

Budget and Performance Committee – 3 July 2014**Transcript of Item 3: Viability of London's Sponsored Transport Schemes**

John Biggs AM (Chairman): The next item is the viability of London's sponsored transport schemes. We have two guests from Transport for London (TfL) and two external guests.

Jackie Fast (Managing Director, Slingshot Sponsorship): My name is Jackie Fast. I am the Managing Director of an agency called Slingshot Sponsorship. Our head office is based here in London but we also have offices in Brazil, Singapore and Oslo. Our unique selling proposition (USP) is digital, forward-thinking, innovative partnerships.

Richard Busby (Chief Executive, BDS Sponsorship): My name is Richard Busby. I am Chief Executive of BDS Sponsorship. We have done work for TfL in the past, not recently, so there may be some relevance from that perspective.

John Biggs AM (Chairman): We started off as a Committee and indeed as an Authority with a fairly primitive understanding of what we meant by sponsorship. I suggest we are probably still there.

Graeme, what are your objectives for the next cycle hire sponsorship contract? Because that is the big one.

Graeme Craig (Commercial Director, TfL): We have discussed cycle hire sponsorship on a number of occasions. I have acknowledged the work that the Committee has done and there are lessons that need to be applied. Part of the objectives in terms of taking cycle hire sponsorship forward is incorporating those lessons and we will no doubt delve into this to some extent during the course of the next hour or so. It is to ensure that we identify a sponsor who is committing substantial sums and we have indicated a desire to get a sponsorship level of £5.5 million a year for a sponsorship length and we are saying that our preferred length is at least seven years.

John Biggs AM (Chairman): Are you saying at least £5.5 million?

Graeme Craig (Commercial Director, TfL): Yes, at least £5.5 million, at least seven years. We are looking for a sponsor who is committed to cycling in London and committed to taking forward cycle hire in London. The next iteration of the sponsorship will also incorporate the re-let of the existing Serco contract, which, as we discussed last week, incorporates the ability to take forward cycle hire more broadly. Isabel [Dedring, Deputy Mayor for Transport] alluded to the fact that the key elements of that include incorporating cycle hire more into the transport network in London, including - but not just - from a fares and ticketing perspective. We are after someone who (a) is willing to invest and (b) will leverage the organisation's resources. This would include a combination of helping to activate the scheme themselves, not only through marketing, but also bringing ideas and whatever resources that organisation might have in order to ensure the cycle hire scheme is as successful as it can be.

Primarily, we are not looking for someone who is just looking for their name to be on the side of lots of bikes and lots of infrastructure across London. We are looking for someone who wants to work with us in terms of shaping how cycle hire is taken forward and, yes, part of that is that we are looking for a very substantial financial contribution as well.

John Biggs AM (Chairman): You might accept a lesser degree of sponsorship from someone who meets those objectives than from someone who is merely interested in having their name on a bike?

Graeme Craig (Commercial Director, TfL): We are looking for an overall package and that overall package would include a financial sum, the terms of the contract, the broader value that they would be able to bring and the extent to which they would be looking to activate the scheme. Overall, of course, we have to score this. It is a formal mechanism. It is a legal mechanism. We have to ensure we have the best deal and the best deal is based on something more than just who is going to give us the most cash.

John Biggs AM (Chairman): Is that a credible set of objectives and how would you go about securing sponsorship for a scheme such as this?

Jackie Fast (Managing Director, Slingshot Sponsorship): In terms of objectives, absolutely, and your question was quite interesting in terms of whether you would take less money if there was more value. One of the things that came out of Barclays, when they helped launch the scheme, the money was absolutely important and it was super-vital, it really, really helped to get it off the ground. The reason that they did not continue, is because there was no value driven back to the sponsor but also to the scheme itself. Therefore, value is a very important proposition.

John Biggs AM (Chairman): What do you mean by “value driven back to the sponsor”?

Jackie Fast (Managing Director, Slingshot Sponsorship): There is brand awareness. As consumers, marketing is shifting in terms of how people engage with brands. It is shifting. Brand awareness and brand recall worked really well before shifts in communication, before the advent of social networks, etc, so it only goes so far. In terms of measurement now with what brands are looking for, brand awareness is one part of a larger marketing mix where the larger scheme is engagement. You can only go so far with throwing a logo, as Graeme [Craig] mentioned, on something and still expecting the high fees that you are looking for. Value is therefore really important both from what TfL is looking to get out of it but also from what the brand is looking to get out of it. In terms of objectives, it is the right set of objectives.

In terms of going about getting the right sponsor, having a set amount of criteria - and there is a set amount of criteria about what brands you would look for - is important. In terms of activating the scheme, the whole idea is to get people cycling, effectively, to stop using transport and get people cycling. That is a really key marketing campaign.

John Biggs AM (Chairman): Is it also to help us hard-pressed taxpayers and fare-payers get a better-value deal?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, absolutely. There are a number of reasons why the cycle hire scheme works. In terms of activation, marketing is a big part of getting people cycling or interested in cycling. The activating of the rights is absolutely key. Having a brand that is not helping the overall objectives of TfL is pointless, so that is a really key criteria, so understanding what kind of campaign they are going to implement, whether they have the capability to do that and what it looks like over a seven-year period.

John Biggs AM (Chairman): If another bank came along, would you say to TfL, “Do not bother”?

Jackie Fast (Managing Director, Slingshot Sponsorship): It depends on what the bank wants to do. It is not saying that the bank could not activate it. It is just that Barclays chose not to.

John Biggs AM (Chairman): OK. What could they have done to activate it?

Jackie Fast (Managing Director, Slingshot Sponsorship): A number of things. Pretty much anything other than putting their logo on it. Barclays effectively gets people in stores. There was a lot of staff

engagement they could have done around it that they chose not to. There was a lot of stuff they could have done in the store with retail. There was a lot of stuff they could have done online. They have a significant online reach with their customers that they chose not to utilise. In terms of their initial objectives, however, they did tick the box. It was just that those objectives became less relevant as time went on.

John Biggs AM (Chairman): Part of the game is to ensure that a sponsor understands what they mean by 'sponsorship' or what you mean by 'sponsorship' or what your client means?

Jackie Fast (Managing Director, Slingshot Sponsorship): It is making sure there are clear objectives at the outset. Seven years is a very, very long time. When you start talking to brands about marketing, most people do not have a marketing strategy that lasts that long. Making sure that that brand is invested with the direction that TfL wants to go is key. It is crucial.

Richard Busby (Chief Executive, BDS Sponsorship): A fundamental point about all sponsorship is that it should add to the traveller/visitor/resident experience, which is a similar point to the one Jackie [Fast] was making, whether it is cycle hire, stations or whatever it might be. That is the first criterion. You have to get the public on your side and they see the benefits as opposed to the problems.

I agree entirely with Jackie that the sort of money you are wanting, £5.5 million, is not a small company. Most large companies do not just require awareness; they are already known. So you have to look at other things and, indeed, a gradually developing programme over the period of seven years; for example, increased activity on social media and things like that.

I would add two other small points. First of all, there is a danger in trying to get too much money from just one source, from being an exclusive funder, in other words, being a bit like a Marks & Spencer supplier when 90% of your products go there. It is not a fundamentally helpful thing to do, but I entirely understand why it should be done and why it should be looked at.

It is also quite interesting. We did a report for TfL back in 2009 where we looked at sponsorship in terms of cycling as a whole, not just cycle hire, and also looked at the potential to bring in a number of other brands. It would be interesting to understand what happened in regards to that.

John Biggs AM (Chairman): It could be packaged differently?

Richard Busby (Chief Executive, BDS Sponsorship): There could be added value, potentially, by bringing other people on board as well as a major sponsor, but it could be packaged not just for cycle hire but other things and it could be packaged with a number of different appropriate added-value areas.

John Biggs AM (Chairman): Just to clarify one possible area of confusion, the Paris scheme has paid for itself because it has been packaged so that the advertising revenues are included intrinsically as part of the sponsorship, whereas in London advertising is a fairly separate and well-developed area. The cycle scheme in Paris includes advertising hoardings on the street-side or whatever, whereas in London that is already separate. Is advertising very separate from sponsorship or is it part of the same thing?

Richard Busby (Chief Executive, BDS Sponsorship): It is different in certain ways. Quite a few projects can combine both. You would need to ask which the right one to do is and whether you split them or put them together. I am trying to simplify it a lot because it is a long conversation.

John Biggs AM (Chairman): OK. For example, at my former local Underground station, Stepney Green, there was a property development nearby and all the advertising hoardings in that station for about three months were filled by a particular property developer who was building a new housing scheme around the corner. That was advertising, but it was sort of on the edge, really. It was like an exclusive relationship in

which they had all the sites and populated them with their stuff. You could imagine with the Barclays cycle hire scheme, for example, on every cycle station there would be an advert for a Barclays product.

Is that a crossover between advertising and sponsorship or is it getting just too complicated and confusing? The question would be, if you wanted more money out of a sponsor, what sort of additional things would they expect in return?

Richard Busby (Chief Executive, BDS Sponsorship): Dealing with a services company is more complicated than others. We did the recent deal between City Airport and Bloomberg. The whole point there for City Airport was to provide added value to the travellers, but there was advertising and various other things included as part of an overall package. A lot of this is about added value for travellers. That, to me, is fundamental. Then the public will buy into it and the public will be comfortable with the clear communication on where that money is going: to improve things, to add value, as well as save money from the taxpayer or from fares.

Richard Tracey AM: I am fascinated by what the two of you are saying because for a good while there has been a rumour around that the Barclays sponsorship of the cycle hire scheme was primarily because of who was at that time the Managing Director or Chief Executive of the bank. Is that correct, as far as you know? Is that the word in the industry?

Jackie Fast (Managing Director, Slingshot Sponsorship): That is what I do know. That is what I have been told, yes.

Richard Tracey AM: It really was a very personally driven objective, yes?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, it was not driven by marketing, potentially, as some people might argue.

Richard Tracey AM: Was the problem then that once that particular gentleman left Barclays, they went off the whole scheme and they really lost interest?

Jackie Fast (Managing Director, Slingshot Sponsorship): The problem was that it was not based on marketing. It is a business, at the end of the day. Barclays has shareholders and it needs to make a profit. When you are investing money in something that looks like a marketing scheme, what you would want to see is a return from that investment, like anybody would. Unfortunately, because the objectives were not set out, there was no return on investment. When you start looking at a business, regardless of whether he was there or not there, it was not working as a business marketing campaign, which is why they went off of there.

Richard Busby (Chief Executive, BDS Sponsorship): We also need to reflect upon the changing attitudes towards banks and, indeed, I would add energy companies to that. Over the last few years, the banks definitely wished to be seen to be putting something back into the community, so areas like that in terms of added value would be something that would be significantly appreciated. Banks are a difficult area still at the moment because the public has all sorts of perceptions of them. People's attitudes change and companies have to respond to that. In the case of Barclays - and all high street banks - that is definitely the situation at the moment.

Where I do think there are some interesting opportunities is that we know of about 30 blue-chip companies who are interested in iconic sponsorships in London. They tend to be global companies, not necessarily Britain-based. What you have to talk about is how those all work. For example, it is very interesting what Samsung did with the Metro station in Madrid. That started to take them into all sorts of technologies. There is a raft of issues with that which I am not proposing to get into, but services are one of the harder ones to actually get to activate and to work.

Richard Tracey AM: Just pursuing the Barclays sponsorship of the bike scheme, is it your belief, then, that they really never laid out a particular plan? It just happened and it was there and they had the logo on the bicycles, but there was no pursuit of any other great objectives.

Jackie Fast (Managing Director, Slingshot Sponsorship): Actually, Richard [Busby] said it quite well. At the time, they wanted brand awareness. They wanted to be seen as doing something good. That is what they did. Unfortunately, times change and objectives change, but at the basis of it there were no marketing objectives set out, from my understanding. I did not do the deal. I do not know.

Richard Busby (Chief Executive, BDS Sponsorship): I would also add that the Olympics probably played a small role, bearing in mind that in 2012 there were some quite important impacts. It is also important to note that Barclays looks very likely – I do not think it is official yet – to pull out of the Premier League, so their whole marketing and campaigning is changing very dramatically.

Richard Tracey AM: You mentioned Bloomberg sponsoring City Airport. At Heathrow it is HSBC. The place is absolutely covered with HSBC logos, advertisements and so on. Where is the difference? What is HSBC getting out of such massive sponsorship of an airport?

Richard Busby (Chief Executive, BDS Sponsorship): First of all, HSBC has done a lot of research and is doing it in a number of airports around the world.

You have hit on an area and let us not, I would propose, go into naming stations at the moment because that is a slightly different area. However, the principle of adding value to stations for travellers is fundamentally one that works for everybody. As an example, Canary Wharf has a huge amount of space and it strikes me as an obvious place with a very attractive audience where more could be done to enhance the traveller experience.

I would add that I went to have a meeting at the Chelsea Flower Show recently and I came out of Sloane Square Station and saw a temporary pop-up promotion by M&G. It did not represent London Underground, TfL or M&G in the right light. However, the principle of a company improving the facilities at a station, whatever that means – and I am not saying that Sloane Square is an easy one to do – if you can demonstrate added value, whether you apply it by taking an HSBC reasonably attractive mural advertising approach to the changes or a Bloomberg adding-value approach or some combination, the public will like it. What they do not want to see is the money not directed towards some improvement they can see. If you can combine taxpayer savings and the rail fare not increasing and added value, you have a winning combination.

Richard Tracey AM: It is very interesting you say that because my fellow Conservatives in the Assembly have suggested to TfL this very thing about stations, added value, a reduction in fares perhaps that you just mentioned and things like that. Clearly, there is a lot of sense in that sort of sponsorship, you believe?

Richard Busby (Chief Executive, BDS Sponsorship): There are certainly opportunities. Each one needs to be looked at individually. Canary Wharf just strikes me as an obvious area, but there are others.

Richard Tracey AM: All right, yes. Thank you.

John Biggs AM (Chairman): We need to make progress, but you raised a number of interesting questions.

One would be that the Mayor, when he stood for a first election – and we all learn from life experience – said that he wanted a cycle scheme which would be paid for by the private sector. It was either a naïve or an optimistic expectation that the private sector would fund, through sponsorship, this scheme and that then, once people had paid their fare or their daily ticket on it, it would cost nothing to TfL's budgets. Would you

say, in the light of experience and from your experience elsewhere, that is a pretty naïve assumption to have about a project?

Jackie Fast (Managing Director, Slingshot Sponsorship): No, never.

John Biggs AM (Chairman): OK, good.

Jackie Fast (Managing Director, Slingshot Sponsorship): No. Again, it is value. The value comes up a lot here. Just because something costs something does not mean that that is how much of the sponsorship value you are giving back to a brand. You have to start looking at how much it costs, where you can make cost savings, how a sponsor can come up with it and what the value driving back to the sponsor is. If the value becomes less than what you are trying to sell it for, then it is not a reasonable ask. However, if you are driving more value to a sponsor than what you are asking for in terms of an investment, it is not a naïve comment to make. Again, you have to assess it, rather than looking at it as a philanthropic gift.

John Biggs AM (Chairman): The other little question is whether there is a countercyclical aspect to this. When we are all rich, sponsors will be throwing money at it. When the economy is in a mess, it is less likely to happen. They are precisely the times when transport operators might be looking for more sponsorship to help bridge the gap.

Richard Busby (Chief Executive, BDS Sponsorship): When people decide to undertake a sponsorship, they will compare the spending of money on, say, conventional advertising against a sponsorship because there will be a media analysis to say what the right way to spend that £5.5 million is, for example.

One of the issues that has to be faced by everybody here, is that there is a limit to how much any one company will spend in London. For example, if you go back to Cadbury sponsoring Coronation Street, they paid £10 million. It is very unlikely that anybody would spend more than £10 million on one sponsorship in one year, as a general principle, for one country in the UK. There will be a limit on how much you can get from one sponsor to reach the London market unless it is positioned as a global, iconic thing reaching travellers and various other things, but there will still be a limit. You will never get £30 million per annum for a railway station.

John Biggs AM (Chairman): How much sponsorship income should the scheme generate? That is a tough question.

Jackie Fast (Managing Director, Slingshot Sponsorship): I do not have the profit and loss. I do not know how much value you are driving back. That is not a question that can be easily answered.

John Biggs AM (Chairman): OK, but you would know how to analyse and answer that?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, absolutely. I get this question a lot. Regardless if it is somebody having a garage sale event in their county or this, you have to assess what assets you are giving a sponsor, what value of sponsoring you can get out of it, how long the term is and a number of variables.

Sponsorship is not advertising. When you look at advertising, it tends to be based around demographics. If you put an ad up here, how many people within your target audience are going to be reached by it? There is typically a value placed on that individual. Sponsorship is based on a number of variables, typically about five to seven, in which case it needs to go through a scorecard, so the valuation is based on something more than just people.

John Biggs AM (Chairman): If you were given the brief by TfL, you would be able to come back with a number that said --

Jackie Fast (Managing Director, Slingshot Sponsorship): Very much so, yes.

John Biggs AM (Chairman): And it may or may not be £5.5 million?

Jackie Fast (Managing Director, Slingshot Sponsorship): It may or may not be.

John Biggs AM (Chairman): We can ask Graeme now. Why have you chosen a single sponsor and have you taken a detailed analysis in reaching the conclusion that that is what you want to do? Could you potentially get more money with multiple sponsors, for example?

Graeme Craig (Commercial Director, TfL): When considering how we took the sponsorship forward, we worked, as it happens, with not one of the two agencies that are represented here but another agency. They gave us their perspective on what the value was, what the length of term should be, what rights we should offer - clearly, those things are linked - and also our approach in terms of whether we are looking for a sponsor for the cycle hire scheme, a sponsor for the cycle hire scheme and the Cycle Superhighways, something that is linked more broadly to cycling in London and the investment of £913 million over the next ten years, or whether it could even go broader than that and incorporate, let us say, cycling and walking.

The advice that we had back was that we are going to generate the most money in the long term at this stage by looking for a single sponsor for the cycle hire scheme, where there is a clear, distinct and defined set of rights. We should reserve the right to look for additional sponsors later, either extending the package with whoever becomes the title sponsor of the new cycle hire scheme or, indeed, looking to bring in other sponsors for other elements of cycling activity. To go at this stage for a broader package would not generate the most money in the long term, in part because we would be much less precise about the specific rights we were offering for things beyond the initial hire scheme. This is not by any means ruling out - quite the opposite - bringing in other sponsors for other elements of cycling, cycling and walking or indeed TfL activity beyond that. The advice that we had, which made sense to us, was that being clear about the rights at this stage would generate the most money for this particular element of the scheme and then, as other things are firmed up, we can decide how we take the sponsorship forward.

Darren Johnson AM: This is still a fairly new area for TfL and there are clearly lessons to be learned from the Barclays experience, as we have just heard. Is TfL taking external advice from marketing professionals on this?

Graeme Craig (Commercial Director, TfL): Yes. We have employed IMG to help us on the cycle hire scheme.

Darren Johnson AM: Are they saying anything radically different from what Jackie [Fast] and Richard [Busby] have been saying?

Graeme Craig (Commercial Director, TfL): No. I am not sure that I am saying anything radically different from what Jackie and Richard are saying. We are taking advice. We appointed IMG to help us on this particular project. We have worked with other agencies in the past. We will work with other agencies in the future. This is one of those areas where we will actively seek to learn from each scheme that we do. Part of what we are trying to do here is to generate the most money that we can from this particular element, but not to be painting ourselves into a corner in which we are limiting our ability to take other sponsorship forward in the future as things become clearer.

John Biggs AM (Chairman): Is the seven years exclusive or is there a period within the seven years where you can bring other sponsors in?

Graeme Craig (Commercial Director, TfL): We have set out learning lessons in terms of being transparent and clear from the outset about what it is we are looking for from a sponsor. On 8 July we have a launch event here. We are then looking for bids by 29 September. Between 29 September and the end of the year, we will be in negotiations with a decreasing number of people before we get to a preferred bidder. At the end of that process, there will be a defined contract. Through that process, we will have identified the term of the contract, the amount, whether there are break clauses and whether there is exclusivity. We are going into this process looking for a sponsor who is committed to this scheme in the long term. The actual specifics around whether there is a break before that point or whether there is an opportunity for that sponsor to extend the term are all things that would form part of the contractual negotiation.

John Biggs AM (Chairman): If you wanted to put - I do not know - Orbit chewing gum on the mudguards after three years, you could do that, if you had a secondary sponsor, whoever it is?

Graeme Craig (Commercial Director, TfL): Yes. We would reserve the right to have a secondary sponsor in the way that they have done with the Citi Bike scheme in New York.

John Biggs AM (Chairman): Do our experts have observations about seven years as a length or about the sort of structure we are talking about here?

Richard Busby (Chief Executive, BDS Sponsorship): Seven years does not sound unreasonable. Also, the whole cycle hire scheme is very complex. Things to do with stations are much easier to focus on. We all agree the long-term potential goal is to have multiple sponsors, but it is not easy to do and do it properly. It is not one of the easier areas for TfL to be able to manage and not end up going off on tangents. There are other areas that are much easier to consider and deal with.

John Biggs AM (Chairman): Walk before you run, if you like?

Richard Busby (Chief Executive, BDS Sponsorship): Yes, absolutely. It is very crucial what Jackie [Fast] said. How can sponsors add value to the cycle hire scheme? For example, can they add extra that the public wants and TfL wants to the existing scheme, so you can actually create something more than is there at the moment? That is what the public would like to know and feel very comfortable about.

John Biggs AM (Chairman): As and when TfL becomes more sophisticated in this sort of work, it could structure its sponsorship models differently and get a bigger range of benefits?

Richard Busby (Chief Executive, BDS Sponsorship): The growth of cycling over the last few years has opened up even more opportunities than there were in 2009 and there are a very large number of companies that would not have looked at cycling necessarily as an obvious area five years ago but would look at it now.

Jackie Fast (Managing Director, Slingshot Sponsorship): Personally, I feel that seven years is slightly long, not that it cannot be done, it is just trickier. In seven years, as I am sure everybody can agree, people's businesses change dramatically now. Look at the advance of Google. Google now has the product Google Glass. How is Google Glass going to shift their business model? How is that going to shift their business objectives? If the objectives are quite clear about what TfL wants to do, if those objectives are made clear and shared equally with the brand that is on board and if they have a commitment over a certain amount of time to keep working towards that, it will lead you in a better stead, but seven years is a long time. It is not that it cannot be done and there is probably a very good reason why TfL is doing it that way. It definitely can be done, but it needs to be with the right sponsor. That is my answer about the seven years.

In terms of getting more money over time, one of the things that you have to appreciate both from a brand perspective and also internally, is, as you mentioned, this is a fairly new area for TfL to start exploring commercially. When that happens, a lot of brands are slightly wary about deliverables. Until stuff is proven

and until you have very strong case studies about driving value back, you are always going to sit in the position of, “Are we getting as much value? Should we be charging more? Should we be charging less?” If you build the foundation well and you are very clear about the commercial objectives that TfL wants to do, you should see it as a significant increase, maybe not year-on-year but over time. What you will see is brands that have more commitment and can see returns on new projects. In addition, TfL will have the case studies to back it up when they go and have those negotiations. Over time, you should see increased investment with the right sponsor on a sustainable sponsorship programme.

John Biggs AM (Chairman): Indeed, without us going too far down this alternative meander, Emirates is seen as being a far more active sponsor of the cable car than Barclays turned out to be with the cycle scheme. I do not know if in the industry it is seen as a good scheme or a brave initiative by a company that wanted to muscle its way into the consciousness of Londoners or whatever it was.

Richard Busby (Chief Executive, BDS Sponsorship): That comes into the perspective of a global brand that wanted to be seen in an iconic city in the world. That would be a general comment. I know there has been debate about it and I cannot comment on it because I do not know the details. However, it seems to me the biggest issue as regards the cable car - because I tried to use it - is that I can go to The O₂ on the cable car when there is a concert on but I cannot come back, so I do not use it. I suspect working a deal out with AEG could deal with a lot of the problems.

John Biggs AM (Chairman): They could be very useful secondary partners, I guess, in something like that.

Richard Busby (Chief Executive, BDS Sponsorship): Yes, because you have a reason to go. I do not want to go through the Blackwall Tunnel if I am driving in rush hour.

John Biggs AM (Chairman): If we could go back to Graeme and ask you about the steps you are taking to ensure that sponsors have an active role in the scheme’s development and how you are going to assess that, have you given any thought to that or is it still early-stage stuff?

Graeme Craig (Commercial Director, TfL): From the outset, we have criteria against which we are looking for the right sponsor. We are going to be judging potential sponsors on the basis of the extent to which they can convince us they can deliver measurable increases in ridership, increases in those people who are casual users, what rewards they might have, what incentives they might come up with. This will be in comparison with what is being done at present, what ideas they have in terms of promotion and communication and what aims and objectives they have. This is a mechanism where, over the course of several months, we will be able to test with a number of very large organisations and very well-known brands the extent to which they are committed and clear about what they can do, and the extent to which they are using the creativity of their organisation and the resources of their organisation - both financial and non-financial - to ensure this scheme is as successful as it can be. Being clear about those criteria from the outset is important.

It is also going to be important that we resource up in a way that we did not do with Barclays the first time around with the account management and the interface, so that we recognise that we need to have that right relationship with a sponsor to ensure that they feel as if they have a seat at the table and are working with us in order to make this scheme as successful as it can be.

John Biggs AM (Chairman): At the last meeting, you clarified, I think, that it was a mistake to have penalties and performance targets within the relationship.

Graeme Craig (Commercial Director, TfL): Penalties over which we had no control. It is about understanding what the sponsor is seeking to achieve and what those things are that are within our control, so that we can help deliver what it is that they are looking for.

John Biggs AM (Chairman): Are you setting out what you expect these sponsors to do to increase ridership levels or is it an open palette for them to come up with plans on?

Graeme Craig (Commercial Director, TfL): We are setting out the criteria. We are setting out the scoring mechanism, if we call it that. We are then looking for their ability to convince us that they think they are going to be able to do those things. We are not giving them what the answer is. We are setting out a series of questions.

John Biggs AM (Chairman): It sounds like a complicated relationship, really, if we are trying to encourage the sponsor to play an active role in increasing ridership. Can you give an example where this can be seen to have worked, where a sponsor has played an active role in promoting - presumably out of mutual interest - the lifestyle or the performance of the thing that is being sponsored?

Jackie Fast (Managing Director, Slingshot Sponsorship): Almost all sponsorship now is like that, so --

John Biggs AM (Chairman): OK, so what did Barclays get out of the Premiership?

Jackie Fast (Managing Director, Slingshot Sponsorship): Again, that was done quite a bit before --

John Biggs AM (Chairman): That is an old-style one?

Jackie Fast (Managing Director, Slingshot Sponsorship): It is an old sponsorship. Again, this goes back to how brands are marketed and how it is driving value. Sponsorship is a marketing activity. Marketing activities effectively drive sales. They sell stuff. Unless it is going to sell something, there is no point in doing it and there is no point investing money, unlike when Barclays decided to do the Barclays Cycle Hire and the Premier League. There are also a lot of brands as well that just go on the shirts. It is brand awareness that needs to drive sales and that does not work anymore. Consumers are much more savvy. The way they engage with brands is different. The way they engage with each other is different. Unless brands can get into that communication and can engage with it, they will not sell something. It is absolutely vital that brands utilise their sponsorship rights in the most engaging way possible, again, not because it is a good thing to do and not because it will help the scheme, etc. It is to drive sales. Almost every sponsorship you have seen in the last two or three years, or at least the ones that work, involve actively promoting whatever they are sponsoring or at least getting involved, adding value, etc, because, again, it adds to the bottom line.

John Biggs AM (Chairman): OK. Goodness me. If I was an insurgent bank and I spotted a demographic that most cycle scheme users were young males with middle to high incomes, then I might want to have a sponsorship arrangement in which I pushed myself as a bank that was looking for young, possibly male - I would not mind female as well - middle to high-income people with a lifestyle angle attached. That sort of thing might work?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, although that is more advertising still. The scenario you are describing is creating a product around a demographic. That changes. Products change, etc. In utilising the assets that TfL can provide, how that works throughout a number of years would change, so it is less product-related and more about getting people to understand and identify what that brand stands for overall.

I do not know how many of you know music festivals, but it is the easiest example I can give. V Festival is a very popular music festival.

V Festival is done by Virgin. Virgin sponsors V Festival. They do not own it, but it looks like they own it. If you are a Virgin customer and you go into V Festival, with your experience from the time you get marketed to, from the time you get your ticket from the actual entrance - where you are able to charge your phones for free

- what Virgin is trying to do is give you a feeling of, "This is what it feels like to be a Virgin customer". Alternatively, if you are not a Virgin customer, you automatically get blocked. That is the way that sponsorship should be. You are not blocked from going; your experience is just not as good. You have to pay to charge your phone.

Richard Busby (Chief Executive, BDS Sponsorship): There are some other examples. The point is that this is where sponsors will go too far if they try to enact things. It is a bit like the question of whether the Olympics should have signed a deal with Visa where you had to buy your Olympics tickets through it. A lot of people would argue that the image of Visa has suffered because of it. It might have got business, but it did not mean it actually benefited as a brand.

If we take a variant of that, for example, mobile phones, prior to O₂ sponsoring the arena it had a lot of what they call churn, ie not staying loyal and going to Vodafone or going to Orange. A major part of the deal they did with The O₂ was that 24 hours before they go on general sale, a certain number of tickets can be bought by O₂ customers but not all of them. There is a whole series of other things and it significantly reduced churn. They also had exclusive content backstage with the performers, which was only available to O₂ customers and various other things. It is all about balance. If you really upset people, you are never going to go to that client. If you take The O₂, to answer your question, the deal between O₂ and AEG is that O₂, as well as paying their £6 million a year sponsorship fee, also pays £4 million a year to advertise the concerts at The O₂ and they promote it to their customers and they sell things.

That whole social media world, for example, and apps is definitely an interesting one for TfL. I know you do things, but technology could be a friend as well as a problem.

John Biggs AM (Chairman): Is there a risk that the core objectives might be diluted by that? Say the demographic for the cycle hire at present is very attractive to a sponsor, but TfL's objective is to get more low-income Londoners who will cycle in the opposite direction to commuters to use it and to get more tourists who will only be loyal to London for the week that they are here.. Does that dilute the attractiveness?

Jackie Fast (Managing Director, Slingshot Sponsorship): It is about finding the right sponsor. As Graeme [Craig] already mentioned, there are variables and there are set criteria that they have set. One of them would be to make sure that the direction TfL is going in is the direction that the sponsor wants to go in. You probably would not go to that sponsor if the sponsor is only interested in a set demographic and TfL is not looking to do that over a seven-year period.

Richard Busby (Chief Executive, BDS Sponsorship): The other thing is understanding what is stopping people using this and what the issues are, such as availability and looking into the practicalities at Underground stations, etc. If you were to say, "By this company coming in and putting this money in", it might therefore be more than £5.5 million because you might say, "You can either put in £5.5 million and there will be small changes or you can put in £7.5 million, but because of that £7.5 million we are going to open up new cycle hire locations and do it that way. The more you can show the sponsor is adding value, the better, as a general principle. There are all sorts of mechanics in that and I am sure TfL has looked at the principles of it and in probably a lot of detail. It is complex, but it needs to balance all those things together.

Darren Johnson AM: Jackie, if you were in charge of getting a sponsorship deal for the cycle hire scheme for TfL, what sort of companies would you be approaching and in what sort of sectors?

Jackie Fast (Managing Director, Slingshot Sponsorship): Again, it would be to really understand the objectives of TfL if I am perfectly honest. I am not entirely sure. I understand the overall objective is getting more people cycling, but I do not know what that looks like over a seven-year period. I would need to understand that before I could make recommendations.

It is about finding the right sponsor. Sometimes the right sponsor is not about cash. Sometimes the right sponsor is about finding somebody who is going to stick with you, help you achieve your broader objectives over a seven-year period and add value in other ways. When you have the right sponsor, what you tend to find is a sponsor invests and continues to invest because it works. If their objective is the same as your objective, you tend to have two parties working towards one goal. It is playground stuff. Two heads are better than one. If you are reaching your objectives, what you tend to find is that the chief executive officers (CEOs) of those companies want to invest more money into the scheme because it works for their business.

I would need to really, really understand the objectives and not just the general one. I would need to understand a lot of those objectives.

Darren Johnson AM: On that model, a contract that works in the long term would be more preferable than a contract that appeared very lucrative in the short term but was not necessarily one that was going to stick around?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, but I would also argue long-term versus short-term contracts. I definitely understand why you guys are going for seven years.

One of the things you have to remember is that TfL is changing as well. The cycle scheme will probably change over seven years and what you do not want to do is get stuck in a really long-term contract where the initial objectives that you set up with the brand have shifted. It is probably unlikely to happen because of the way the infrastructure is set up.

Darren Johnson AM: Your idea would be shorter contracts but a longer relationship, so contracts where both partners are mutually satisfied with one another and voluntarily agree to renew every two or three years or whatever. That would be preferable to a series of one-off seven-year contracts?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, but as long as you are absolutely positive about the investment you are asking for and you are sure you can deliver the value.

One of the things that I have always said to our clients is that it is always good to go long term because then you do not have to worry about it and you think you do not have to sell it, etc. As you have seen from Barclays, they were in it for the long term but the objectives shifted. It does not necessarily secure you against risk. One of the things that it does do, especially because this is a new programme, if TfL were to go out with that approach, it shows a lot of confidence in their ability to deliver and it also goes out to the market with someone who wants to invest in a partnership that will grow.

That would be my take on it. I do not think everybody would agree with it, but that is the way I would approach it.

Richard Busby (Chief Executive, BDS Sponsorship): One of the fundamental problems with having too rigid a tender system is that different brands want different things. What Barclays wanted, what a telecoms company might want, or what a brand that wishes to be associated with health and fitness might want are quite different in the way they are going to work within the scheme. You are very dependent upon the creativity and the fact that a major brand can pick up on that and develop it and not know. It gets quite complex.

For example, one of the big opportunities that is important in terms of the cycle hire at the moment is companies that want to be associated with health and fitness generally. Unlike most sponsorships which are fundamentally fairly male-focused, this is about everybody, whether it is men, women or children, which is a big plus, and it also inherently has a message of health and fitness. Depending on the brand and who it is,

there is a route of opportunity here which is open beyond what TfL would necessarily think about but could be relevant.

On a similar basis, the biggest rise that is forecast in new apps is in the health and fitness area. There are vast amounts of money going from venture capital companies and information technology (IT) companies into the development of health and fitness. Apple looks like it is going to be launching something quite big in this area shortly. There is huge investment. The interrelationship between cycle hire, health and fitness, IT and apps is very interesting. If you want your app to be the number one, this strikes me as an opportunity. It would not, however, be the same offer as you would do for, for example, a bank or Samsung or Lucozade Sport or whoever it might be. It is finding all those balances which, with a project like cycle hire, is quite complex.

Jackie Fast (Managing Director, Slingshot Sponsorship): What Richard is talking about is the activation of it, but what is really important is understanding what TfL wants to do. If TfL wants to be seen as digitally focused, it changes the criteria you set for what kinds of brands you would approach. If the priority is something else, then it changes the approach and it changes the way you go after brands, regardless of how they are going to activate it. You have this great opportunity where you are opening up sponsorship. Figure out what you guys want to do first and what the overall objective is and then how brands fit in with that.

Caroline Pidgeon MBE AM: This is a fascinating discussion, I have to say. I am sitting here feeling like a complete Luddite in terms of technology and the other things that are being discussed. What I want to understand from Graeme is the issue around other sponsors coming in. I know I have a discussion with you in private about this but I want it in the open - the idea of limited edition bikes - which I have pushed the Mayor on for a very long time. I presume, possibly, the contract with Barclays did not allow it. Certainly this year the Tour de France bikes added a real buzz around the scheme.

Is that something you will be looking at as part of the sponsorship deal, either to get whoever is sponsoring it to have some limited campaigns with different-coloured bikes or potentially to get other partners in who want to advertise a particular event or a particular programme? I had looked at it also as the Mayor potentially wanting to support things like World Pride or the Diamond Jubilee and to have certain companies in doing bikes, just to add some funds to it. Is that something you are considering?

Graeme Craig (Commercial Director, TfL): Definitely, yes. It is a very good example. We have talked around this and there have been various sponsors who have wanted to leap in and try to cover a number of the things that have been addressed until this point. What we are after is a long-term relationship, but that long-term relationship - I absolutely agree - cannot be set in stone.

Social media has come up. In 2010 when the original Barclays scheme launched, there were 26 million people on Twitter. There are now 600 million people on Twitter. Google+ has gone from none to 1.1 billion. The landscape has changed over the course of four years. It has to be the case that if you have a relationship that is lasting any length of time, up to and including seven years, the scheme has to evolve. None of us can predict how technology is going to move on, how social media is going to move on and how marketing may move on over the course of the next four, five, six or seven years.

What you are looking to do is to have a relationship between two organisations whose objectives are fundamentally aligned and who are willing to think creatively about how you can use a fantastic asset base and a great set of customers in a world-class city and what you can do with that and how that can evolve. Limited edition bikes are, for me, a brilliant example of how you can add flavour and life to a scheme that reflects the fact that this is a brilliant, vibrant city in which there is great stuff going on all the time. It has to be something that should be reflected on the cycle hire scheme itself. It is a great example but would be just example of how over time this scheme should evolve, change and reflect the city. Ultimately, that is how it is going to be most successful.

Valerie Shawcross CBE AM: We might have covered some of this ground, but that was incredibly interesting. Thank you, Graeme, for coming in to brief the Assembly privately on what is going on.

John Biggs AM (Chairman): Yes, absolutely.

Valerie Shawcross CBE AM: One of the things that did strike me about that conversation was that TfL clearly has been focusing on new schemes and projects for sponsorship, but obviously there are barriers there. The offer is not established. There are risks in terms of running whatever that service is. It is not bedded down. Nobody knew how well the Barclays Cycle Hire scheme would be managed, etc. It is interesting that new schemes were linked up with a new approach, but actually it was not necessarily the right way to go.

Moving on from the cycle hire scheme, looking at TfL and all of its current works in totality, perhaps our marketing experts could say something about this. If you were tasked with really boosting TfL's sponsorship income and relationships, what would you be looking at first? What would you be doing? Presumably not the new projects.

Richard Busby (Chief Executive, BDS Sponsorship): Yes. I would say there is one thing that I am not sure about and I do not understand why it has not occurred, but we have been approached several times over in other years about the London Underground art collection and when all these platform art things are done and what happens to them afterwards. I am just raising that as something that I felt --

Valerie Shawcross CBE AM: Do you mean those beautiful posters that end up in the museum?

Richard Busby (Chief Executive, BDS Sponsorship): I actually mean the artworks.

Valerie Shawcross CBE AM: That is what I mean.

Richard Busby (Chief Executive, BDS Sponsorship): There is a huge art collection. I am just raising that as something that I do not know because it is something we raised with London Underground a while ago.

Valerie Shawcross CBE AM: Yes, they are in the Transport Museum.

Richard Busby (Chief Executive, BDS Sponsorship): We were asked about funding and sponsorship and they said, "What is happening to all this artwork? Could you do limited editions, like bikes and stuff?" I would just put that point out there.

The stations are really a great opportunity and it needs very careful working. I know there are health and safety and all sorts of other areas. I am aware of that. We were asked to pitch by TfL in 2009. We got down to a shortlist between us and CBS Outdoor and then nothing ever happened. We spent ten months on it and nothing happened. There were two things we were asked to look at. One was the cycle hire and cycling generally and the other one was 'Westfield White City' and potential naming rights for Shepherd's Bush. I also believe that Westfield went to TfL and asked about naming rights and were turned down. I cannot comment on that.

I am not talking about 'Brooke Bond Street' or something like that. We do not need to do it. What we need to do is think creatively about how you add value to what is there. It is about the travellers and the public and what you can do. Certain places will work a lot better than others. Some of it may be like Canary Wharf, providing information and straightforward. Other things are about simply making it look a lot nicer.

Valerie Shawcross CBE AM: You would be going to the stations first?

Richard Busby (Chief Executive, BDS Sponsorship): The HSBC example is a good one for the airport. I am not saying that is the right solution, but I would not dismiss a creative approach to make people feel comfortable about it.

Valerie Shawcross CBE AM: Jackie, do you think there are any big under-exploited assets that TfL could be talking to marketers about?

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes. For me, it is not so much one particular thing but actually the access. TfL has an enormous amount of assets all over the place. One of the things that London stands for and one of the things that London is striving towards is being forward-thinking in terms of innovation, technology, design and digital and there is a lot that we could utilise in terms of working with a number of these brands to bring that to life in London. I am Canadian, so I am not even from here. That is one of the things that strikes me about London. Being able to engage with the city better, whether it is on a bike or whether it is in a Tube station, would be, for me, the area I would go down.

Valerie Shawcross CBE AM: Do you mean access to the governance of London, so a public affairs-led sponsorship?

Jackie Fast (Managing Director, Slingshot Sponsorship): No, access to the people, access to --

Richard Busby (Chief Executive, BDS Sponsorship): Regular communication with the people in London.

Jackie Fast (Managing Director, Slingshot Sponsorship): Yes, but also the physical construction and everything. London has so many touch-points with people who live here and travel here and with people who are very successful here in terms of building businesses.

Richard Busby (Chief Executive, BDS Sponsorship): You can take substrata of that. For example, I mentioned Canary Wharf. Another one is the Old Street Roundabout. It is now the Silicon Roundabout. I cannot believe there are not companies that want to raise their profile in that station and improve it significantly. I am well aware there are issues as to what we mean by 'improvement' but, nevertheless, you can see certain areas where there are clear opportunities that everybody who goes through Old Street Station will be very pleased about.

I totally get the value of improvement, but, again, it is bigger than that. The opportunity is bigger than that. We are sitting in an amazing city with a lot of people. You could add value beyond just what something looks like or something feels like. We can drive how the city moves forward in terms of functionality. That would be, for me, the area that I would go down.

Richard Busby (Chief Executive, BDS Sponsorship): One thing that potentially could be looked at is a sponsor of some form with your clocks and train timing. I am not saying it is right and it needs thinking through, but it does not have to be by station. It could be across the network.

Richard Tracey AM: I wanted to pick up on the two of you talking about various examples. How do we compare in London with other cities that you know? You say, Jackie, you are Canadian. What about Canadian cities and United States cities, and European cities as well?

Jackie Fast (Managing Director, Slingshot Sponsorship): What would you like me to compare, the way that we market or the way we secure sponsorship?

Richard Tracey AM: Yes. Are we a bit slow or a bit complacent compared to them?

Jackie Fast (Managing Director, Slingshot Sponsorship): In terms of sponsorship as an industry, London is forward-thinking in terms of the campaigns we are putting together. We are much more challenging. We work with more challenging brands who want to do something different. We also have an audience that is receptive to it. In North America, they do more badging, so you will see more of people naming train stations. They have grown up. Advertising is very heavy there, but the way that they advertise, again, is very one-directional. If you go back to my conversation around engagement, adding value, etc, we work with sponsors in a better way in London than anywhere else. There is a great opportunity to work with partners to advance the overall goals of TfL.

Richard Tracey AM: What about Europe? How do we compare with them?

Richard Busby (Chief Executive, BDS Sponsorship): I would just make the general comment that I agree entirely. In North America, there is a lot more badging. We are a lot more culturally sensitive here to things that would be inappropriate. Having said that, the UK generally is ahead of a lot of Europe.

Valerie Shawcross CBE AM: Graeme, how much income roughly – a ballpark figure – does TfL expect to raise through sponsorship activities over the next period? You have heard this morning some quite exciting ideas. Do you think TfL could be more ambitious?

Graeme Craig (Commercial Director, TfL): Sponsorship currently accounts for about 3% of our non-fares revenues and about 70% of my attendances in front of this Committee and rather more, it has to be said, than 3% of media interest in the things that we do. We have, as you know, very large aspirations in terms of growing non-fares revenues. We touched on it in the Chair's opening remarks about how sponsorship can be difficult to define in some ways. You have advertising and station domination. At some point that becomes sponsorship and then you get into renaming. Sometimes it can be an unhelpful description.

Valerie Shawcross CBE AM: Can I ask you to answer the question in a narrower way, then? Is there a bottom line that you have put on your aspiration?

Graeme Craig (Commercial Director, TfL): There is and I am struggling to remember what the number is. In rough terms, overall, we are looking to grow non-fares revenues by 40% and sponsorship is expected to grow roughly in line with that. We are going from circa £8 million or £9 million a year to a 40% to 50% increase in that. That is my view as it stands.

I come back to what I was alluding to. I agree entirely with what Richard [Busby] was saying. We have these fantastic stations. We have the great assets. Canary Wharf is an example of where there is lots of space. You can say, "Let us generate money from sponsorship in Canary Wharf", and that is one of the items you can tick there. Equally, there is a lot of space and we currently have one retail unit if you want to get your keys cut or your shoes repaired, but part of what we are working on now is having more retail at Canary Wharf. We are looking to put more advertising at Canary Wharf. We are in discussions about having a business lounge at Canary Wharf because if you are going to Canary Wharf, having somewhere where you can meet up in advance, charge up your phone, print stuff off or have a cup of coffee makes sense. We are not thinking about this in terms of how much money we can make from sponsorship. We are asking how much money we can make from our advertising.

At Old Street, I am acutely aware that for the thousands of start-up businesses and fringe institutions, their reception effectively starts on our platform. People's first impressions if you are a customer, a supplier, an investor of that business begins on the platform and Old Street Station itself does little to reflect Tech City, Silicon Roundabout, City Fringe, call it what you will. We have, as it happens, recently spent £600,000 improving Old Street and in doing so we have brought in pop-up shops. We have given it a clean. We have put in better lighting. We have improved the signage. The way-finding at Old Street was one of the worst on our network. We have done things to improve Old Street, as it happens, not through sponsorship, but that

investment of £600,000 is generating £300,000 more revenue per year. We have a two-year payback from a reasonably quick and simple intervention. There is more we can do in the longer term at Old Street, but that is just a simple, short, sharp intervention that improves the look and feel of the station and also generates more money.

I will pick one other example. At Oxford Circus, 77 million a year use that station, 10% more than all the terminals at Heathrow combined. You could choose to have Oxford Circus renamed Oxford Landings. I am not personally convinced that would be the answer. Given you are in the heart of retail in London, in the country, it strikes me that the obvious thing to do at Oxford Circus is to ensure that, whatever the most interesting, new thing that you can buy feet above your heads is, you should know about that when you are in the station. You should have advertising and experiential marketing so you can see what is there and should be tied into the way-finding. We should be looking to monetise the fact that we can engage, excite, enthuse and point people towards whatever it is that they can buy at the Nike store, the Apple store, Top Shop, John Lewis or whatever it is. You can look to get Oxford Circus sponsored, but I am of the view – and the numbers would back me up – that actually having the best world-class marketing anywhere in the world at Oxford Circus is how you are going to make the most money. It is not about having a sponsor for six months or six years. It is about saying that every week there should be something new and fresh from a new organisation at Oxford Circus.

What comes through, hopefully, from what I am saying is that you have very different answers at Canary Wharf and very different answers at Old Street and Oxford Circus. I was in Northwood last night at a public meeting about a new exercise we are going through to ask the residents and users of Northwood Station what they want for their station. We have 270 Underground stations and, to a very large extent, the answers will be unique for that particular location. There is a lot of work that needs to go into it, but it has to be the right answer in the long term for those individual stations for TfL. Sponsorship is part of the answer, but we will come to the wrong answer if we think sponsorship is how we are going to generate money. Sponsorship has to sit alongside understanding, station-by-station, what that station needs most. Is it retail? What is the role of advertising? Is what that station needs most a police station or a post office or a gym or a doctor's surgery? We have the ability to think both London-wide and also location-by-location around London. It requires lots of investment and it requires lots of thought, but it is ultimately how we are going to get to the right answer.

Valerie Shawcross CBE AM: As well as some really great possibilities here, there are also some tensions between the public-private ethos and aspirations. You might, if you were a cynic, ask why it is more important that we get a business lounge for Canary Wharf, though I have to say it sounded spectacularly good. Why is that more important than tackling the appalling disability access in the majority of TfL stations? Are you, as part of this exercise, putting together an add-ons wish-list for what you think the public service priorities are, what it is important to do and what it would be good to do through the sponsorship? It sounded to me like we are getting into a situation where the commercial imperative was just starting to push out the public service ethos.

Graeme Craig (Commercial Director, TfL): It will fail if what we are doing is not seen to be value-adding, is not seen to be appropriate, is not seen to be authentic or is in any way undermining in any sense the operational function of a station. No sponsor and no commercial entity will want to do anything that gets in the way.

Valerie Shawcross CBE AM: I am not talking, Graeme, with respect, about getting in the way. I am talking about significant public priorities perhaps getting side-lined because there is a commercial imperative.

Graeme Craig (Commercial Director, TfL): The commercial is important in its own right for two reasons. One is that if it is a mechanism from which we can leverage other organisations to help deliver tangible improvements on the ground at that station, it can be a good thing in and of itself. If it also generates money and if that money can be spent on improving the transport network, it is of benefit.

I will give you one example of South Kensington station. Every time I go to South Kensington, I help someone up the stairs with a buggy. It does not work as a station, particularly at half-term.

Valerie Shawcross CBE AM: It is awful, yes. People use it to take luggage to Heathrow and it is absolutely atrocious.

Graeme Craig (Commercial Director, TfL): On an operational level, it does not work. Beyond that, on Exhibition Road, there are some of the most entertaining institutions on the planet, but you get none of that sense of excitement within the station. You have brilliant, creative minds and great stuff happening on a daily basis up Exhibition Road, but none of that excitement is dragged into the station. You get no sense of arrival. South Kensington station is one where the answer cannot be that you just have a sponsorship. That cannot be the answer in itself. The answer has to be the right thing for South Kensington. From my own point of view, the answer is something where you are generating that sense of arrival. You are ensuring that the passenger experience, including step-free access to all lines, must be part of it. The retail does not reflect that part of London. The retail that is there is not particularly attractive. You need to take a station-wide view at South Kensington. It does not mean rafting over the station and closing it. It should be the jewel in the crown of the London Underground network. It is one that requires investment and it is one that requires a long-term view, but the answer to that definitely cannot be anything other than including step-free access as part of the package.

Valerie Shawcross CBE AM: When you have an additional public service added in as part of a sponsorship deal – I am thinking of Wi-Fi on the Overground – who owns it? If the public has a complaint about it, who are they going to go to, the sponsor or TfL, and do they know?

Graeme Craig (Commercial Director, TfL): They seem to find me out. That would be my observation. They are often assisted by you, I must say.

John Biggs AM (Chairman): This has been a very interesting session and we now know a lot more about this. We know that TfL is in a fairly early stage of understanding sponsorship. In my mind, I had developed an idea that we are talking about a whole range of things which are third-party revenue opportunities for TfL, one of which is sponsorship. There is plenty of mileage in that and I am reminded that a cynic would say that Heathrow is a shopping mall with aeroplanes or Liverpool Street Station is a shopping mall with trains but, notwithstanding the complaints about Heathrow, they are both seen as pretty successful examples of that. You can have a win-win. Although Heathrow does have a sponsorship with HSBC, Liverpool Street station does not really.

If I can, we thank you very much for coming.

If we can move swiftly on, then, to the the Garden Bridge with Richard [de Cani].

Tom Copley AM: How much control does TfL have over the Garden Bridge project, given that it is putting £30 million in, which I think is around 20% of the total cost?

Richard de Cani (Director of Strategy and Policy, TfL): When you say “control”, are you talking about the design or the operation of it?

Tom Copley AM: Any aspect of it, really. Yes, design but also, I suppose, how the project goes forward, all aspects in relation to it.

Richard de Cani (Director of Strategy and Policy, TfL): Yes. In answering that, it is helpful just to clarify arrangements for taking the Garden Bridge forward because it is relevant to the answer. The Garden Bridge Trust, which is a company with charitable status, has been set up to deliver the Garden Bridge. The Trust will

be responsible for the fundraising, the construction and the future operation of it. The work that we have been doing is to progress the design, secure the planning and make a contribution towards the capital cost. At this stage we have had quite a large degree of involvement in the design of the Garden Bridge, so the design of the landing areas, the structure and how it integrates with the rest of the transport network has been something that we have been quite involved with. Furthermore, through the contribution we are making towards the delivery of it, we are quite involved in the construction process and making sure the right conditions are met before a decision is made to proceed. Once those conditions have been met and the bridge is under construction and is completed and operational, then our involvement will fall away quite considerably. At this stage, therefore, we have had quite a significant involvement in the design of it.

Tom Copley AM: Your influence is very much upfront, but presumably you will have some oversight as the project goes forward?

Richard de Cani (Director of Strategy and Policy, TfL): Yes. We are a contributor to the cost of it, so we need to make sure that that contribution is being spent in the way that delivers our objectives. There will be a funding agreement between us and the trust, in the same way that the Department for Transport (DfT) will have a funding agreement with the trust through their contribution, and our job will be to make sure that the conditions in that agreement are met. We are in the process of working out what those conditions are at the moment.

Tom Copley AM: Why is TfL funding this when it is essentially a park, not a transport project? It is not a transport project, is it?

Richard de Cani (Director of Strategy and Policy, TfL): Just to go back in time a little bit, the concept of having a bridge in this part of central London is something that has emerged and is consistent with the London Plan and the Mayor's Transport Strategy, and it is part of a broader plan around making central London a place where more people can walk around. The big challenge we have in the future is population growth, employment growth and pressure on terminals and the Tube network, so we want more people to be walking around central London, particularly for short trips. One particular condition we have at the moment is lots of people come into Waterloo in the morning peak - lots of them - and they change onto the Underground and make quite short trips by Tube. Over time that is not the most efficient use of the Underground network and we need more of those people to be walking and cycling - but in particular walking - for journeys that are within 20 or 30 minutes. The Garden Bridge is part of that overall strategy to make central London a more pedestrian-friendly space.

From our perspective, the functionality we are looking for is a high quality pedestrian environment that connects the right places and links in with the rest of the transport network, and that is reflective of our contribution. The fact this is being delivered through something that is broader than that, that has wider economic objectives around supporting London's economy, that is a park and is a garden, is why the bridge costs more money and that leads to the overall funding solution, which is third parties contributing to that additional cost. We are looking for the transport functionality, which is the connectivity and we are also delivering large parts of the London Plan around London's economy. The fundraising that will cover the gap between the Government and the TfL funding and the overall cost is there to fund the broader garden element.

Tom Copley AM: What work or modelling have you done to predict what affect this will have on relieving congestion on the Underground?

Richard de Cani (Director of Strategy and Policy, TfL): Due to the nature of the project and the fact it has DfT funding as well as funding through TfL, we have produced a detailed business case. I think you have seen a summary of that. It was appended to the Mayoral Direction that was recently published. That looks at all the benefits of the bridge and the impacts, the transport benefits as well as the economic benefits, and

summarises some of the analysis we have done around the economic uplift in terms of land values and jobs. There is, also an element in this that is quite difficult to quantify, which is around London being a centre of creativity, technology and innovation, and this is something that will help reinforce that reputation.

There is a difficult element to quantify, which is the added value this gives about putting London more on the map as a place where these things happen. The business case breaks it down quite clearly into the pure transport benefits, which we have quantified around journey time reduction, congestion relief, people diverting from bus or Tube, all those things, but also the economic impacts and those that are more difficult to quantify around London as a destination and putting London on the map.

Tom Copley AM: If the Mayor had not decided to spend £30 million on the Garden Bridge, where would that money have gone?

Richard de Cani (Director of Strategy and Policy, TfL): First, it is a question for the Mayor, not for me.

Tom Copley AM: Fair point.

John Biggs AM (Chairman): It is a question for the Mayor because it is an opportunity cost question, so TfL have not a clue about the sort of things in the waiting list.

Richard de Cani (Director of Strategy and Policy, TfL): We have to look at the overall benefits and value for money of the overall money that we are spending on capital projects. On the basis there is a need to invest in central London around the pedestrian network, quality of life, making it a better environment for people to walk around, is this good value contributing £30 million to something that will enable something that is bigger and better, to be delivered and funded, in the main, by third parties?

It links a little bit to the conversation we have just had. We are increasingly moving towards different models of funding where the whole cost is not funded by TfL. If there is an opportunity to put some money in that gets something off the ground that then unlocks a larger amount of third party funding, that is quite an interesting and quite a good model to use to deliver some of these transport improvements. It does not work for all of our investments, but in this particular case it does because of the location and the nature of the project.

If we were not spending money on this, we would be spending on a range of other things, but is it a good use of our money - £30 million - to deliver a new bridge for pedestrians in central London? Yes, because it unlocks a whole load of other benefits and funding from third parties.

Tom Copley AM: How content are you with how the Garden Bridge Trust works in terms of decision-making processes, accountability, governance and transparency, and what requirements are you placing on them in terms of transparency in return for your contribution.

Richard de Cani (Director of Strategy and Policy, TfL): The Trust has been established for about six months. They are putting in place all the necessary governance to deliver this as a construction project and deliver a bridge that is operational.

Tom Copley AM: Is TfL represented on the Trust?

Richard de Cani (Director of Strategy and Policy, TfL): We do not have a formal role on the Trust. We have an observer status. The trustees are accountable for delivering the project. There are seven of them and the Chair is Lord Davies of Abersoch. We are an observer on that board. The formal agreement we will have in our funding contribution will set out the conditions between us about how our money is being spent.

Tom Copley AM: In terms of transparency and things like that, there was an issue where we wanted them to come here and they would not. Then they said, “We will but we cannot attend this meeting”. Presumably there will be an expectation that because they are in receipt of money from TfL they should be subject to scrutiny from the Assembly.

Richard de Cani (Director of Strategy and Policy, TfL): Like any organisation that is receiving contributions from the public sector, they accept that puts them in a position where they are subject to scrutiny and quite rightly so.

Tom Copley AM: It is something you will insist upon, that they engage in a constructive way with the Assembly and that they submit to oversight.

Richard de Cani (Director of Strategy and Policy, TfL): On the basis that we are making a contribution, which is subject to oversight and scrutiny, we will want to make sure that the contribution we are making and the conditionality around that means that they have to respond to that as well.

John Biggs AM (Chairman): I did have a letter from Lord Davies of Abersoch, who is the Chair of the Garden Trust, saying he is happy to brief the Assembly on this.

Richard Tracey AM: I was involved in a conversation the other day with some folks who probably knew what they were talking about. They suggested that there is going to be quite a bit of transport work done on the north side of the river around Aldwych and quite a bit of remodelling. Is that correct? Do you have any detail on that?

John Biggs AM (Chairman): There will be this new mega-superhighway for cycles

Richard Tracey AM: Well, various things, as far as I could understand.

Richard de Cani (Director of Strategy and Policy, TfL): There is an increasing focus on that part of the West End. There is almost a missing link between the West End and the City where there is a lot of potential and a lot of opportunity to do things quite differently. The Northbank Business Improvement District has recently been established, and they are focusing on public realm in particular. They are looking at the Strand/Aldwych. They are looking at the opportunity to have a major improvement there, potentially in the same way that they achieved at Trafalgar Square, and we are part of the group looking at that. The idea is that something quite transformational could happen there as the missing link between the West End and the City. Very few people actually make that walking connection between the West End and the City and it is not very far. One of the main reasons they do not is it does not feel like you can do it very easily. The bridge will therefore be a catalyst for looking at all those sorts of things because it will lead to a substantial increase in footfall in that part of central London.

Richard Tracey AM: It does, therefore, fit into some transport strategy, which was the thrust of the question?

Richard de Cani (Director of Strategy and Policy, TfL): Yes, absolutely. People walking from Covent Garden to the South Bank. This will be the way to do it. The ways across the Strand, Somerset House and those connections at the moment are not great and the idea is the bridge is just one element of doing that and looking at the Strand/Aldwych will help deliver that as well.

Richard Tracey AM: The other thing I gather is that, in surveys, the idea of this bridge and the way it is constructed is coming up as one of the major attractions to London. Is that correct?

Richard de Cani (Director of Strategy and Policy, TfL): Yes. There was a consultation that we did last year before the plans were finalised. We had a good response rate to that and we had a very positive response from the majority of people about supporting the idea of it. It was about 87% support overall. There does seem to be a very clear public support for it. There are always going to be people who think this is the wrong thing to do and the wrong location but, overall, at this stage there is very positive support and from the two local authorities, Lambeth and Westminster, as well.

Darren Johnson AM: Given that public money is going into this and given that you have stated that there are clearly transport objectives to it and it is not just a cultural attraction, are you ensuring that in any contracts and so forth, public access in perpetuity will be guaranteed on the bridge? It is a charity running it; it will not be TfL.

Richard de Cani (Director of Strategy and Policy, TfL): It is a good point. Through that agreement with the Trust and our funding contribution, we want to make sure that the public good benefits that we want to see happen are protected as the bridge is built and operable.

Darren Johnson AM: In perpetuity?

Richard de Cani (Director of Strategy and Policy, TfL): Yes, absolutely. What we will not necessarily be doing is being prescriptive about every element of it, but there are certain principles that are absolutely fundamental for this to deliver the benefits that we want to see.

Darren Johnson AM: Access is clearly one of them, yes.

John Biggs AM (Chairman): OK. If you take the example of Tower Bridge, it is technically owned by a trust and yet it is a public highway with public rights-of-way, which are guaranteed.

Richard de Cani (Director of Strategy and Policy, TfL): Bridge House Estates, the City of London Corporation, in effect.

John Biggs AM (Chairman): Yes, but the City of London Corporation is not quite the same as anything else, is it?

Richard de Cani (Director of Strategy and Policy, TfL)(?): It owns everything, does it not?

Caroline Pidgeon MBE AM: I want to pick up more about the financial risks of this project. There are contradictions in the case you have made and how this is going to be this great mode of transport, almost fast walking, when actually Joanna Lumley [English actress] has described it as the slowest bridge in London or probably in the world. The idea is about meandering round enjoying the environment, so there is a slight contradiction there in either getting commuters pacing over to the North Bank. It is a great project but there is a bit of contradiction there. How are you looking at the financial risks around this project? You are putting in up to £8 million. You have already spent £4.5 million. The Government is putting in £8 million, but we do not know the timing of that. What happens if this does not go ahead? Are you going to be able to recoup some of the expenses that you have had and are you prepared to put even more money in if the trust does not manage to raise the £159 million it is going to cost?

Richard de Cani (Director of Strategy and Policy, TfL): The funding principles are that TfL is contributing £30 million overall, some of which has been spent already, and the DfT is matching that. TfL has made contributions to date to get us to where we are. The next contributions from the public sector will come from the DfT, and then we will work in parallel with the DfT so that we are making the same amounts of contributions at the same time.

There are a series of major checkpoints along the way that will give us greater confidence that the bridge can be delivered. The primary checkpoint is fundraising. Before a construction contract can be let by the Trust they need to be satisfied – and we need to be satisfied – that they have raised sufficient funding to complete the bridge and to deal with its ongoing operations and maintenance. If we get to that particular checkpoint and they have not managed to do that and all bets are off, then there is a prospect that the bridge would not proceed and that the money we have spent to date could be lost. Nevertheless, the intention is that we and the DfT work in parallel along the way with the Trust to make sure that we do not expose ourselves too far ahead in advance of these big decisions on funding being made.

Caroline Pidgeon MBE AM: I read an article – I think it was in the *Standard* this week – where they said that because of the Thames Tideway Tunnel they were going to have to construct this very, very quickly and therefore they may need to go ahead with it ahead of having raised all of the sponsorship. Have you read that? Have you had any discussions with the Trust?

Richard de Cani (Director of Strategy and Policy, TfL): Just to explain that, one of the issues we have with the Garden Bridge is there are a number of people involved who attract media attention, so there are various stories out there that talk about particular aspects of it.

On that particular point, there is a physical interface between works in the river. To build the Garden Bridge you need to build cofferdams in the River Thames and you need to build columns. That obstructs river movement. What the Port of London Authority (PLA) are trying to ensure is that all the river movement that you have with the Thames Tideway project, the Northern Line Extension, can all work together. The use of the river for moving freight materials and goods is increasing rapidly, which is good. It is a really positive outcome. The PLA are now concerned there may be too many boats at a particular moment, so they are looking to plan that carefully. What they want to ensure is that before the peak of the Thames Tideway works and their muck away, the river works for the Garden Bridge are complete. Based on the current programme that is not a problem. If there was a substantial delay to fundraising and it meant the Garden Bridge was slipping, it would push the construction of the cofferdams more into the peak period for barges in the river. The PLA have not said that that is insurmountable; it is just for them they are trying to avoid peaks with too many boats and so that is the issue they are trying to deal with.

On the slowest and the fastest way, if you take a park, you have people who walk through. Take St James's Park. People walk through St James's Park from south to north quite quickly. I do that because it is quite near our office. You walk through quite quickly and you have people who stop on that bridge and take those photographs and they do it quite slowly. Depending on who you are, you will do things differently and that is exactly the same with the Garden Bridge. If you are a commuter, you will walk straight across. If you are a tourist and you are there on a Saturday afternoon and it is a nice day, you might spend 20 minutes or half an hour in the garden. The fact is this is a public space that enables a number of people to do a number of different things, whether you are walking fast as a commuter or you are a tourist that wants to take time. There is no requirement to walk slowly and the design of it, through the input we have had, enables you to do both.

John Biggs AM (Chairman): As long as you are not a cyclist, of course.

Caroline Pidgeon MBE AM: Yes. What I was just going to come on to is the issue of cyclists. Have you had any real influence on the design and have you looked at whether you could have some sort of cycle – I was going to say – track under it? That is not the right word. Have you been dealing with the designer Thomas Heatherwick? Have you been talking to him about the idea of whether you could build in cycling?

Richard de Cani (Director of Strategy and Policy, TfL): Yes. At the outset we did look at whether it is possible to integrate facilities for cyclists and facilities for pedestrians in this space in this location with these constraints. Due to the volume of people that the bridge will expect to accommodate and also because we

want it to be successful in attracting pedestrians, it was too difficult in that location to integrate those two things. The way that we are looking to deal with that is parallel bridges. If you take the bridges as a whole block of capacity, we have pressure on all those bridges. We have pressures for more people wanting to cycle, more buses, more freight and more people wanting to walk. What the Garden Bridge does is create a dedicated facility for pedestrians that frees up greater potential to do more on some of the parallel bridges that you would otherwise not be able to do because you are trying to accommodate the pedestrians as well, if that makes sense.

Caroline Pidgeon MBE AM: You are going to stop pedestrians using some of the other bridges or reduce the capacity?

Richard de Cani (Director of Strategy and Policy, TfL): Not stop it, but by having a facility that is dedicated for pedestrians, which is good in its own right.

Caroline Pidgeon MBE AM: We have that with the Millennium Bridge.

Richard de Cani (Director of Strategy and Policy, TfL): Then you have the opportunity to accommodate pedestrians on the parallel bridges but also to do something more substantial for cyclists, and that is what we are looking at.

Caroline Pidgeon MBE AM: Finally, you have said that the trust has to fundraise to cover the £2.5 million annual upkeep costs.

Richard de Cani (Director of Strategy and Policy, TfL): Yes.

Caroline Pidgeon MBE AM: What happens if they cannot fundraise that? You have built this bridge and they do not have enough money to keep it running. Is that going to fall to TfL?

Richard de Cani (Director of Strategy and Policy, TfL): No, we have been very clear about that. Going back to the conditions, one of the things that we will be seeking assurance on is that the fundraising and the funds are in place to cover the operation and maintenance before construction starts. There are a number of opportunities for how that can be done. The actual costs that you are incurring when the bridge is open are more to do with the garden.

Caroline Pidgeon MBE AM: Of course.

Richard de Cani (Director of Strategy and Policy, TfL): The structure is quite self-sufficient. There are lifts, so there are operating costs there; there are staff costs but it is the garden. One of the principles that the Trust is developing that we have supported, along with Westminster and Lambeth, is that the fulltime staff that you will need for looking after the garden will link into an engagement programme with the local community. There are opportunities for training, volunteers, apprenticeships and all those things around gardening, and that is one of the principles that Lambeth sees as one of the primary benefits. There will be a need for fulltime staff, which has a cost, but also there is an opportunity to integrate with what is happening on the South Bank, in particular, with organisations like Roots and Shoots, where you have volunteer movements, all those sorts of things.

There are a number of ways you can fund those operating costs. There is endowment, a big lump of cash up front. That is what the New York High Line has. There is sponsorship again, so linking into some of the previous conversations.

John Biggs AM (Chairman): You are not ruling that out?

Richard de Cani (Director of Strategy and Policy, TfL): We are not ruling any of those out. The Trust is looking at all those sorts of --

John Biggs AM (Chairman): I thought the Trust was very clear it did not want sponsorship.

Caroline Pidgeon MBE AM: They are going to have to raise the money though, aren't they?

Richard de Cani (Director of Strategy and Policy, TfL): What the Trust is not looking for at the moment is naming rights, necessarily. The idea of integrating sponsorship - and it goes back to everything that was said around the value and the brand, all those kinds of things - they are looking at that for fundraising. Also for the running costs there may be particular opportunities to align with particular sponsors who are interested in getting their connections across the river and linking in with some of the communities on the South Bank. What the bridge is doing is providing a connection to a large residential area on the South Bank directly into central London. That creates all sorts of interesting opportunities. There are also organisations like Bridge House Estates and the City Bridge Trust that do have funding for maintenance of London's bridges. We are talking to them about what opportunities that might provide.

John Biggs AM (Chairman): No revenue generation on the bridge?

Richard de Cani (Director of Strategy and Policy, TfL): You have the bridge itself, which is the park and the pedestrian connections. On the south side there is a building that will be constructed that will be the landing point for the bridge. That accommodates the lifts and the stairs. There is a need to have some accommodation for the Trust, so there is a space for gardeners; there is a space for -- potting sheds is probably too simplified but all those garden types of infrastructure. There is also an opportunity to integrate a commercial space on the South Bank that could be a revenue-generating activity as well.

John Biggs AM (Chairman): You can guarantee there will be no more than £30 million from TfL required?

Richard de Cani (Director of Strategy and Policy, TfL): The Mayoral Direction is very clear: £30 million.

John Biggs AM (Chairman): Are you happy to share with us the funding agreement with the Trust when that is entered into, in the spirit of transparency that now permeates the whole organisation?

Richard de Cani (Director of Strategy and Policy, TfL): Yes, I am sure it will be subject to freedom of information (FOI), absolutely, so we can share it with you in advance.

John Biggs AM (Chairman): OK. We would like to see it in advance.

Richard de Cani (Director of Strategy and Policy, TfL): Yes, of course.

Getting the Trust to come along to explain to you with us when the funding agreement has been shared with you might be most helpful for you to understand.

John Biggs AM (Chairman): Did you speak to the Bridge House Trust about funding this?

Richard de Cani (Director of Strategy and Policy, TfL): Yes. We have a number of conversations with the corporation that administers the City Bridge Trust. The funding that they have is from an endowment going back in time. That is the funding that is used to maintain the Millennium Bridge and Tower Bridge, so there is conversation going on around contributions towards the capital costs but also around funding and maintenance of the bridge as well. Early days but conversation is happening.

John Biggs AM (Chairman): As the Budget and Performance Committee, we look at the way in which decisions are made within any authority. The much-maligned London Development Agency (LDA) would have been an obvious funder of a scheme like this, in which event it would have been seen also from its regeneration potential. From what I have read about this, it seems to me it is a very exciting scheme, also because it helps bridge between the north and south side and there is a lot of exciting regeneration activity in the Southwark/Lambeth area on the south side. It links that to the north side where there are a lot of tourists and so on. Therefore, there is a regeneration perspective. You are the key public sponsors of this project, I guess, so in assessing this how are you looking properly at the whole range of benefits, including regeneration?

Richard de Cani (Director of Strategy and Policy, TfL): The summary of the business case that you will have seen sets out all of the benefits that we have looked at. This is a very broad business case. It looks way beyond the transport benefit, so it looks at all the regeneration benefits that are likely to occur.