of electronic payment systems for transportation. Recent developments include stored-value card systems created by financial institutions, contactless smart card systems for public transportation, electronic toll collection systems on highways and card systems for human service agencies' program management and benefits delivery. Private industry and public agencies foresee substantial benefits in establishing partnerships to

develop further capabilities in electronic fee collection, delivery of benefits payments, funds transfer and financial clearinghouse functions. However, a number of institutional issues continue to restrict the formation of these partnerships. Through the development of an operational test this project intends to be a step toward identifying and addressing the complex institutional issues surrounding electronic fare payment systems in transportation.

II. Vision, Goals, and Objective(s)

The vision this operational test supports is one of improved public transit customer service and improved operational efficiency for transit providers. While the goals and objectives described below are focused on technical and institutional outcomes, the success of the test will be dependent upon whether it makes a positive contribution to the enhancement of public transit customer service and operational efficiency. This focus must be maintained throughout the planning, development and execution of the project by the grantee.

The goal of the operational test is to provide solutions to transit operators and other transportation and government service providers exploring the potential of integrating transportation payment systems with other payment systems and other applications. Additionally the operational test is intended to offer insight to those in the card industry, financial services industry, and other industries interested in becoming involved or integrating their services with a transportation payment system.

The objective of the operational test is to evaluate one or more transportation payment applications, one of which must be transit fare collection, within a card system of more than one card issuer and more than one service provider, with a financial institution functioning as a clearinghouse.

Additional objectives, if feasible, are to evaluate the viability and benefits of integrating a transportation payment system with a government benefits program and/or commercial stored-value card system (e.g., retail, telephone, etc.).

III. Definitions

Card issuer—the entity (e.g. transit agency, bank or financial institution, university, human service agency) that provides the card media (and may be identified on the media) and reconciles with participating service providers based on the stored value they have received from users.

Service provider—an entity (e.g., transit agency, retail store, university, human service agency, telephone company) which provides a service or product in exchange for payment via the card system.

Financial institution—bank or financial service company.

Application—a use or purpose for the card and card system, such as fare collection, telephone, welfare benefits, or electronic cash.

Government benefits program—disbursement of benefits by local, State, or Federal government to eligible customers. Examples include food stamps, welfare programs, and Social Security.

Clearinghouse—an entity or organization responsible for collection, reconciliation and settlement of customers' transactions among the participants of the card system. Additional tasks may include managing support functions of the system. These functions can include card management, issuance, distribution, revenue management, customer service and marketing.

Stored value card—a card application where monetary value is stored on a card in an electronically readable form. Card reader devices deduct the appropriate amount from the card. Stored value cards can be implemented with a variety of technologies including chip cards and conventional magnetic stripe cards.

IV. Project Development

A. General

The operational test will need to achieve an optimal balance of meeting local needs while also providing a worthwhile national model of payment system coordination and partnerships for implementation in other locations.

B. Management Oversight

The operational test will be managed by the grantee and local partners in the project. Additional guidance will be provided by the FTA advisory committee composed of transit industry representatives that provides guidance on electronic fare payment activities. Any changes in project scope or direction will be made in consultation with this advisory committee. For this project, the committee may be augmented by experts from other industries as needed, such as financial institutions and human service agencies. Concurrently, this committee will direct a separately funded effort being conducted by USDOT to develop and document a set of guidelines for the integration of electronic fare payment

with other payment systems. These guidelines will assist individuals and agencies with the integration of a transit multi-use card with electronic payment systems for other uses, such as benefits transfer, toll collection, security, parking, retail, financial services, telephones, identification and access control. The results of the operational test are intended to contribute to the advancement of the guidelines document. In turn, the development of the guidelines document is intended to assist the advisory committee, the grantee, and local partners with the implementation of the operational test.

V. Partnerships

The USDOT will generally work with the lead public agency (grantee) participating in the partnership (State, City, Regional Agency, depending on site) to ensure the needed support to achieve the objectives of the field operational test. The USDOT will verify that the needed institutional, partnership and funding arrangements are in place. All necessary partnership arrangements and institutional agreements to support the project need to be specifically documented.

VI. National ITS System Architecture

The National ITS System Architecture provides a common structure for the design of Intelligent Transportation Systems (ITS). The architecture defines the function that must be performed to implement a given user service, the physical entities or subsystems where these functions reside, the interfaces/information flows between the physical subsystems, and the communication requirements for the information flows. In addition, the architecture identifies and specifies the requirements for standards needed to support national and regional interoperability, as well as product standards needed to support economy of scale considerations in deployment.

Proposals shall provide a "Statement of Intent" to design a system that is consistent with SAE J1708T Bus Vehicle Area Network, the National ITS Architecture, including the Transit Communications Interface Profiles (TCIP) and national ITS standards, protocols, or standards requirements as these emerge from the National ITS Architecture Development Program. Information about SAE J1708T may be obtained from the Society of Automotive Engineers, 400 Commonwealth Drive, Warrendale, Pennsylvania, USA, 15096-0001; phone: 412-776-4841, fax: 412-776-5760, or through the Internet at <http://www.sae.org>. Information about TCIP

can be obtained on the TCIP homepage at <http://www.tcip.org> or by contacting the Institute of Transportation Engineers 525 School St., S.W., Suite 410 Washington, DC 20024; phone: 202-554-8050. Copies of the Architecture Definition Documents, the draft Standards Requirements Document, and the Standards Development Program from the Architecture Development Program are available from ITS America, 400 Virginia Avenue, S.W., Suite 800, Washington, D.C. 20024, telephone 202-484-4847. Electronic copies are available on the ITS America Internet Homepage, <http://www.itsa.org>. These documents provide insight into the definition of the National ITS Architecture, and the emerging approaches being taken toward standardizing interfaces that would support the integration of transportation management components.

In developing plans for standards and architectural consistency, proposals should recognize the practical benefits of this requirement. The ability to integrate systems and exchange data among applications offers some of the strongest benefits of ITS. As an illustration of understanding of this point, plans should identify potential opportunities for integration and data sharing among fare payment and other systems and applications. Information about key indicators of the electronic payment component of the ITS metropolitan infrastructure and integration of it with other components can be found in, "Measuring ITS Deployment and Integration: August 1998" available through the Internet at URL <http://www.its.fhwa.dot.gov/cyberdocs/welcome.htm> the report is document number 4372 in the Electronic Document Library maintained at this website.

VII. Project Evaluation Activities

A major goal of the FTA is to promote development of innovative applications of advanced technologies. In order for the FTA to be able to encourage the widespread adoption of technological innovations, the technologies tested, and the results obtained must be analyzed, documented and reported. Accordingly, evaluations are an integral part of each field operational test and are critical to the success of the National ITS Program.

This electronic payment system operational test will be evaluated by the Volpe National Transportation Systems Center (Volpe Center) and its contractors. They will develop an Evaluation Plan which will specify the data collection requirements which will enable an assessment of the

achievement of the goals and objectives of the National ITS Program applicable to this project as well as the goals and objectives of the implementing organizations. They will assemble all the data collected in accordance with the Evaluation Plan, analyze these data, and prepare the Evaluation Report.

Although the Evaluation Plan will detail the specifics of the evaluation, it is anticipated that it will include an assessment of the technological issues, operational issues, customer acceptance, system reliability, attitudes of implementing organizations, implementation and continuing operational costs, integration issues, and a variety of institutional issues including partnership arrangements, legal issues, clearinghouse operation, the reason for selecting the type of system (closed or open), and the success in obtaining multiple agency participants.

The operational test partners (all participating agencies and institutions) will be involved in all phases of the evaluation. They will be expected to provide the local goals and objectives, review and comment on the Evaluation Plan, collect the data specified in the Evaluation Plan (including any surveys that may be necessary), provide information on external factors that may affect the project's results, and review and comment on the Evaluation Report prepared by the Volpe Center.

VIII. Funding

Federal funds available for this operational test will initially be \$1.3 million with an anticipated additional \$1.0 million available within one year of the grant award. Federal funding shall not exceed 50% of total project costs.

Implementing organizations will be required to furnish the specified evaluation data and perform reviews of evaluation documents. No additional Federal funding will be provided for this effort. The evaluation activities conducted by the Volpe National Transportation Systems Center (Volpe Center) will be funded separately by the FTA.

The USDOT, the Comptroller General of the United States, and, if appropriate, individual States have the right to access all documents pertaining to the use of Federal ITS funds and non-Federal contributions. Non-Federal partners must submit sufficient documentation during final negotiations and on a regular basis during the life of the project to substantiate these costs. Such items as direct labor, fringe benefits, material costs, consultant costs, and subcontractor costs, and

travel costs should be included in that documentation.

IX. Schedule

The project must remain operational for a period long enough to obtain valid evaluation data. The data collection period will be for a minimum of twelve (12) months from the time that the project is fully operational (i.e., all elements are working as intended). Upon the completion of data collection there shall be a six (6) month period of analysis and report coordination before a final evaluation report is submitted. The system shall remain operational throughout the evaluation process until the final report is received and accepted by the Department.

X. Proposals

The USDOT will select one (1) or multiple sites to evaluate the issues associated with the establishment of partnerships between public transit service providers and developers of stored value card systems, electronic payment systems and financial clearinghouses.

Applications should, where possible, focus on utilizing currently available card technology. The Department is specifically interested in an operational test that includes a variety of applications with the primary emphasis on multiple transportation applications, government benefit applications and retail applications.

Applications that offer the greatest potential for demonstrating and evaluating the benefits of using electronic fare payment in a multi-application transportation environment with a private partnership will be considered the most desirable.

Proposal Criteria

A proposal shall not exceed thirty (30) pages in length including title, index, tables, maps, appendices, abstracts, resumes and other supporting materials. A page is defined as one (1) side of an 8½ by 11-inch paper, line spacing no smaller than 1.5 with a type font any smaller than 12 pt. A proposals exceeding than thirty (30) pages is strongly discouraged. Ten (10) copies plus an unbound reproducible copy of the proposal shall be submitted. The cover sheet or front page of the proposal shall include the name, address and phone number of an individual to whom correspondence and questions about the application may be directed. Each proposal shall include a Technical Plan, Financial Plan, and a Management and Staffing Plan that describes how the proposed objectives will be met within the specified time frame and budget.

These plans should be structured so that they contain the following information.

A. Technical Plan

General Requirements

1. General Description of the local transit market and other proposed card system markets. Information shall include transit ridership statistics, outline of current fare collection process and payment media as well as any multi-modal aspects of the transportation system. Additionally, potential public/private agency(s) involvement such as partnerships, merchants, retailers, etc. must be outlined.

2. Interagency, public/private cooperative arrangements currently in place or planned, which will participate in the operational test and evaluation effort.

Concept Overview

1. Define existing infrastructure and support systems in place, e.g., current fare collection system and cash handling procedures, as well as current systems of those additional applications being considered for integration.

2. Describe how the existing infrastructure will be expanded and used to support the proposed system.

3. Describe the proposed system and how it will be integrated with other applications and participating institutions.

4. Summarize the expectations of the proposed system (e.g. costs, benefits, risks, operations, maintenance issues, plans, and system support).

Technical Approach

The technical approach will be judged on its ability to incorporate the requirements of a multi-application card system within a transit fare system. Proposals will be evaluated on demonstrated capability to integrate the requested scope of services with the necessary public and private sector partners in the transit environment.

Within the technical approach the following areas need to be clearly addressed:

1. Describe the goals and objectives of the system. These should include descriptions of both improved customer service and improved operating efficiency.

2. Describe the system design concept outlining extent of system integration, type of proposed media, settlement processes, and partners.

3. Describe implementation of the system in probable phases with funding for each phase clearly specified.

4. Describe the technical approach by which the system design concept will be

refined, developed, and operationally tested.

5. Document the schedule of work, assumptions and technical uncertainties, and proposed specific approaches to resolve any uncertainties.

6. Show evidence that the project team has thought through the service delivery part of the project design addressing such issues as: who will use the new payment media; and what problems will it solve for the participating transportation providers? What will the benefits of the new system be and how will the project team market the system to the rider?

7. Describe the plan for concluding the operational test (Closure Plan), indicating whether hardware, software, and infrastructure will remain in revenue service, be sold, or returned to participating vendors, if applicable. Closure Plans may be contingent upon the results of the operational test, in which case more than one Closure Plan may be developed.

B. Management and Staffing Plan

Provide names and positions of all personnel related to managing the project. Identify key management/control responsibilities for system database and the overall system. Provide a timeline and define key milestones and deliverables for the project for each funding year. Provide estimated professional and technical staffing in staff-months and staff-hours. Demonstrate that the project manager is capable, available and able to commit to a level of involvement that ensures project success. Include biographical data on key management personnel.

C. Financial Plan

Provide a description of total project costs and sources of matching funds, if applicable.

Provide a system budget identifying costs for system design, development, implementation, project management, operations, maintenance and evaluation support.

The applicant's evaluation support costs shall include the following information:

Breakdown costs identifying them by one of the following: (1) Local; (2) State; (3) Private; (4) Federal ITS; (5) Other Federal-aid; (6) Other (describe). Note: Costs attributed to Federal dollars proposed to be received through award of this operational test are Federal ITS.

Provide cost estimates by phase by funding year as defined in the technical plan.

All financial commitments to the project from both public and private sectors shall be documented in signed MOU's and included in the proposal.

The proposal shall provide an in-depth description and assessment of the total cost of achieving the objectives of the Electronic Fare Payment System field operational test. The Financial Plan should describe a phased approach that delineates what will be accomplished with the project funding.

The proposal should provide a comprehensive, concise plan that ensures systems integration of the functions necessary to support an electronic payment system for fare collection. The plan shall include a discussion of the ways in which design, acquisition, construction, and other procurement activities will affect systems integration.

XI. Proposal Evaluation Criteria

The primary evaluation criterion for the proposal will be the degree to which the proposal demonstrates common use of a multi-use card payment system with a multi-modal approach. It is important to note that the proposal

needs to demonstrate not only regional applicability but provides the baseline for a national model. The proposal should emphasize in detail the nature and arrangement of the proposed public-private partnerships. The proposal will also need to illustrate the potential benefits as well as the associated risks and costs to the transit agency(s). The demonstration test will provide an opportunity to document and collect data that will be shared with the industry. Additionally, the grantee will need to specify how the demonstration test can contribute to the continued development of the design guidelines document.

Significant consideration will be given to those projects with greater levels of private and local funding contributions.

Significant consideration will be given to those projects involving public agencies with previous work or experience developing and integrating electronic payment systems.

All applicants must submit an acceptable "Technical Plan," "Financial Plan," and "Management and Staffing Plan," that provide sound evidence that the proposed partnership can successfully meet the above stated objectives.

Issued: November 18, 1998.

Edward L. Thomas,

Associate Administrator for Research, Demonstration and Innovation, Federal Transit Administration.

Dennis C. Judycki,

Associate Administrator for Safety and System Applications, Federal Highway Administration.

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