

To NORA KELLY, ASSISTANT SECRETARY.



From DOUG ALLAWAY, TICKETING AND REVENUE MANAGER (OPERATIONS).

London Underground Limited

Our ref 175/DWA/25002.
Your ref
Telephone 43522.
Date 12 OCTOBER 1988.

PRE-PAID "CASH" CARDS.

I have had an approach from Barclays Bank (Graham Reeves, Research Section, Northampton) in conjunction with Westinghouse Cubic Limited, the contractors for UTS equipment, concerning a proposal by Barclays to introduce pre-paid plastic card as a note/coin substitute through the retail market.

Barclays Central Retail Services Division would like to involve London Underground from the beginning with a view to our passenger operated machines accepting pre-paid cards in lieu of cash and where possible dispensing such cards at stations where we presently have provision to install further devices.

In essence Barclays would like to undertake a feasibility study commencing with a market research programme extending into February next year followed by a pilot scheme covering several locations. They have indicated a willingness to fund the operations.

I consider this to be of considerable advantage to London Underground not only in providing more attractive ways of marketing sales but can see considerable scope for savings in cash handling and improving the lead time in crediting revenue into our bank account thus gaining more opportunity for interest.

I feel this is important enough for Barclays to do a short presentation to Executive members of the Underground Board, including other General Managers, such as Clive Butcher, Chris Angel and Richard Meads. Barclays are prepared to undertake a presentation lasting no more than one to two hours including discussion, but would obviously like to do so within say the next three to four weeks. I should be glad if you could advise the best way that this could be achieved. I think that Director representation should be at least the Managing Director, Operations Director, Marketing Director, Finance Director and Company Secretary. The engineering side is not quite so critical at this stage. Barclays would of course like to be accompanied by the Managing Director of Westinghouse Cubic Limited, Peter Clayton. I will advise Barclays and Westinghouse Cubic Limited if you are able to set a date.

C.J. BUTCHER, FILE, FLOAT.

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Proposal for London Underground Ltd

1. The role of Barclays:

As an established national and international banking group, Barclays has an interest in the development and improvement of payment and money transmission systems. With a vast experience of, and facility for, cash handling, account reconciliation and settlement, Barclays is keen to support fresh initiatives in mass markets. The banks' Central Retail Services Division based in Northampton is researching payment systems which are based on the use of plastic cards and which can be delivered from a central point.

2. Payment on London Underground:

To the outsider it seems that London Underground is obliged to cope with millions of low value cash transactions each week. Handling cash in bulk is time consuming, physically demanding and is beset with problems of security and transport - in short it is expensive and offers little reward.

Barclays believes it has a solution which will reduce the size of the problem.

3. Pre-paid cards:

It is technically possible to purchase tickets from an automated ticket dispenser using a pre-paid plastic card rather than notes or coin. Such a facility would be available to all members of the public at retail outlets away from London Underground ticket offices thus removing cash from the system.

4. Proposal:

Barclays Central Retail Services Division would like to undertake a feasibility study into the use of pre-paid cards for the purchase of tickets on the London Underground.

Barclaycard will bear the cost of the study but will need commitment from London Underground to provide relevant facts and information.

5. The way forward:

- i) London Underground Ltd to agree to Barclays proposal.
- ii) London Underground and Barclays to draw up, jointly, terms of reference for the study.

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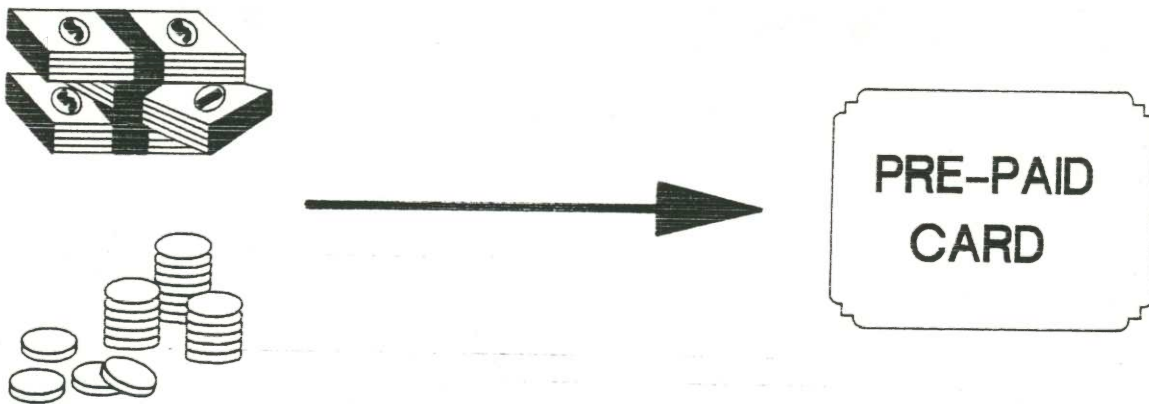
A PROPOSAL FOR LONDON UNDERGROUND

PRE-PAID CARDS

PRESENTED BY: BARCLAYS C.R.S.D.

WHAT IS A PRE-PAID CARD ?

NOTES AND COINS STORED ON A CARD



- * MAGNETICALLY ENCODED PLASTIC OR POLYESTER CARD
- * STANDARD CREDIT CARD DIMENSIONS BUT ABOUT HALF THE THICKNESS

BENEFITS OF A PRE-PAID CARD

THE CUSTOMER:

- * CONVENIENCE
- * TRANSFERABILITY
- * FLEXIBILITY
- * CLEANLINESS

THE SERVICE PROVIDER:

- * REDUCED CASH HANDLING
- * IMPROVED OPERATIONAL EFFICIENCY
- * PROVIDES FLEXIBILITY IN PRICING STRUCTURE
- * ENHANCES EXISTING REVENUE COLLECTION METHODS

KEY MARKETS

- * TRANSPORTATION
- * LEISURE
- * COMMUNICATIONS
- * VENDING

COMMON THEME

- * PREDOMINANTLY CASH BASED
- * HIGH VOLUME - LOW VALUE TRANSACTIONS
- * CURRENTLY OPERATING PRE-PAYMENT SYSTEMS

THE PROPOSAL

BARCLAYS AND LUL WILL INTRODUCE A RANGE OF PRE-PAID CARDS WHICH WILL ALLOW FOR THE PURCHASE OF TICKETS FROM LUL'S EXISTING PASSENGER AUTOMATED TICKETING SYSTEM

PRE-PAID CARDS WILL BE AVAILABLE FROM :-

- * RETAIL OUTLETS
- * VENDING MACHINES
- * DIRECT FROM BARCLAYS C.R.S.D.

WHY LUL ?

- * **PREDOMINANTLY CASH BASED**
- * **SCALE OF OPERATION**
- * **COMPLIMENTS EXISTING AUTOMATION**
- * **GEOGRAPHICAL LOCATION**

WHAT IS LUL'S ROLE ?

TO PLAY A MAJOR PART IN THE
INTRODUCTION OF PAYMENT AND
TICKETING METHODS WHICH WILL
SERVE PASSENGERS INTO THE
NEXT CENTURY

WHAT ARE THE BENEFITS TO LUL ?

- * REDUCTION IN CASH HANDLING

- * IMPROVED OPERATIONAL CONTROL

- * ENHANCED UTILISATION OF THE PASSENGER
AUTOMATED TICKETING SYSTEM

- * BENEFITS THE INTRODUCTION OF PENALTY FARES

- * THE OPPORTUNITY TO ENTER NEW MARKETS

WHAT IS BARCLAYS ROLE ?

- * TO ADMINISTER AND SUPPORT THE
PRE-PAID CARD SYSTEM**
- * PROVIDE A CENTRALISED SYSTEM FOR
THE RECONCILIATION OF CARD SALES**
- * PROMOTE AND DELIVER A RANGE OF
CARDS TO THE MARKETPLACE**

WHAT IS WCL'S ROLE ?

- * TO ENSURE THAT THE INTEGRITY OF THE
PASSENGER AUTOMATED TICKETING
SYSTEM IS MAINTAINED
- * TO PROVIDE ALL NECESSARY MODIFICATIONS
TO THE SYSTEM IN ORDER TO ACCOMMODATE
THE PRE-PAID CARD EQUIPMENT

THE NEXT STEPS

- * AGREEMENT BY LUL THAT BARCLAYS
UNDERTAKE A FEASIBILITY STUDY**

- * LUL AND WCL TO NOMINATE PERSONNEL
TO ACT AS LIAISON WITH BARCLAYS**

- * AGREE A TIMETABLE FOR RESEARCH,
PREPARATION AND PRESENTATION OF
THE FEASIBILITY REPORT**