

2nd June 2023

The Hon. Daniel Andrews MP
Premier
1 Treasury Place, Level 1
Melbourne, Victoria
Australia, 3002

Dear Sir:

We are writing to bring to your attention our serious concerns about possible errors in the tender process of the Future Public Transport Ticketing (PTT) Project procurement. These errors could impact Victorians for many years to come.

Victorians Deserve a World Class Ticketing Solution

As a recognised leader in providing world class sporting events and supporting its population with the best in infrastructure, public transport networks and social programmes, we understood the State was looking for a world class provider to replace the existing Myki system and for Victorians to enjoy the same customer experience in public transport ticketing long enjoyed by cities like New York, London & Sydney. We urge you to personally consider if the right decision was made given the State's desire for a world-class ticketing solution.

Cubic Is the Provider of The Advanced Technology and Services Sought by Victoria and used by the World's Largest and Most Complex Public Transport Cities

As the leading provider of electronic public transport ticketing systems around the world, we are proud to have developed, installed and maintain public ticketing systems in many of the world's largest public transport cities, including London, New York, San Francisco, Chicago, Greater Sydney, and Southeast Queensland. Cubic has successfully delivered projects around the world and has consistently been selected in procurements for those cities based on our proven products/services and ability to deliver these technologies on time and on budget. We have successfully developed and delivered open payment systems via credit card, phone and wearables on transport, and account-based ticketing solutions. In addition, we have partnered with other leading innovators such as Apple to deliver payments from the mobile wallet. Given Cubic's track record of success, we urge you to personally evaluate if the right decision was made, particularly since the selected provider has not yet successfully delivered the technologies and services that the State is seeking.

Procurement Decision Debrief and Possible Grounds for Protest

On Friday May 26, 2023, we received a debrief from the procurement team. Cubic submitted multiple questions in advance of the debrief, but the procurement team was not willing to answer many of our inquiries as to why Cubic and its proven solution was not the preferred bidder. Based on what we did learn, however, we believe that the procurement team has failed the State in the following areas:

1. Lack of Independent Verification of Tender Representations

The procurement team indicated that it relied solely on the bidders' representations contained in documented responses when evaluating a proposed solution's capabilities, and did not evaluate references or bidders' fielded capabilities during site visits or through inquiries to other transit authorities. It was our understanding that these reference checks & site visits were to be used to verify that all DoT required technologies and services were successfully deployed by the bidders and providing the intended benefits to patrons of the systems. We believe the procurement team's failure to conduct reference checks & site visits (or, if it did, to not rely on them in its evaluation) led to Cubic's Proposal being evaluated as inferior to the competitors. The successful respondent overstated its experience and progress in many jurisdictions. For example, Minister Carroll publicly announced that "...we are taking a system that has been tested in Paris, in Dubai, in Montreal, in New Jersey and bringing that system here to Melbourne." If the systems from these cities are implemented in Melbourne much of the technology requested and required in the tender will not be delivered as there are significant gaps between what the State has requested and what is deployed in each of these cities. For example, Paris, Montreal, and New Jersey do not have the ability to use credit card payments or payment by phones. In Dubai, there is a tender currently in progress for the products and services required under the DoT tender (open payment, mobile, account-based) with no award or contract yet completed.

Not only would this information have been accessible through the customer reference check process, but it is also available through a search on the internet. Cubic stands by its references and believes that the procurement team could have (and should have) validated that Cubic has successfully implemented open payment, account based and mobile solutions for our referenced customers at scale. We understand the State provided funds for site visits so the procurement team could independently validate bidders' references; however, it does not appear that any information procured during those site visits was used in the assessment of the respondents.

2. Key Areas Which the State Has Later Relied Upon to Justify Not Proceeding with Cubic's Proposal Were Not Raised in the Target Proposal Improvement Process or Were Resolved in That Process

During the debrief session, Cubic was notified that its RFP response showed a lack of detail and substantiation regarding its proposed solution and was deficient in several areas of its response. Cubic finds this position odd, as it has competed against the successful respondent in multiple tenders and, in every case, been identified as the technically superior, lower risk solution. On 10 February 2023 Cubic was notified that it would be working with the State for a Targeted Proposal Improvement Process "TPIP" of which Cubic would be one of two respondents. According to the State, Cubic's offer was compelling enough at that time for Cubic to be able to participate in the TPIP, but the State did identify areas of Cubic's Proposal that it felt were materially non-compliant with its requirements. The State further said if these were not addressed it could lead to the State no longer proceeding with Cubic. Cubic addressed each of these concerns in its final Proposal and continued to participate in the tender process. During the debrief, however, the procurement team raised technical concerns that had never been previously raised, either as part of the TPIP or in various interactions with the procurement team. For example, the procurement team stated, for the first time in the debrief, that Cubic did not include sufficient detail to substantiate our compliance to the Functional Performance Specification (FPS) regarding banking arrangements. It is worth noting that the Cubic systems deployed in major cities mentioned above all successfully interface with banking institutions.

3. Cubic May have Provided a Lower Cost Proposal with Better Value for Money

While the State would not specifically state what price it used to evaluate Cubic's offer, based on information received during the debrief we believe Cubic's price was lower than the successful respondent's price. The award was announced as a \$1.7bn contract, which includes the design and build phase, and 15 years of operations and maintenance including option years. Cubic's submitted price for the equivalent period of performance was \$1.6bn. When asked what price was used to evaluate Cubic's proposed solution during its evaluation, the procurement team declined to provide an answer. It is also worth noting that Cubic's proposed new equipment satisfies the accessibility aims of the DoT and has been proven with the use of open payment and mobile phone technology – a system 'out of the box on day one' that would deliver a fresh, forward-looking service that the \$1.7bn contract price warrants. This is unlike the higher priced solution offered by the successful bidder.

4. The State Unfairly Gave the Successful Proponent Additional Time to Improve Their Offer

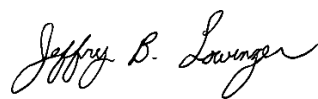
We understand that the State had significant discussions and interactions with the successful bidder well after Cubic's submission on 21st April 2023. This gave that bidder a significant opportunity to explain and improve its offer, an opportunity that was not given to Cubic despite having a lower priced, technically superior offering. These actions by the procurement team did a disservice to the State by reducing the competitive tension during the tender process, and it prevented the State from potentially receiving an improved offer from Cubic had it had similar discussions and interactions with Cubic.

Considering all the information above Cubic asks you review the flawed procurement process for the PTT and suggest the result be re-evaluated to ensure that Victoria receives innovative technology solution its residents desire and deserve.

Cubic remains ready willing and able to deliver Victorians the best value for money ticketing solution offering advanced proven technology that has operated across the globe at scale and complexity.

Jeff Lowinger, SVP and President of Cubic Transportation Systems, will be in Australia starting the 5th June 2023 and would welcome the opportunity to meet with you to discuss the matters raised in this letter and the opportunity for Cubic to improve the lives of all Victorians by correcting the error that has been made in this procurement.

Yours sincerely,



Jeffrey Lowinger
President & Corporate SVP
Cubic Transportation Systems



Stevan Slijepcevic
President and Chief Executive Officer
Cubic Corporation