

ADSHEL CONTRACT TO PROVIDE BUS SHELTERS

BACKGROUND

In 1980, London Transport entered into a partnership with the advertising company, Adshel to take advantage of the growing market for the sale of advertising space on bus shelters. The other significant company in the market at that time, the French-based JC Decaux had also been approached, but the partnership with Adshel was considered to offer the best prospects. The partnership, now known as London Buses Adshel, is for a minimum period of 25 years, and comes to the end of its minimum term at the end of January 2005.

The basic principle of the Partnership is that each partner provides equal numbers of advertising shelters; costs of operation of these shelters and the proceeds of the advertising sales are then split equally between us. In addition to this, London Buses provides the great majority of non-advertising shelters, but following negotiations in the mid-1990s, Adshel also pays 50% of their maintenance and cleaning costs.

London Buses Adshel currently has 10,500 shelters in Greater London - an increase of almost 2,000 in the last four years. Almost exactly 50% carry advertising. JC Decaux has around 900 shelters, almost all of which carry advertising, by virtue of contracts with 9 of the London boroughs. A court ruling in 2000 that TfL's specific powers to erect shelters had precedence over the boroughs' general powers means that JC Decaux is unlikely to increase its shelter stock significantly during the lifetime of the current arrangements with Adshel.

MANAGEMENT OF THE PARTNERSHIP

The Partnership is formally managed by a Supervisory Board of three Directors from each partner. Day-to-day management is, however delegated to a Management Committee and four sub-committees covering Operations, Development, Technical & Design and Finance.

Adshel markets and sells the advertising, and provides the maintenance and cleaning services for advertising shelters. The non-advertising shelters are maintained and cleaned by contractors employed by London Buses. In both cases, standards (such as cleaning frequencies etc.) are agreed by the Management Committee and (in terms of budgetary provision) by the Supervisory Board.

Locations for shelters are determined by London Buses, subject to the consent of the local and highway authorities, in accordance with our statutory powers. The display of advertising additionally requires Planning Consent.

THE FUTURE

Legal advice is being taken in order to establish what options are open to London Buses, taking into account its statutory powers, the terms of the current Partnership Agreement and the contracts with the London boroughs, along with procurement, competition and Best Value legislation.

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However, the aforementioned commercial contracts with the London Boroughs all persist beyond 2005, and may give Adshel the right to retain some shelters notwithstanding the dissolution of the Partnership. The situation is further complicated by the contracts that JC Decaux has with the boroughs

Discussions are also taking place with Adshel and with other potential players in the market, including JC Decaux and Viacom. A dialogue has also been established with the Boroughs through the Association of London Government (ALG).

Based on that advice and those discussions, London Buses aims to determine the course of action which maximises customer and commercial benefits while minimising commercial risk. It is planned to seek internal approval for the chosen course of action by the spring of 2002.