

Nevis Technologies Proposal

Date of meeting 13 December 2024

Date of report 3 December 2024

Report by Director of Finance & Corporate Support

1. Object of report

To update the Partnership on upcoming changes to arrangements for the delivery of ITSO smart ticketing services and to seek approval to dissolve the Nevis Technologies Ltd. joint venture.

2. Background

Nevis Technologies Ltd is a Joint Venture company that was formed between Ecebs Ltd and SPT in 2011 to provide an ITSO compliant smart ticketing solution. The joint venture was formed following a competitive procurement exercise to provide smart ticketing services for Subway.

Throughout the life of Nevis, Ecebs Ltd has been sold on multiple occasions and SPT has partnered with the various parent companies. In August 2023 Ecebs Ltd was purchased by Unicard, a major ITSO ticketing supplier in the UK market. Successive parent companies of Ecebs Ltd have (perhaps understandably) not held the same level of engagement or commitment to Nevis as the original owners who formed the joint venture.

The original vision for the Nevis Technologies was to deliver a multi-modal, multi-operator transport card to be introduced on Subway and expanded to other operators and modes in due course. This vision has largely been delivered - Nevis systems have supported the operation of Subway smart ticketing for more than ten years. More than 350,000 Subway Smartcards have been issued to customers in that time, while Subway Pay As You Go (PAYG) credit on smartcard has delivered over 35 million journeys worth more than £42 million.

Nevis currently supplies smart ticketing services to ScotRail, McGill's, Glasgow SmartZone (Tripper) and Lothian Buses.

Smartcard interoperability - the option for customer to use a card issued by one operator, e.g. ScotRail, to travel with another operator, e.g. Subway - is now well established through partnership working across the industry.

3. Current position

When Nevis was formed 13 years ago, ITSO ticketing was the best available technology for integrated ticketing. The technical landscape has moved on significantly since then with

customers and operators now looking for a wider range of options including mobile and cEMV (contactless payment).

Outwith the Nevis arrangement, SPT has progressed a number of ticketing developments such as Smart ZoneCard and the ongoing project for contactless payment at Subway. SPT continues to have a key role in shaping the future direction of smart ticketing, including through the Regional Transport Strategy and through membership of the National Smart Ticketing Advisory Board and other groups. From both a technical and strategic point of view, SPT is now well placed to progress further ticketing developments in its own right, rather than through the joint venture.

While new developments such as contactless payments, mobile ticketing, Account Based Ticketing and Mobility as a Service have continued to emerge in recent years, Nevis has only delivered a core ITSO offering. Nevis has delivered no new developments, even in the limited ITSO area, for the past few years and there are no ongoing advantages to remaining closely embedded with a single supplier.

SPT retains a requirement for ITSO smart ticketing back-office services for the Subway, to serve all customer journeys including for Concessionary travel which remains an ITSO based scheme. However, there is no longer a requirement for SPT to be part of a joint venture seeking to further promote the adoption of ITSO ticketing.

The benefits of continuing with Nevis as a joint venture have been minimal for SPT and for Unicard for some time now. Subway ticketing arrangements are not reliant on Nevis continuing as an entity. Any ticketing developments SPT wishes to take forward can and are being done outwith Nevis.

4. Upcoming Changes for Nevis Customers

Separate to the above, during 2024 Unicard has advised customers throughout the UK that the legacy Ecebs smart ticketing systems – including those used for Subway – are at end of life and will not be supported beyond July 2025. At the same time Unicard advised all Nevis customers that future contracts will be with Unicard directly and not with Nevis.

Customers currently using legacy Ecebs systems have the option to negotiate adopting Unicard systems instead, or consider other options in the marketplace.

While SPT were aware that the Ecebs systems would eventually be phased out in favour of Unicard platforms, Unicard did not engage with SPT in the context of the Nevis joint venture, and simply contacted all Nevis customers directly (including SPT). Since then SPT has been in discussions with Unicard about the contractual, financial and operational aspects of the upcoming changes while at the same time considering other suppliers/options, details of which are set out in section 6 below.

As a result of the above, from July 2025 Nevis will no longer have any customers. This change is happening irrespective of any decision regarding whether Nevis Technologies Ltd is or is not dissolved. This adds further weight to the argument that the joint venture has served its purpose.

5. Revenue and Operational Implications of dissolving Nevis

In terms of revenue implications for SPT of dissolving Nevis, SPT receives an annual management fee of £40k to cover the cost of SPT staff involved in Nevis, which primarily relates to managing Nevis's finances. There are no other revenue implications for SPT if the joint venture is dissolved. The net revenue impact of dissolving Nevis would be minimal for SPT.

There are no operational implications for SPT arising from the proposed dissolution of the joint venture. SPT will need to migrate from legacy Ecebs systems to a new platform, whether or not Nevis continues to exist.

6. Transition from Ecebs to Unicard Technology in July 2025

SPT has a contract with Nevis Technologies to October 2026 for the supply of ITSO smart ticketing services.

Following review, SPT have confirmed there is currently no other supplier able to meet our ITSO requirements (a HOPS back-office including ISAM management, a Cardholder Management System and a customer website) without significant additional up front capital investment. Longer term there is a possibility that ITSO technology could be phased out entirely, but for at least the next 3 to 5 years SPT need to maintain an ITSO infrastructure to accommodate all Subway customer ticketing requirements, including Concessionary travel on National Entitlement Cards.

While no transition of this nature is without a degree of risk, Unicard are proposing to transition Nevis customers from the legacy Ecebs technology onto existing, tried and tested Unicard technology. Unicard have already successfully transitioned a number of other organisations on to their platform which minimises the potential risk to SPT of this transition. Despite that, the technical transition arrangements will be closely monitored and tested by SPT throughout the transition process. This transition process is entirely separate to and independent from any decision about the future of Nevis Technologies Ltd.

An agreement has been reached to novate the existing contract from Nevis to Unicard. Through this agreement Unicard have agreed to waive capital costs for technical migration which would normally apply to a new customer.

SPT has considered other options currently available in the marketplace, which are limited – there are a very restricted number of ITSO accredited HOPS suppliers. For SPT, novating the Nevis contract to Unicard is the least expensive option overall.

7. Proposal Regarding the Future of Nevis Technologies Ltd

Unicard have indicated they would be agreeable to dissolving the company. Having considered the options and implications, this would be the preferred option for SPT too. See Appendix 1 for further information on the SPT considerations.

The existing Joint Venture Agreement is valid up to October 2026. However, from July 2025 Subway smart ticketing back-office services will be provided by novation of the contract from Nevis Technologies to Unicard as part of their hardware upgrade as detailed in section 4 of this report. The dissolution of Nevis beyond that point will therefore have no operational impact on SPT ticketing services.

The decision of whether or not to dissolve the Nevis Technologies joint venture lies with the company shareholders. Unicard own 51% of the shares and SPT owns the other 49%. The Partnership are therefore asked to authorise officers to negotiate the dissolution of Nevis Technologies with Unicard during 2025, with a view to dissolving the company at the time Unicard are withdrawing support for the current Ecebs hardware, July 2025.

8. Partnership action

The Partnership is recommended to authorise SPT officers to negotiate the dissolution of Nevis Technologies Ltd to be effective post July 2025.

9. Consequences

Policy consequences	<i>The delivery of smart and integrated ticketing will not be impacted by this proposal.</i>
Legal consequences	<i>SPT's legal team have been fully engaged regarding the future of Nevis Technologies Ltd.</i>
Financial consequences	<i>The dissolution of Nevis Technologies Ltd may generate some one-off income for SPT if the company is dissolved and the reserves balance is split as set out in this report.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequence	<i>None.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

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APPENDIX 1

Closing Nevis Technologies Ltd - Practical Considerations

1. Continued services to Nevis's customers (SPT's stakeholders) including SPT

SPT and Unicard are agreed that good customer service is paramount. Existing Nevis customers are all in the process of being transitioned to alternative arrangements from July 2025. Both Unicard and SPT are committed to ensuring that good communications are maintained with Nevis customers throughout this process.

2. Options for ending the Nevis arrangement

a. One party buys the other parties shares in Nevis

SPT and Unicard have both confirmed that they have no interest in buying the other party's shares in Nevis, so this is not a viable option.

b. The company is made dormant – pros and cons

Pros	Cons
<p>Future Flexibility: If there is a need to revive the business in the future making the company dormant keeps that option open</p> <p>Cost-Effective: Keeping a company dormant is generally cheaper and involves less paperwork than dissolving and potentially re-establishing a new company later.</p>	<p>Ongoing Maintenance: The company would still need to file an annual confirmation statement and dormant company accounts, albeit that these are simpler and less costly than accounts for an active company.</p> <p>Assets remain in business: dissolving the company means that its assets will remain</p>

c. The company is dissolved

Pros	Cons
<p>No Ongoing Maintenance: Once dissolved there are no further administrative tasks</p>	<p>Lengthier Formal process required to close the company: involves administrative steps and fees. Agreement would need to be reached on how to distribute remaining assets. Formal legal advice may be required as part of the process.</p>
<ul style="list-style-type: none">• Permanent solution: If SPT and Unicard are certain that the company is no longer needed then dissolving it is the best option and offers a permanent solution. This could be considered both a pro and a con.	

Based on the above, option c is probably the best longer-term option as it removes the burden of annual returns and accounts and allows the company assets to be dispersed between the two parties.