SCHEDULE 7

Charging

1. **Scope**

1.1   In this schedule the following matters are dealt with:

(A)   the Milestone Payments, Service Charges and other sums to be invoiced to TfL for the Services provided and the amounts of Liquidated Damages;

(B)   the required contents of the Service Provider's financial model;

(C)   the method by which the Service Provider must issue Invoices in respect of the Service Charges and other sums;

(D)   the format in which Invoices should be submitted; and

(E)   a "true up" mechanism in respect of Transferring Employees.

2. **Milestone Payments and Charges**

2.1   Table 1 set out in paragraph 4 below sets out the Milestone Payments payable by TfL to the Service Provider in respect of successfully achieved Milestones in relation to the Core IT Services to be achieved in the Implementation Phase, as evidenced by Approval in accordance with schedules 3 (Milestones and Deliverables) and 4 (Testing Regime).

2.2   The process for calculating the Service Charges payable to the Service Provider for the provision of services during the Operational Phase and the mechanism for changing the basis on which the Variable Monthly Charge is calculated is set out in schedule 8 (Operational Pricing).

3. **Service Provider's Account**

3.1   Payments by TfL to the Service Provider in accordance with this schedule shall be made to the following account:

[Information Redacted]

4. **Milestone Payments and Liquidated Damages**

4.1   In consideration for the achievement of certain Milestones in relation to the Core IT Services in accordance with schedules 3 (Milestones and Deliverables) and 4 (Testing Regime), TfL shall pay the Service Provider such Milestone Payments as are detailed in Table 1 below.

4.2   The Milestones shall not be incentivised over and above the Milestone Payments set out in Table 1.

4.3   In the circumstances set out in clause 17.1 (Consequences of Delay in achieving Milestones), Liquidated Damages shall be payable by the Service Provider to TfL on demand for each calendar day or part calendar day on which the achievement of that Milestone is delayed beyond the relevant Milestone Date, from and including the relevant Milestone Date to but excluding the date on which TfL issues a Milestone Notice in respect of the Milestone, as specified in Table 2 below.

4.4   In relation to the Additional Services, Liquidated Damages shall be payable by the Service Provider to TfL in respect of delay in achieving Milestones relating to the implementation of such Additional Services in the amounts set out in the programme for delivery of such Additional Services, to be established in accordance with schedule 33 (Additional Services) and schedule 9 (Change Control Request Procedure).

4.5   If additional Milestones are agreed as part of the Change Control Request Procedure, Liquidated Damages shall be payable by the Service Provider to TfL in respect of delay in achieving those Milestones in such amounts (such amounts to represent a genuine pre-estimate of the loss which TfL would suffer as a result of the Service Provider failing to achieve the relevant Milestone by the relevant Milestone Date and the consequent delay in achieving such milestone) and on such basis as is agreed as part of the Change Control Request Procedure.

4.6   Any dispute as to the quantum of Liquidated Damages payable shall be referred to the Dispute Resolution Procedure.

4.7   The parties agree that the retention by TfL of sums or deduction of any sums from a particular Milestone Payment in accordance with this Agreement will not result in an increase in any other Milestone Payment.

4.8   **Table 1**

Milestone	Milestone Payments (£)
(1) End of planning	*[Information Redacted]*
(2) Design Start	*[Information Redacted]*
(3) Software Development start	*[Information Redacted]*
(4) Infrastructure and Accommodation Design complete	*[Information Redacted]*

(5) Data Migration Planning complete	*[Information Redacted]*
(6) Design complete	*[Information Redacted]*
(7) System Testing start	*[Information Redacted]*
(8) Software Development complete	*[Information Redacted]*
(9) Infrastructure Installation complete	*[Information Redacted]*
(10) Data Migration Testing complete	*[Information Redacted]*
(11) System Testing complete	*[Information Redacted]*
(12) Systems Integration Testing start	*[Information Redacted]*
(13) Technical Proving start	*[Information Redacted]*
(14) Systems Integration Testing complete	*[Information Redacted]*
(15) Technical Proving complete	*[Information Redacted]*
(16) Release 1 Ready for Service Testing start	*[Information Redacted]*
(17) Data Migration Execution complete	*[Information Redacted]*
(18) Release 1 Ready for Service Testing complete	*[Information Redacted]*
(19) Release 1 Initial Operations Review	*[Information Redacted]*
(20) Release 2 Configuration complete	*[Information Redacted]*

(21) Release 2 Ready for Service Testing start	*[Information Redacted]*
(22) Release 2 Ready for Service Testing complete	*[Information Redacted]*
(23) Release 2 Initial Operations Review	*[Information Redacted]*

4.9 **Table 2**

Milestone	Amount of liquidated damages per calendar day applicable where there is a delay in achieving a Milestone
(1) End of planning	*[Information Redacted]*
(2) Design Start	*[Information Redacted]*
(3) Software Development start	*[Information Redacted]*
(4) Infrastructure and Accommodation Design complete	*[Information Redacted]*
(5) Data Migration Planning complete	*[Information Redacted]*
(6) Design complete	*[Information Redacted]*
(7) System Testing start	*[Information Redacted]*
(8) Software Development complete	*[Information Redacted]*
(9) Infrastructure Installation complete	*[Information Redacted]*
(10) Data Migration Testing complete	*[Information Redacted]*
(11) System Testing complete	*[Information Redacted]*
(12) Systems Integration Testing start	*[Information Redacted]*
(13) Technical Proving start	*[Information Redacted]*

(14) Systems Integration Testing complete	*[Information Redacted]*
(15) Technical Proving complete	*[Information Redacted]*
(16) Release 1 Ready for Service Testing start	*[Information Redacted]*
(17) Data Migration Execution complete	*[Information Redacted]*
(18) Release 1 Ready for Service Testing complete	*[Information Redacted]*
(19) Release 1 Initial Operations Review	*[Information Redacted]*
(20) Release 2 Configuration complete	*[Information Redacted]*
(21) Release 2 Ready for Service Testing start	*[Information Redacted]*
(22) Release 2 Ready for Service Testing complete	*[Information Redacted]*
(23) Release 2 Initial Operations Review	*[Information Redacted]*

5. **Service Charges and other sums due**

5.1   TfL shall pay to the Service Provider each Month during the Operational Phase the total of all:

   (A)   charges payable to the Service Provider by TfL, which shall comprise:

      (1)   the Core IT Fixed Monthly Operational Charge;

      (2)   the Business Operations Fixed Monthly Operational Charge;

      (3)   the Enforcement Operations Fixed Monthly Operational Charge;

      (4)   the Variable Monthly Operational Charge;

(5)   the Change Resource Allocation Charge;

(6)   Management Fees and/or Novation Fees payable to the Service Provider by TfL in accordance with paragraph 7 below; and

(7)   the Operational Indirect Fixed Charge,

(together, the "**Operational Charges**" and each Month, the "**Monthly Operational Charge**");

(B)   the Business Operations Fixed Monthly Capital Charge;

(C)   the Enforcement Operations Fixed Monthly Capital Charge;

(D)   Incentive Payments due in accordance with schedule 5 (Service Level Agreement);

(E)   Pass Through Costs payable by TfL in accordance with paragraph 6 below; and

less:

(F)   Service Failure Deductions accrued and outstanding in respect of that Month;

(G)   any Service Failure Deductions accrued but not deducted from Service Charges paid in any earlier Month, for whatever reason (except where the application of such Service Failure Deductions has been waived by TfL in its absolute discretion in accordance with schedule 5 (Service Level Agreement), or otherwise due in accordance with schedule 5 (Service Level Agreement) (including without limitation to the generality of the foregoing because the Data provided by the Service Provider in respect of any earlier Month was incorrect);

(H)   any amounts due to TfL in accordance with schedule 23 (Gainsharing);

(I)   any costs due and payable to TfL by the Service Provider in accordance with paragraph 6.5 below; and

(J)   any other deductions due in accordance with this Agreement, including but not limited to the amounts of any overpayments made by TfL to the Service Provider.

5.2   The Service Charges and any Incentive Payments for the first and the last Months in the Operational Phase shall be pro-rated to reflect the number of days in that Month during which the Service Provider was providing the Services.

5.3   The Service Charges and the staff day rates for Grade 3 and Grade 4 staff set out in Table 2 of Annex G to schedule 9 (Change Control Request Procedure) shall be subject to adjustments on each anniversary of the Effective Date as follows:

(A)   the Core IT Fixed Monthly Operational Charge, Business Operations Fixed Monthly Operational Charge, Operational Indirect Fixed Charge, Enforcement Operations Fixed Monthly Operational Charge and the price per

unit per Volume Band in respect of each Priced Process (as set out in schedule 8 (Operational Pricing)) and the staff day rates for Grade 3 and Grade 4 staff set out in Table 2 in Annex G to schedule 9 (Change Control Request Procedure) will be adjusted in accordance with the following formula:

$$P_n = P_o \left(1 + L \frac{\{L_n - L_o\}}{\{L_o\}} + N \frac{\{N_n - N_o\}}{\{N_o\}}\right)$$

where:

Pn = new unit charge (or rate)
Po = previous unit charge (or rate)
L = percentage attribution for Labour, expressed as a decimal
N = percentage attribution for Miscellaneous, expressed as a decimal

Ln and Nn are the index figures six months prior to the date from which the price review shall take effect.

Lo and No are the index figures for the same month as Ln and Nn in the previous year.

(B) The attribution of costs referred to in paragraph (A) above shall comprise the following elements:

Table 3

Description	Attribution %	Related Index
Labour	80	BEAMA Contract Price Adjustment Clause and Formulae – BEAMA Labour Cost Indices – 1980 = 100
Miscellaneous	20	Combined Costs, Aerospace and Electronics Cost Indices as published in Table 3 of Business Monitor MM19

(C) The price review shall in each case reflect the sum of adjustment appropriate to the attributed elements of cost. Each such adjustment shall be calculated by comparing the related index figure for the month six months prior to the date from which the price review shall take effect and the same month in the previous year.

5.4 The staff day rates for Grade 1 and Grade 2 staff set out in Table 2 of Annex G to schedule 9 (Change Control Request Procedure) shall be adjusted on each anniversary of the Effective Date in accordance with the inflation rate applied by the consulting services division of the Service Provider (known as "IBM Global Business Services") to the rates for such staff set out in its internal rate card, provided that such rate shall not exceed the greater of:

(A) the rate would have been used if the formula contained in paragraph 5.3 of this schedule 7 were applied; and

(B) 6% (six per cent).

5.5   The Service Provider shall provide to TfL such evidence as TfL may reasonably require to demonstrate that the rate applied to Grade 1 and Grade 2 staff pursuant to paragraph 5.4 is applied consistently throughout the consulting services division of the Service Provider (known as "IBM Global Business Services") and is not specific to staff day rates under this Agreement or agreements with TfL generally.

6.   **Pass Through Costs**

6.1   TfL shall, subject to compliance by the Service Provider with, and TfL's rights under, the remaining provisions of this paragraph 6 and without application of any uplift, administration fee or similar by the Service Provider, pay certain of the costs properly incurred by the Service Provider in providing the Services and as further described in this paragraph 6 ("**Pass Through Costs**"). For the avoidance of doubt, all Service Charges payable by TfL as stated elsewhere in this Agreement shall exclude the Pass Through Costs.

6.2   The Pass Through Costs are:

        (A)   reasonable postage costs incurred by the Service Provider directly and exclusively in corresponding with Customers as part of the Services;

        (B)   reasonable call minute based charges for outgoing telephone calls by the Service Provider directly and exclusively in communicating with Customers through the Contact Centre(s) as part of the Services;

        (C)   reasonable costs of SMS messages incurred by the Service Provider directly and exclusively in communicating with Customers as part of the Services;

        (D)   fees payable to the Merchant Acquirer in respect of the Merchant Acquirer Service;

        (E)   in the event that the Service Provider is required to accept novation of one or more Supply Contracts pursuant to clause 55 (Novation and Management of Supply Contracts), subject to any contrary position agreed in accordance with that clause, any fees or charges payable by the Service Provider under the relevant Notified Supply Contract in respect of the goods and/or services provided under that Notified Supply Contract. For the avoidance of doubt, any expense, cost, liability, loss, damage, action, claim or proceeding in respect of which the Service Provider is liable under any Notified Supply Contract shall not constitute a Pass Through Cost; and

        (F)   payment of required registration fees payable per record to the TEC.

6.3   TfL shall not be responsible for payments due to Third Parties providing merchant acquirer services other than the Merchant Acquirer.

6.4   The Service Provider shall ensure that all Pass Through Costs incurred are fair and reasonable and represent the best value available to TfL, including without limitation by using bulk discount schemes to reduce costs. Without limiting paragraph 6.5 and clause 49 (Audit and Inspection) the Service Provider shall maintain and on request furnish such particulars as TfL may reasonably require in order that it may be satisfied that the Pass Through Costs incurred by the Service Provider are fair and reasonable. If TfL is not so satisfied it shall be entitled to reduce the amount of the

Pass Through Costs payable to such amount as is fair and reasonable.

6.5   TfL shall have the right to inspect and audit Pass Through Costs in accordance with clause 49 (Audit and Inspection). In the event that such inspection or audit reveals that the Service Provider has charged TfL, as Pass Through Costs, for items which are not properly payable by TfL in accordance with this paragraph 6, TfL shall be entitled to recover from the Service Provider the cost of such items and any further costs and expenses incurred by TfL in respect of the inspection or audit carried out by TfL, plus interest on such sums at the Interest Rate.

7.   **Novation/Management Fees**

Novation Fees and Management Fees shall be determined in accordance with clause 55 (Novation or Management of Supply Contracts), as applicable.

8.   **Financial Model**

The Financial Model is attached as Annex A to this schedule.

9.   **Charges For Changes**

9.1   For the avoidance of doubt any charges arising from the application of the Change Control Request Procedure are to be either:

(A)   payable as milestone payments; and/or

(B)   included in the Monthly Operational Charge; and/or

(C)   payable as a one-off payment to the Service Provider,

as may be agreed through the Change Control Request Procedure.

10. **Nature Of Invoices**

10.1 The Service Provider shall raise Invoices:

(A) in respect of Milestones delivered successfully in accordance with schedule 3 (Milestones and Deliverables) and this schedule 7 (Charging) in the format set out in Annex B to this schedule;

(B) for the Service Charges and deductions due in accordance with this schedule 7 (Charging) and schedule 8 (Operational Pricing) in the format set out in Annex C to this schedule; and

(C) for the Incentive Payments and Pass Through Costs (if any) properly payable by TfL under this Agreement.

11. **Currency Requirement**

11.1 In the event of the introduction of the Euro, on the basis of the Protocol on Certain Provisions Relating to the United Kingdom and Northern Ireland attached to the Treaty on European Union, within the UK or any part thereof, the Service Provider shall ensure that all Invoices shall contain all amounts in both Pounds Sterling and Euro as may be required by TfL.

11.2 The Service Provider shall incorporate protocols for dealing with rounding and currency conversion between pounds Sterling and Euros and vice versa, such protocols to be subject to the written agreement of TfL.

12. **Presentation of Invoices**

12.1 Invoices shall be presented to TfL on a Monthly basis. The Invoice for a particular Month shall be received no later than five (5) Working Days after the Performance Indicator Report Date for that relevant Month.

12.2 The Invoices must be addressed and delivered to:

Accounts Payable
Financial Services Centre
Transport for London
PO Box 50626
SW6 1YS

13. **Supporting Documentation**

13.1 Each Invoice provided to TfL will be supported by the relevant Performance Report and any other required documentation detailing performance and volumes during the Month in accordance with schedule 10 (Contract Management and Reporting) and schedule 5 (Service Level Agreement).

13.2 The amounts set out in each Invoice will be fully reconcilable with the supporting documentation.

14. **TUPE True Up**

[Information Redacted]

15. **Examples**

For the purpose of clarification and illustration only, worked examples of monthly charging are provided in Annexes B and C to this schedule. In the event that there is conflict between the examples and any other paragraphs in this schedule or any other part of the Agreement, the other paragraphs of this schedule and the other parts of the Agreement shall prevail, in accordance with clause 1.6 (Definitions and Interpretation).

ANNEX A

[Information Redacted]

ANNEX B

Invoice [Milestone Example]

TfL		Invoice Date:	20/07/2006
Address		Invoice Number:	XXXXXX
		Authority Purchase Order Ref:	TfL XXX

Milestone Payment
Reference – Schedule 7

Milestone Completion date   30/06/2006

	Amount £ Sterling	Amount £ Sterling
Milestone Payment Value	*[Information Redacted]*	
Less Agreed Retention [Note 1]	*[Information Redacted]*	
Less Other Deductions [Note 1]	*[Information Redacted]*	*[Information Redacted]*
Total Charges for the Month Excluding VAT		*[Information Redacted]*
Total VAT		*[Information Redacted]*
Total Amount Payable		*[Information Redacted]*

Note 1: Amount to be supported by attached calculation report

ANNEX C

Invoice [Fixed Charge Example]

TfL	Invoice Date: 20/07/2006
Address	Invoice Number: XXXXXX
	Authority Purchase Order Ref: TfL XXX

Schedule of Charges [Example]
Reference – Schedule 7

Fixed Month Charges

Period From: 01/06/2006 To: 30/06/2006

	Amount £ Sterling	Amount £ Sterling
Fixed Monthly Charge	*[Information Redacted]*	
Incentives Earned [Note 2]	*[Information Redacted]*	
Pass Through Costs	*[Information Redacted]*	
		[Information Redacted]
Total Charges for the Month Excluding VAT		*[Information Redacted]*
Total VAT		*[Information Redacted]*
Total Amount Payable		*[Information Redacted]*

Note 2: Amount to be supported by attached Incentives calculation report

Invoice [Fixed and Variable Charge Example]

TfL	Invoice Date:	20/07/20 06
Addre		
ss	Invoice Number:	XXXXXX
	Authority Purchase Order Ref:	TfL XXX

Schedule of Charges [Example]
Reference – Schedule 7

Fixed Month Charges
Period   From: 01/06/2006   To: 30/06/2006

	Amount £ Sterling	Amount £ Sterling
Fixed Monthly Charge	*[Information Redacted]*	
Variable Monthly Charge [Note 3]	*[Information Redacted]*	
Incentives Earned [Note 2]	*[Information Redacted]*	
		[Information Redacted]
Total Charges for the Month Excluding VAT		*[Information Redacted]*
Total VAT		*[Information Redacted]*
Total Amount Payable		*[Information Redacted]*

Note 2: Amount to be supported by attached Incentives calculation report
Note 3: Amount to be supported by attached variable calculation report

Invoice [Variable Charge Example]

TfL Address		
	Invoice Date:	20/07/2006
	Invoice Number:	XXXXXX
	Authority Purchase Order Ref:	TfL XXX

Schedule of Charges [Example]
Reference – Schedule 7

Variable Month Charges
Period   From: 01/06/2006   To: 30/06/2006

	Amount £ Sterling	**Amount £ Sterling**
Variable Monthly Charge [Note 3]	*[Information Redacted]*	
Incentives Earned [Note 2]	*[Information Redacted]*	
		[Information Redacted]
Total Charges for the Month Excluding VAT		*[Information Redacted]*
Total VAT		*[Information Redacted]*
Total Amount Payable		*[Information Redacted]*

Note 2: Amount to be supported by attached Incentive calculation report
Note 3: Amount to be supported by attached variable calculation report

Credit Note

TfL
Addre
ss

Credit Note Date:	20/07/2006
Credit Note Number:	XXXXXX
Authority Purchase Order Ref:	TfL XXX

Schedule of Charges [Example]
Reference – Schedule 7

Variable Month Charges
Period   From: 01/06/2006   To: 30/06/2006

	Amount £ Sterling	Amount £ Sterling
Service Failure Deductions against Invoice XXXXXXXX [Note 1]	*[Information Redacted]*	
		[Information Redacted]
Total Charges for the Month Excluding VAT		*[Information Redacted]*
Total VAT		*[Information Redacted]*
Total Amount Payable		*[Information Redacted]*

Note 1: Amount to be supported by attached Service Failure Deduction calculation report

Note 1 – Service Failure Deduction Calculation Report [Example]

Service Failure Deduction Calculation Report							
Period From: 01/06/06 - 30/06/06							
PI No.	PI Description	Band	Target	Reported Actual	Reported Variance	Service Failure Deductions	
						Per Unit	Total
						Total:	

Note 2 – Service Incentives Calculation Report [Example]

Service Incentives Calculation Report							
Period From: 01/06/06 - 30/06/06							
PI No.	PI Description	Band	Target	Reported Actual	Reported Variance	Incentives Per Unit	Total
							Total:

Note 3 – Variable Cost Calculation Report [Example]

Variable Cost Calculation			
Period From: 01/06/06 - 30/06/06			
Qty	Process	Unit Cost	Total
2,500	Process 1	*[Information Redacted]*	*[Information Redacted]*
650	Process 2	*[Information Redacted]*	*[Information Redacted]*
		Total:	*[Information Redacted]*