

**Date:** 8 July 2016

**Item:** Commercial Exploitation of Contactless Systems

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**This paper will be considered in public**

**1 Summary**

- 1.1 This paper provides the Committee with an update on the proposals concerning the commercial exploitation of TfL's intellectual property (IP) and knowledge in its back office software for contactless payment systems following the discussion at the Committee's meeting of 21 April 2016.
- 1.2 On 17 March 2016, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 18 March to 18 July 2016. Approval from the Committee is sought now in order to meet the programme required by commercial counterparties.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

**2 Recommendations**

- 2.1 **Acting under authority delegated by the Board on 17 March 2016, the Committee is asked to:**
- (a) **note the content of this paper and the related paper on Part 2 of the agenda;**
  - (b) **approve the transaction described in this paper and the paper on Part 2 of the agenda and authorise the TfL Officers and Subsidiaries described in paragraph 2.2 below to:**
    - (i) **agree the terms of any agreement between Transport Trading Limited and the commercial third party for the provision of the licence of the ticketing back office software and the associated services (the Agreement) including, if required, the provision by TfL or a Subsidiary of a guarantee and/or a bond; and**
    - (ii) **agree the execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) of any documentation to be entered into in connection with the completion and implementation of the Agreement and any of the matters referred to in it (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**

(c) authorise the TfL Officers and Subsidiaries to do all such things as they consider necessary or desirable to the implementation of the Agreement.

**2.2 The following Officers and Subsidiaries shall have delegated authority:**

- (a) TfL Officers: the Commissioner, Chief Finance Officer, Managing Director Customers, Communication & Technology and General Counsel; and
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited (TTL) and any other subsidiary (whether existing presently or to be formed) of TTL and the directors of such authorised company shall be act for and on behalf of that company.

### **3 Background**

- 3.1 TfL has developed and owns the intellectual property in the back office software used for processing contactless bank card payments (the Software) for fare collection on TfL's transport network. This intellectual property supports the collection of over £18 million in revenue each week. In-house development of this intellectual property was a departure from our normal process of buying software development from third parties.
- 3.2 TfL has been looking at various opportunities to exploit the ownership of the IP and knowledge it has developed in the Software by licensing its use to private sector third parties and other transport authorities on a commercial basis.
- 3.3 A proposal to license the Software with a third party is set out in the paper on Part 2 of the agenda. The terms proposed will grant a non-exclusive, perpetual worldwide licence to one party, while retaining scope for future licences to be granted to other interested parties.

#### **List of appendices to this report:**

A paper containing exempt supplementary information is included in Part 2 of the agenda.

#### **List of Background Papers:**

Finance and Policy Committee papers - 21 April 2016

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