

**Whose brand is it anyway?**  
An Examination of TfL's Sponsorship Policy

February 2012





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## Role of the Budget and Performance Committee

The Budget and Performance Committee scrutinises the Mayor's annual budget proposals and holds the Mayor and his staff to account for financial decisions and performance at the GLA. The Committee also looks at spending and performance across the GLA group, undertaking investigations into issues such as the cost of policing, spending on the Olympics and public transport fares.

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# Chairman's foreword



The pursuit of sponsorship income to help support public services is an attractive idea, and it may indeed have value, by making savings to the public purse and by allowing public authorities to focus their resources more sharply on their key objectives. But there are downsides too, particularly as more complex, and high profile arrangements and sponsors are considered.

This report, with a couple of topical examples – the Cycle Hire Scheme, and the new Docklands cable car, currently under construction – looks at Transport for London's approach to sponsorship, a relatively recent development. The lessons learnt are however transferable across the GLA group. We reach a number of conclusions, which are spelt out in greater detail towards the end of the report. I will focus on three of these below.

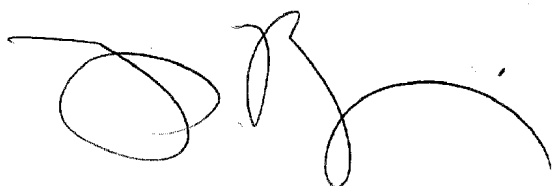
First, it became clear that TfL's approach to sponsorship was a bit muddled, and we welcome the fact that greater consistency is now being pursued. However, contradictions still remain. A lack of clarity exists, for example, on what is and is not appropriate for sponsorship, not least to avoid the impression of endorsement. As an example of this we are told that the Tube map is an iconic brand and "to clutter it up with other people's brands excessively would be inappropriate". It remains unclear what is meant by 'excessively' as we then noted that the pursuit of sponsorship for the cable car has led TfL to allowing the intrusion of the Emirates airline's name on to the iconic map. The risk is that this inclusion within the 'crown jewels' will be seen as some form of endorsement. Furthermore, the association may cause reputational problems for TfL and the Mayor if a perceived closeness then becomes tangled with a dispute or controversy. These things, after all, do happen. TfL, and the Mayor, need to be clear whether and when sponsorship is appropriate, what boundaries should apply, and of the importance in this of safeguarding the public interest.

Second, there are questions of novelty, risk, value for money and exclusivity. When the Cycle Hire Scheme was mooted, it was unclear how successful it would be, but it is now, for the moment at least, a success. The sponsor, Barclays Bank, has arguably got publicity far in excess of its outlay. Should such deals be structured in a way that allows success to be

better shared, through a better contract or through more thorough competition? Again, TfL and the Mayor need to be clearer.

Third, there are clear problems about confidentiality. While at the time of negotiation or bidding, a high degree of confidentiality may be necessary, for commercial reasons and to protect or maximise the public benefit, this should not be entrenched. We received a copy of the cycle hire business case so heavily 'redacted', for reasons of confidentiality, as to be of no value and we have not seen the contract. What incentives, rewards or penalties exist within the contract? What is the precise scope of the partnership? We only know what TfL or Barclays will tell us. This is not acceptable for public accountability, and a far greater transparency is needed if public concerns at these arrangements, as already exist, are not to persist. In the case of the Cycle Hire Scheme, the circumstances by which the tendering, rejection of bids, and ultimate selection of the partner took place, remain almost totally opaque. There is therefore a second concern, about transparency. In the public sector, transparency and openness should be the rule, and confidentiality the exception, if we are to be confident that we are safeguarding the public interest.

Sponsorship may have a useful role. And if it saves us money, without a downside, that should be for the public good. However, this short report highlights that, while good work has surely been done, we have yet to achieve confidence that this is the case with TfL.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke.

**John Biggs AM**  
**Chairman of the Budget and Performance Committee**

# Introduction

As a result of the constraints on public sector budgets TfL has, in recent years, been looking to maximise its non-fares revenue.<sup>1</sup> This has led to an increase in the use of commercial sponsorship to fund transport projects. In 2009/10, TfL received sponsorship income of £1.5 million.<sup>2</sup> The addition of sponsorship deals with Barclays and Emirates could mean TfL receives sponsorship income of just over £10 million in 2012/13.<sup>3</sup>

TfL has suggested that it is leading the way in using commercial sponsorship to fund public transport services on this scale.<sup>4</sup> Without the ability to leverage investment from the private sector, projects like the forthcoming cable car may not have been possible. TfL has said that commercial sponsorship has a “very valuable role potentially to play” in the future funding of transport projects in London, indicating that this trend is set to continue.<sup>5</sup>

Public transport infrastructure and services are public assets and decisions around the use of sponsorship must be taken in that context. Whenever TfL uses sponsorship it must ensure that it: demonstrates the benefits; manages the risks; conducts a fair and evenhanded process; and, achieves best value.

As a public sector body, TfL is under the spotlight when it forges closer working relationships with the private sector. Sponsorship arrangements involve a close association between the brands of TfL and its sponsors, which doesn't exist with other types of private sector income (eg advertising).<sup>6</sup> As a result the use of sponsorship comes with some particular risks. Ethical risks arise because TfL must avoid any perception that it endorses its sponsors' products or shows favour in future procurement decisions. There are also risks to TfL's reputation if the branding of public assets is deemed to be excessive, from choosing inappropriate sponsors, or if sponsors suffer major reputational damage.

While there has been no widespread opposition to the principle of TfL's use of sponsorship to date some concerns have been reported. In the main, these concerns have centred around: the choice of sponsor for the 2010 New Year's Eve free travel<sup>7</sup>; the inclusion of the cable car sponsor's brand on the Tube map<sup>8</sup>; and the process for selecting a sponsor for the Cycle Hire Scheme<sup>9</sup>.

This report aims to help TfL in developing a robust policy and set of procedures for managing the risks and opportunities associated with sponsorship. The Committee compared TfL's current sponsorship policy against best practice found in sponsorship guidelines produced by the Scottish Government and the Cabinet Office. Although these guidelines do



not apply to TfL specifically, they set out some common principles that are applicable across the public sector.

TfL's existing sponsorship policy is spread across a number of documents within the organisation and there is some inconsistency. At the Committee's meeting in December, TfL maintained that its current policy documents covered all of the necessary considerations but accepted the need to create a single policy. The Committee's view is that TfL's current policy can be improved upon, and our suggestions fall under the following headings:

- Clarifying TfL's future sponsorship plans;
- Ensuring that sponsor relationships are appropriate; and
- Getting the best deal.

# Clarifying TfL's future sponsorship plans

The sponsorship of the cable car has highlighted a confusion that exists over the areas that are deemed to be appropriate for sponsorship in future. TfL has said that it would not seek sponsorship for Tube station names because the Tube map is an iconic brand and “to clutter it up with other people’s brands excessively would be inappropriate”.<sup>10</sup> It has also previously rejected a proposal to rename a station for reasons including the value of the sponsor’s offer, the cost, and the confusion it would cause passengers.<sup>11</sup> The cable car sponsorship deal highlights the need for greater clarity, however, as it does include station naming rights and the inclusion of the Emirates brand name on the Tube map.<sup>12</sup>

The lack of clarity over TfL’s future plans for sponsorship has led to questions around how it decides which areas are suitable. TfL has said that the use of sponsorship was “a matter of judgement” and exercising judgement is what people are either appointed or elected to do.<sup>13</sup> TfL did not accept that there was any public concern about its use of sponsorship, but the basis upon which TfL makes judgements about public attitudes was not clear.<sup>14</sup> The Committee agrees that the ultimate responsibility for sponsorship decisions rests with the Mayor, but as these are public assets greater transparency is needed around TfL’s future plans for sponsorship.

In developing its future plans, TfL may look at how sponsorship is used in other countries. TfL has not sought sponsorship for stations and has suggested that the sponsorship of Tube station names is not appropriate. However, the potential of station sponsorship should not be dismissed, as sponsorship of this kind is successful in other parts of the world. In New York, station sponsorship has been used extensively (without offering naming rights) to provide local business support for station improvement works.<sup>15</sup>

**Conclusion: While sponsorship provides funding for investment in London’s transport network, there has not been any work done to gauge Londoners’ views on the sponsorship of public transport services. TfL has said that it uses judgement to decide which areas are appropriate for sponsorship but, unless it is open about its future plans for sponsorship, we may not know whether this judgement is correct until it is too late.**

**Recommendation 1**

**Before setting out improved processes for the selection and management of sponsors, TfL should set out in what areas of its operations sponsorship might be sought in the future and which areas it considers sponsorship or branding to be inappropriate. In doing so, TfL should set out on what basis it makes these distinctions.**

**TfL should show how it has looked to experiences from public sector sponsorship use in other parts of the world, and demonstrate the benefits Londoners will see from forthcoming sponsorship ventures.**

# Ensuring that sponsor relationships are appropriate

## Selecting a sponsor

A public sector body's choice of commercial partner should reflect the public nature of the infrastructure and services provided by the body. Public sector sponsorship arrangements should not contradict or undermine public policy or the general duties of governments such as those relating to health promotion. For example, the Scottish Government does not want public sector sponsorship arrangements to compromise the goal of promoting healthy eating in Scotland. As such, its guidance states that public sector organisations should not accept sponsorship from companies if it would lead to marketing products that are high in fat, saturated fat, salt or sugar. This view was based on the Scottish Government's own research into public attitudes which found that most people think commercial sponsorship implies that the public sector body endorses the company providing the sponsorship.<sup>16</sup>

TfL has faced criticism over its choice of sponsor in the past. The company chosen to sponsor the free New Year's Eve travel in 2010 was Wonga - a high interest payday loans company. Wonga is a legitimate company and approved by the Financial Services Authority but it offers short-term loans at high interest rates. A motion was passed in the London Assembly stating that it was irresponsible for public organisations to be endorsing such services because consumers who took out these loans could easily get into financial difficulties due to the interest costs and penalties for late repayment.<sup>17</sup> TfL suggested to the Committee that under its current rules a company like Wonga might not have been selected for such a sponsorship opportunity.<sup>18</sup>

There are indications that TfL now recognises that it got it wrong on the Wonga deal as the procedure for assessing the suitability of sponsors was changed after that experience. Prior to the Wonga sponsorship deal, TfL's assessment of potential sponsors focused purely on the legality of the process, and whether the potential sponsor was a legitimate company.<sup>19</sup> The tender documents for the sponsorship of the Cycle Hire Scheme show that the process was strengthened to include a requirement for bidders to demonstrate compliance with TfL's brand values.<sup>20</sup> This suggests that following the Wonga deal, TfL began assessing potential sponsors not only according to whether they were legitimate but also appropriate.

Despite the improved approach, there have been inconsistencies in the criteria used to assess the suitability of potential sponsors. Like the Cycle Hire Scheme, the tender process for the cable car sponsorship also asked

sponsors to align with TfL's brand values. TfL has said, however, that the criteria used to select sponsors for the cable car and Cycle Hire Scheme were not exactly the same.<sup>21</sup>

TfL plans to provide greater clarity on the non-financial considerations in selecting sponsors, but said that a degree of judgement will always be required. At the Committee's meeting in December, TfL said that it would produce clearer guidelines on the types of organisations it is willing to work with than have been in place in the past. TfL did, however, say that it was difficult to make the criteria entirely inclusive or exclusive and that there would still be an element of judgement.<sup>22</sup>

TfL has also been unclear about how it would protect its image and brands if one of its sponsors suffered major reputational damage. TfL has said that if this happened it would be entitled to terminate the contract but also that it wouldn't deal with a company where this was a "conceivable possibility".<sup>23</sup> It may not be possible to predict the future reputation of company, as highlighted by the collapse of BP's reputation in the USA following the 2010 oil spillage in the Gulf of Mexico.

**Conclusion: The Committee recognises that some improvements have been made to make TfL's selection criteria more appropriate by ensuring that potential sponsors align with its brand values. However, it is not clear what TfL's brand values are and there is a suggestion they have not been consistently applied. While TfL will always need to exercise judgement, it should be guided by an assessment of potential sponsors against a consistent set of criteria agreed by the Mayor and the TfL Board.**

#### **Recommendation 2**

**TfL should produce and publish a clear set of criteria against which to assess the suitability of potential sponsors. TfL's new sponsorship policy should also set out how it would manage a situation where a sponsor suffered major reputational damage.**

## Endorsement

TfL needs to manage its relationships with sponsors carefully to avoid appearing to endorse their products and services. The Cabinet Office sponsorship guidelines state that departments must not – and must not appear to – endorse the sponsoring company or its products.<sup>24</sup> We consider that this guidance should be applied by TfL.<sup>25</sup>

One way to limit the appearance of endorsement is to select multiple project sponsors. The multi-layered sponsorship of the 2012 Olympic and Paralympic Games is an example of this in practice. For the Cycle Hire Scheme and cable car projects, TfL has to date identified only a single sponsor and has suggested that this was the key to maximising sponsorship income.<sup>26</sup> This differs from some of the external advice TfL was given which recommended the use of multiple sponsors.<sup>27</sup>

**Conclusion: TfL's sponsorship policies do not provide guidelines on avoiding the appearance of endorsing private companies or products. In order for TfL to use exclusive arrangements to maximise sponsorship income, it must be clear about the methods it uses to avoid appearing to endorse its sponsors' products. These methods are equally relevant when using multiple sponsors and might include, for example, the use of disclaimers and limits on the level of joint marketing.**

## Recommendation 3

**TfL's new sponsorship policy should include a clear policy and guidelines on product or company endorsement. This should include an explanation of how procedures change according to the number of project sponsors identified.**

# Getting the best deal

The concerns that have been raised over TfL's recent sponsorship deals stem from a lack of transparency around both the estimated and actual costs and revenues associated with the projects.

## Cycle Hire Scheme

It is not clear what TfL's actual expectations were for sponsorship income from the Cycle Hire Scheme. TfL obtained an independent valuation that valued the Cycle Hire Scheme sponsorship opportunity at £1.7 million per year.<sup>28</sup> The business case for the scheme stated that sponsorship would be "expected to contribute at least £1 million per annum".<sup>29</sup> Following a formal procurement process, TfL rejected bids even though they met this independent valuation as they were still less than what it thought the scheme was worth.<sup>30</sup> This raises questions about the quality of the information provided for the business case approval process, and the methodology used for setting a benchmark price.

Despite eventually securing a higher bid than the independent valuation, there were still concerns that TfL had not secured the best deal. After the initial procurement exercise was unsuccessful, the Mayor met with various groups to generate interest. This led to an initial deal being agreed with Barclays for up to £5 million per year between 2010 and 2015. There has since been speculation that this was a good deal for Barclays given that the scheme covers such a large area of London.<sup>31</sup> TfL and the Mayor have said this was a good deal for London given that potential sponsors were wary of the risk of brand damage if the scheme was unsuccessful.<sup>32</sup>

TfL's decision to extend the original arrangement with Barclays also raised concerns. After a successful first year of operation, Barclays extended its sponsorship contract by three years to 2018 for an additional £25 million. TfL has confirmed that Barclays' contract included an obligation to offer Barclays the opportunity to extend, subject to agreeing acceptable terms.<sup>33</sup> As the scheme was by that stage known to be popular, there were questions around whether an open tender process would have generated a better price. It is not clear how TfL decided that extending with Barclays for a further £25 million was an acceptable offer and a better deal than might have been achieved by going back to the open market.

Although TfL has ultimately now secured up to £50 million for the sponsorship of the Cycle Hire Scheme there are concerns that it may not actually receive the full amount. The contract signed with Barclays includes clauses that allow for reductions to the sponsorship payments it makes to TfL. Incentives and penalties may have been built into the contract in order

to share the risk of scheme failure, although TfL has not provided details for reasons of commercial confidentiality.<sup>34</sup> This raises questions around how much sponsorship TfL will actually receive for the Cycle Hire Scheme and the risks to other TfL budgets if sponsorship payments are reduced.

### Cable car

It is unclear whether TfL's initial expectations for sponsorship income from the cable car were met. The original aim was to fund the cable car's construction entirely from private finance.<sup>35</sup> On current plans, however, only £45.4 million of the £62.6 million in capital costs will be funded from non-TfL budgets.<sup>36</sup> TfL has said that that further income would come from retail units within the stations but this has been estimated at just £4.7 million.<sup>37</sup> It is therefore likely that some of the construction costs will need to be met from TfL's own budgets. The Committee was not given the business case and so is unable to determine whether the shortfall in private funding to meet the scheme's costs is a result of higher than expected costs, lower income, or both.

TfL agreed a ten-year sponsorship deal with Emirates for the cable car worth £36 million, which was higher than its independent valuation. The valuation TfL obtained said that the cable car could generate total sponsorship income of between £1.4 and £2.4 million per year. It also stated that the value of the naming rights would be "significantly influenced" by factors, which included allowing the brand onto TfL maps".<sup>38</sup> If TfL did receive a premium for allowing Emirates onto the Tube map it is not clear how much it received. Given the objections TfL has expressed towards the inclusion of brands on the Tube map, it further highlights the need for transparency over the areas it considers to be appropriate for sponsorship.

There are also suggestions that TfL has not been transparent about the true value of the sponsorship deal for the cable car. The deal agreed with Emirates has been described as "an absolute amount of £36 million payable over 10 years".<sup>39</sup> TfL has also said that the payments will not be increased by inflation.<sup>40</sup> The total current value of income received over a long period of time is reduced by the effect of inflation. TfL should therefore be clear about the actual value of sponsorship deals by stating them in real terms.

**Conclusion: There is a lack of transparency about the costs and revenues of sponsored projects and how this compares to the estimates TfL made at the project approval stage. This is making it difficult to evaluate TfL's processes for securing best value for sponsorship opportunities. The lack of openness is also fuelling speculation and resulting in an increase in the concerns about TfL's ability to get the best deal for its sponsorship opportunities.**



**TfL has been unable to provide some useful financial information about its recent sponsorship deals because of commercial sensitivity. At the Committee's meeting in December, TfL made a commitment to provide greater transparency on existing sponsorship contracts (where possible) and in all future contracts.<sup>41</sup>**

**The Committee feels that greater transparency can be provided in ways and at times that do not threaten the interests of TfL or its commercial partners. For example, redacting specific clauses within a contract should prevent the need to restrict access to the entire contract. Greater transparency should also be provided on TfL's own processes for estimating the costs and revenues for projects once contracts have been let and this information is no longer commercially sensitive.**

#### **Recommendation 4**

**TfL's new sponsorship policy should set out how it secures best value from sponsorships. This should include: the methodology for setting a benchmark price for sponsorship opportunities; being clear about the true value of sponsorship deals; detailing circumstances which may lead to uplifts and reductions to sponsorship payments; and risks to TfL's own budgets.**

#### **Recommendation 5**

**While we recognise TfL should not release information that would damage the interests of its commercial partners, TfL should make greater transparency a requirement of the sponsorship tender process. This should also include the details around how risk is managed within the contract process, for example by linking sponsorship payments to performance. For existing sponsorship deals, TfL should immediately release details of the estimated annual cash flows (expenditure and income), along with sensitivity analysis, risk analysis and payment profile for sponsorship income.**

# Overall Conclusion

**The Committee's view is that TfL needs to conduct its sponsorship deals in the open reflecting the fact that these sponsorship deals are made on publicly owned assets. Protection of legitimate commercial confidentiality of private sector partners will remain necessary, but this alone does not justify the lack of transparency in some areas. TfL needs to be clear with Londoners about what its plans are for sponsorship in the future, and demonstrate it has the ability to effectively manage the risks and opportunities of this new funding approach.**

**One important way of achieving this is by having a robust policy governing sponsorship activity. The Committee welcomes TfL's commitment to produce a new single policy on sponsorship, as there is some evidence of inconsistency in the management of recent sponsorship deals, for example the different methods used to assess the suitability of potential sponsors. TfL's new policy needs to consolidate the experience it has gained from recent sponsorship deals and learn from existing best practice from elsewhere in the public sector.**

**Finally, TfL must be more transparent over its processes for securing best value and, to achieve this, it may need to make transparency a fundamental requirement of the sponsorship tender process. Transparency is the only way for TfL to reduce the amount of speculation around whether its procedures are strong enough to maximise the benefits of closer working relationships with the private sector.**

**Once completed, TfL's new sponsorship policy could be used as a basis for developing similar policies in other areas of the GLA group. The growing importance of sponsorship is highlighted by the launch of a formal process by the Olympic Park Legacy Company (OPLC) to find sponsors for the Olympic Park venues.<sup>42</sup>**

## **Recommendation 6**

**Before TfL enters into any further sponsorship arrangements (or before the end of 2012, whichever is sooner) it should provide the Committee with a copy of its new sponsorship policy.**

**The new policy should demonstrate a commitment to a more robust approach, incorporating the improvements suggested by the Committee following our examination of existing best practice. TfL should provide reasons for any areas where has chosen not to incorporate the Committee's suggestions into its new policy.**

# Appendix 1 Summary of conclusions

## **Clarifying TfL's future sponsorship plans**

While sponsorship provides funding for investment in London's transport network, there has not been any work done to gauge Londoners' views on the sponsorship of public transport services. TfL has said that it uses judgement to decide which areas are appropriate for sponsorship but, unless it is open about its future plans for sponsorship, we may not know whether this judgement is correct until it is too late.

## **Ensuring that sponsor relationships are appropriate**

### *Selecting a sponsor*

The Committee recognises that some improvements have been made to make TfL's selection criteria more appropriate by ensuring that potential sponsors align with its brand values. However, it is not clear what TfL's brand values are and there is a suggestion they have not been consistently applied. While TfL will always need to exercise judgment, it should be guided by an assessment of potential sponsors against a consistent set of criteria agreed by the Mayor and the TfL Board.

### *Endorsement*

TfL's sponsorship policies do not provide guidelines on avoiding the appearance of endorsing private companies or products. In order for TfL to use exclusive arrangements to maximise sponsorship income, it must be clear about the methods it uses to avoid appearing to endorse its sponsors' products. These methods are equally relevant when using multiple sponsors and might include, for example, the use of disclaimers and limits on the level of joint marketing.

## **Getting the best deal**

There is a lack of transparency about the costs and revenues of sponsored projects and how this compares to the estimates TfL made at the project approval stage. This is making it difficult to evaluate TfL's processes for securing best value for sponsorship opportunities. The lack of openness is also fuelling speculation and resulting in an increase in the concerns about TfL's ability to get the best deal for its sponsorship opportunities.

TfL has been unable to provide some useful financial information about its recent sponsorship deals because of commercial sensitivity. At the Committee's meeting in December, TfL made a commitment to provide greater transparency on existing sponsorship contracts (where possible) and in all future contracts.

The Committee feels that greater transparency can be provided in ways and at times that do not threaten the interests of TfL or its commercial partners. For example, redacting specific clauses within a contract should prevent the need to restrict access to the entire contract. Greater transparency should also be provided on TfL's own processes for estimating the costs and revenues for projects once contracts have been let and this information is no longer commercially sensitive.

## **Overall Conclusion**

The Committee's view is that TfL needs to conduct its sponsorship deals in the open reflecting the fact that these sponsorship deals are made on publicly owned assets. Protection of legitimate commercial confidentiality of private sector partners will remain necessary, but this alone does not justify the lack of transparency in some areas. TfL needs to be clear with Londoners about what its plans are for sponsorship in the future, and demonstrate it has the ability to effectively manage the risks and opportunities of this new funding approach.

One important way of achieving this is by having a robust policy governing sponsorship activity. The Committee welcomes TfL's commitment to produce a new single policy on sponsorship, as there is some evidence of inconsistency in the management of recent sponsorship deals, for example the different methods used to assess the suitability of potential sponsors. TfL's new policy needs to consolidate the experience it has gained from recent sponsorship deals and learn from existing best practice from elsewhere in the public sector.

Finally, TfL must be more transparent over its processes for securing best value and, to achieve this, it may need to make transparency a fundamental requirement of the sponsorship tender process. Transparency is the only way for TfL to reduce the amount of speculation around whether its procedures are strong enough to maximise the benefits of closer working relationships with the private sector.

Once completed, TfL's new sponsorship policy could be used as a basis for developing similar policies in other areas of the GLA group. The growing importance of sponsorship is highlighted by the launch of a formal process by the Olympic Park Legacy Company (OPLC) to find sponsors for the Olympic Park venues.

## Appendix 2 Summary of recommendations

### Recommendation 1

**Before setting out improved processes for the selection and management of sponsors, TfL should set out in what areas of its operations sponsorship might be sought in the future and which areas it considers sponsorship or branding to be inappropriate. In doing so, TfL should set out on what basis it makes these distinctions.**

**TfL should show how it has looked to experiences from public sector sponsorship use in other parts of the world, and demonstrate the benefits Londoners will see from forthcoming sponsorship ventures.**

### Recommendation 2

**TfL should produce and publish a clear set of criteria against which to assess the suitability of potential sponsors. TfL's new sponsorship policy should also set out how it would manage a situation where a sponsor suffered major reputational damage.**

### Recommendation 3

**TfL's new sponsorship policy should include a clear policy and guidelines on product or company endorsement. This should include an explanation of how procedures change according to the number of project sponsors identified.**

### Recommendation 4

**TfL's new sponsorship policy should set out how it secures best value from sponsorships. This should include: the methodology for setting a benchmark price for sponsorship opportunities; being clear about the true value of sponsorship deals; detailing circumstances which may lead to uplifts and reductions to sponsorship payments; and risks to TfL's own budgets.**

### Recommendation 5

**While we recognise TfL should not release information that would damage the interests of its commercial partners, TfL should make greater transparency a requirement of the sponsorship tender**

**process. This should also include the details around how risk is managed within the contract process, for example by linking sponsorship payments to performance. For existing sponsorship deals, TfL should immediately release details of the estimated annual cash flows (expenditure and income), along with sensitivity analysis, risk analysis and payment profile for sponsorship income.**

#### **Recommendation 6**

**Before TfL enters into any further sponsorship arrangements (or before the end of 2012, whichever is sooner) it should provide the Committee with a copy of its new sponsorship policy.**

**The new policy should demonstrate a commitment to a more robust approach incorporating the improvements suggested by the Committee following our examination of existing best practice. TfL should provide reasons for any areas where has chosen not to incorporate the Committee's suggestions into its new policy.**

## Appendix 3 Supporting information

<sup>1</sup> Comments made by Graeme Craig (TfL Commercial Development Director) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>2</sup> Question to the Mayor, 1732/2010, 19 May 2010

<sup>3</sup> The initial sponsorship deal with Barclays for the Cycle Hire Scheme and Cycle Superhighways is worth up to £5 million per year from 2010 to 2015. The ten-year sponsorship deal recently signed with Emirates for the cable car is worth up to £3.6 million per year from 2012 to 2022.

<sup>4</sup> When asked about how TfL establishes a benchmark price for sponsorship opportunities, Graeme Craig (TfL Commercial Development Director) said “We can compare to the extent that we can with other sponsorship activities in terms of other transport authorities across the world but there are not that many who have sought to undertake sponsorship”, Budget and Performance Committee meeting on 8 December 2011.

<sup>5</sup> Comments made by Daniel Moylan (Deputy Chairman, TfL Board) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>6</sup> The International Chamber of Commerce defines sponsorship as “any commercial agreement by which a sponsor, for the mutual benefit of the sponsor and sponsored party, contractually provides financing or other support in order to establish an association between the sponsor’s image brands or products and a sponsorship property in return for rights to promote this association and/or for the granting of certain agreed direct or indirect benefits”. Guidelines on Commercial Sponsorship in the Public Sector, Scottish Government, November 2008, p3

<sup>7</sup> London Mayor’s loan firm Tube deal branded ‘shameful’, BBC, 21/12/10

<sup>8</sup> Thames Cable Car: Emirates gets its name on the map, BBC, 8/10/11

<sup>9</sup> Mayor’s ‘cheap’ sponsorship deal for London cycle hire, BBC, 28/7/11

<sup>10</sup> Comments made by Daniel Moylan (Deputy Chairman, TfL Board) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>11</sup> Comments made by Graeme Craig (TfL Commercial Development Director) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>12</sup> The two cable car stations will be included on the Tube map as Emirates Greenwich Peninsula, and Emirates Royal Docks.

<sup>13</sup> Comments made by Daniel Moylan (Deputy Chairman, TfL Board) at the Budget and Performance Committee meeting on 8 December 2011.



<sup>14</sup> *ibid*

<sup>15</sup> Good practice in station adoption schemes, Rail Safety & Standards Board, 2007, p4

<sup>16</sup> Guidelines on Commercial Sponsorship in the Public Sector, Scottish Government, November 2008, p12

<sup>17</sup> The motion was agreed by 13 votes in favour, with the Conservative members of the Assembly either voting against or abstaining. London Assembly Press Release 'Assembly calls for code of ethics for ads on public transport', 19/1/11

<sup>18</sup> When asked about whether there were problems with the Wonga deal, Graeme Craig (TfL Commercial Development Director) said, "I am not sure that I did say there was a problem with the Wonga deal. What I said was the Wonga deal was signed by people using the rules in place at that time", Budget and Performance Committee meeting on 8 December 2011.

<sup>19</sup> "The relationship with Wonga in terms of sponsorship, which began as a request to do advertising but became a request to do sponsorship for New Year, was something that was dealt within the guidelines that operated at that time within London Underground where the focus was on the legality of the process", Graeme Craig (TfL Commercial Development Director) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>20</sup> London Cycle Hire Scheme Sponsorship, Invitation to Tender, section B2

<sup>21</sup> "In terms of the ITTs [Invitation to Tender], the invitations for the Cycle Hire and Cable Car were explicit. They do not have exactly the same criteria but there were criteria that were set out in both cases where the competing parties had to explain how they thought they fitted with TfL and TfL's brand values", Graeme Craig (Commercial Development Director, TfL), Budget and Performance Committee meeting on 8 December 2011.

<sup>22</sup> "Part of what I would be keen to set out is that we have clearer guidelines about the organisations with which we would work than has been the case in the past. That is difficult to make entirely inclusive or exclusive. There will still be an element of judgment", Graeme Craig (Commercial Development Director, TfL), Budget and Performance Committee meeting on 8 December 2011.

<sup>23</sup> Responding to a question about the possibility of early termination of a sponsorship contract if TfL suffered brand damage as a result of a sponsor's actions, Graeme Craig (TfL Commercial Development Director) said "clearly that is a nuclear option and one does not enter into any agreement with any organisation for which that may be a conceivable reality", Budget and Performance Committee, 8/12/11.

<sup>24</sup> Guidance on sponsorship and partnership marketing, Cabinet Office, October 2007, p6

<sup>25</sup> Evidence suggests that TfL itself would agree that parts of the 'Guidance on sponsorship and partnership marketing' produced by the Cabinet Office for Central

Government departments, is also applicable to TfL in its sponsorship activity. At the Committee's meeting on 8 December, Graeme Craig (TfL Commercial Development Director) said, "There is much in the Cabinet Office guidance that I would heartily endorse".

<sup>26</sup> "It drives additional commercial value if you are in a position to offer an exclusive arrangement", Graeme Craig (Commercial Development Director, TfL), Budget and Performance Committee meeting on 8 December 2011.

<sup>27</sup> An external sponsorship strategy was commissioned for the Cable Car, which recommended a sponsorship model with a title sponsor and a family of four to eight official sponsors. The Cable Car is not scheduled to be completed until summer 2012, but so far Emirates is the only sponsor to be announced. Sponsorship and Secondary Income Generation for the London Cable Car, Technical Note, BDS Sponsorship LTD for TfL, October 2010, p3

<sup>28</sup> Central London Cycle Hire Scheme – MEC Access Initial valuation – updated 18/11/08

<sup>29</sup> Business Case for the Cycle Hire Scheme, TfL, 06/01/2009, p12

<sup>30</sup> Comments made by Graeme Craig (TfL Commercial Development Director) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>31</sup> Barclays will sponsor the scheme between 2010 and 2018. It will pay up to £50 million in a deal which includes the Cycle Superhighways and the Cycle Hire Scheme. Once the phase two extension into East London is complete, the Cycle Hire Scheme will include 8,000 bikes covering 65 square kilometres of London. There are also plans for a third phase expansion of the scheme into West and South West London by the Summer of 2013, 'Mayor's flagship Barclays Cycle Hire celebrates first birthday with additional £25 million investment from Barclays', TfL press release 28/7/2011.

<sup>32</sup> Mayor's 'cheap' sponsorship deal for London cycle hire, BBC, 28/7/11

<sup>33</sup> Question to the Mayor, 2404/2011, 14 September 2011

<sup>34</sup> TfL revealed that there were clauses in the Barclays and Emirates contracts, which allowed for the reduction in sponsorship income received based on performance related issues. It did not disclose details of how these worked for the Barclays contract but for the Cable Car sponsorship payments may reduce as a result events such as a delay in opening the scheme. Letter from Graeme Craig to John Biggs AM, 23/12/11

<sup>35</sup> Plans unveiled for a new Thames crossing with London's first cable car system, TfL press release 4/7/10

<sup>36</sup> So far funding totalling £45.2 million has been found from: the Emirates sponsorship (£36 million), the London Development Agency (£1.2 million), and a grant applied for from the European Regional Development Fund (ERDF, £8 million). The ERDF funding is yet to be confirmed; and if refused this would increase the amount required from

other sources, including TfL's own budgets. The Estimated Final Costs of the Cable Car are £62.6 million, TfL Investment Programme Report Quarter 2 2011/12, p35.

<sup>37</sup> Secondary income from retail, food/beverage and photo units was estimated at £468,750 per annum, which over 10 years equates to £4.7 million, Sponsorship and secondary income generation for the London cable car, BDS, p11

<sup>38</sup> Sponsorship and secondary income generation for the London Cable Car, BDS, October 2010, p7

<sup>39</sup> Question to the Mayor, 0130/2011, 9 November 2011

<sup>40</sup> Letter from the Mayor to Mike Tuffrey AM, 01/11/2011

<sup>41</sup> Comments made by Graeme Craig (TfL Commercial Development Director) at the Budget and Performance Committee meeting on 8 December 2011.

<sup>42</sup> 'Legacy company offers naming rights for iconic venues', OPLC Press Release, 07/02/12

# Appendix 4 Orders and translations

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### Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

### Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

### Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

### Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਅਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

### Hindi

यदि आपको इस दस्तावेज़ का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

### Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লিখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

### Arabic

الحصول على ملخص لهذا المستند بلغتك،  
فراجع الاتصال برقم الهاتف أو الاتصال على  
العنوان البريدي أو العادي أو عنوان البريد  
الإلكتروني أعلاه.

### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

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