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Commercial Development

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Dear Mr Biggs

'Whose brand is it anyway?'

Further to the request by the Budget and Performance Committee in its report 'Whose brand is it anyway?' for TfL to issue a Sponsorship Policy and my subsequent letter of 4 March 2013, I am writing to confirm that this Policy has now been drafted.

In the interests of consistency, the policy has been produced collaboratively and covers both the GLA and TfL. This policy is in draft and is currently going through the formal approval channels within TfL and the GLA. This will complete in the next few weeks.

The policy is a high level document outlining the principles that must be followed by the GLA and TfL when either organisation is contemplating entering into an arrangement for the sponsorship of services, facilities or activities.

As I stated in my previous letter, the policy is the first of a much larger suite of documents that will deliver and support an effective and sustainable sponsorship function. These documents will include the sponsorship strategy (informed by market insight, these will detail the products and approach to market) and, on a more detailed level, the operational guidelines that will contain the processes and procedures on how sponsorship is contracted, governed and managed. Within my Commercial Development function, we have a newly appointed sponsorship team who are currently drawing up these documents with input from others across TfL and the GLA.

As you know, we support the direction set out in the Committee's report. In practice, we have found that not all the recommendations could be captured in a single policy. As a result, the recommendations will be addressed through a combination of the policy (attached), the strategy and the guidelines (the latter two documents are still being drafted and will be shared when completed). I will address the recommendations, in turn, below

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.

This is initially addressed through Para 5 in the policy, **Principle 1: the Authority may only enter into sponsorship arrangements when it is in its best interest to do so**. TfL would look to generate sponsorship revenue and value from our services, facilities and activities subject to the approval of internal stakeholders and the sponsorship governance.

The actual assets and products that we take to market will be outlined in the sponsorship strategy rather than the policy.

In terms of the branding parameters, these will be covered in the operational guidelines and will be consistent with TfL's brand guidelines.

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

In 2012, TfL commissioned IMG to outline our current position and identify the opportunities across our network. A fundamental part of this exercise involved looking to other cities, transport networks and public sector organisations. This work has and will continue to inform our thinking. We were pleased to see from this work that in many respects Transport for London and the London public sector are very much at the forefront in this field with regard to Barclays Cycle Hire and Emirates Airline, the Mayor of London Skyride and Tower Bridge re-lighting. I can arrange for my sponsorship team to take you through this work if you would find that useful.

The point regarding demonstration of benefits to Londoners is also picked up in Para 5, **Principle 1: the Authority may only enter into sponsorship arrangements when it is in its best interest to do so**. The benefit to Londoners must always be clear and will be communicated transparently, whether that is cost defrayment, ensuring that TfL is consistently delivering its commitment to value for money, or allowing us to do something for Londoners that might otherwise not be possible.

Recommendation 2

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

Para 5.6 of the policy states that TfL will generally seek to consider the appropriate balance of the commercial offer, the strategic fit of the bidder and their plans for activation of the rights on offer. The exact criteria and balance is likely to vary dependent on the asset under discussion, but these will be defined and published prior to going to market on a case-by-case basis.

The policy also refers to this under point 5.3 "TfL will not enter into sponsorship arrangements that may, or may be perceived to have a detrimental impact on the Authority's ability to discharge its functions impartially or may put the Authority's reputation at risk."

In all TfL contracts, standard service terms include a provision covering conflict of interest. All of our standard contracts also contain a right to terminate that can be exercised under extreme situations. As part of the broader suite of documents, we intend to produce and publish a standard contract for sponsorship. This will set out how we would in practice address this issue contractually.

Recommendation 3

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

Para 9.1 of the policy addresses this and would apply across sponsors irrespective of the number involved in each project. This paragraph states that acceptance of sponsorship does not imply endorsement of the Sponsor's products and services by the Authority.

All sponsorship contracts would therefore carry the following disclaimer:

"Whilst every effort has been made to ensure the accuracy of the sponsorship contained in this publication, the Authority cannot accept any liability for errors and omissions. The Authority cannot accept any responsibility for claims made by advertisers and their inclusion in (name of publication) should not be taken as an endorsement by the Authority."

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 the sponsorship opportunities; being clear about the value of sponsorship deals; detailing circumstances which may lead to uplifts and reductions to sponsorship payments; and risks to TfL's own budgets.

This recommendation is addressed by Para 8 under **Principle 4: Sponsorship policy must represent value for money and any benefits conferred to a sponsor must be proportionate to the value of the sponsorship.**

Para 8.1 states that the value of the sponsorship opportunity must be assessed and offers to sponsor only accepted if they are commensurate with this value. For all significant or high profile sponsorship opportunities, an assessment of value will be carried out by an accredited, independent third-party. Under these principles, the mechanisms will vary somewhat by sponsorship type and value, and we believe these are more appropriately addressed in the operational guidelines and the draft contracts.

Recommendation 5

TfL should make transparency a requirement of the sponsorship tender process. This should detail 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.

As you know, TfL has some pre-existing sponsorship contracts that contain confidentiality clauses which hinder our ability to retrospectively publish information that we would aim to share in all future contracts. In future we will adopt a policy of presumption of full transparency, including publishing the Authority's contracts with sponsors.

Finally, you asked for a breakdown of TfL's non-fares annual revenue for the last three years and forecast for the next two years by income source and business group. This is attached as an appendix.

I will look forward to seeing you when I am due before the Committee on 16 April to discuss sponsorship and commercial development activity in greater detail.

In the interim, if there is anything further you require, please let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Graeme Craig', with a stylized, cursive script.

Graeme Craig
Commercial Development Director

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Appendix – Non Fares Revenue

Managed within TfL's Commercial Development Directorate:

(£m)	Actual	Actual	F'cast	F'cast	F'cast	Total
	10/11	11/12	12/13	13/14	14/15	
Property Development	40	32	48	64	227	411
Property Management	63	59	61	55	57	296
Business Development						
- Advertising	80	94	100	108	119	501
- Car Parking	6	5	7	6	6	31
- Other ¹	11	11	12	11	11	56
Additional Target ²	-	-	-	42	84	126
Comm Development	200	202	228	287	505	1,421

Managed outside TfL's Commercial Development Directorate:

(£m)	Actual	Actual	F'cast	F'cast	F'cast	Total
	10/11	11/12	12/13	13/14	14/15	
Surface ³	18	25	26	28	32	128
Underground & Rail ⁴	1	1	4	5	5	15
Customer Experience, Marketing & Comms ⁵	2	4	4	4	4	18
Non-Comm Development	21	29	34	36	41	161

The total for TfL is therefore as follows:

TfL (£m)	Actual	Actual	F'cast	F'cast	F'cast	Total
	10/11	11/12	12/13	13/14	14/15	
Total	221	231	262	323	546	1,582

¹ Includes ATM, newspaper distribution, fibre, Wi-Fi, pay telephones

² Additional Commercial Development revenue to be delivered over Business Plan period

³ Includes Barclays Cycle Hire sponsorship, advertising, and non-fares income from Victoria Coach Station and London River Services

⁴ Includes advertising and Emirates Airline sponsorship

⁵ Includes TfL website, non-fares revenue from Travel Information Centres, advertising, map licensing, product licensing and profit from the TfL Online shop