UNTAPPED RESOURCE

BEARING DOWN ON FARES THROUGH SPONSORSHIP

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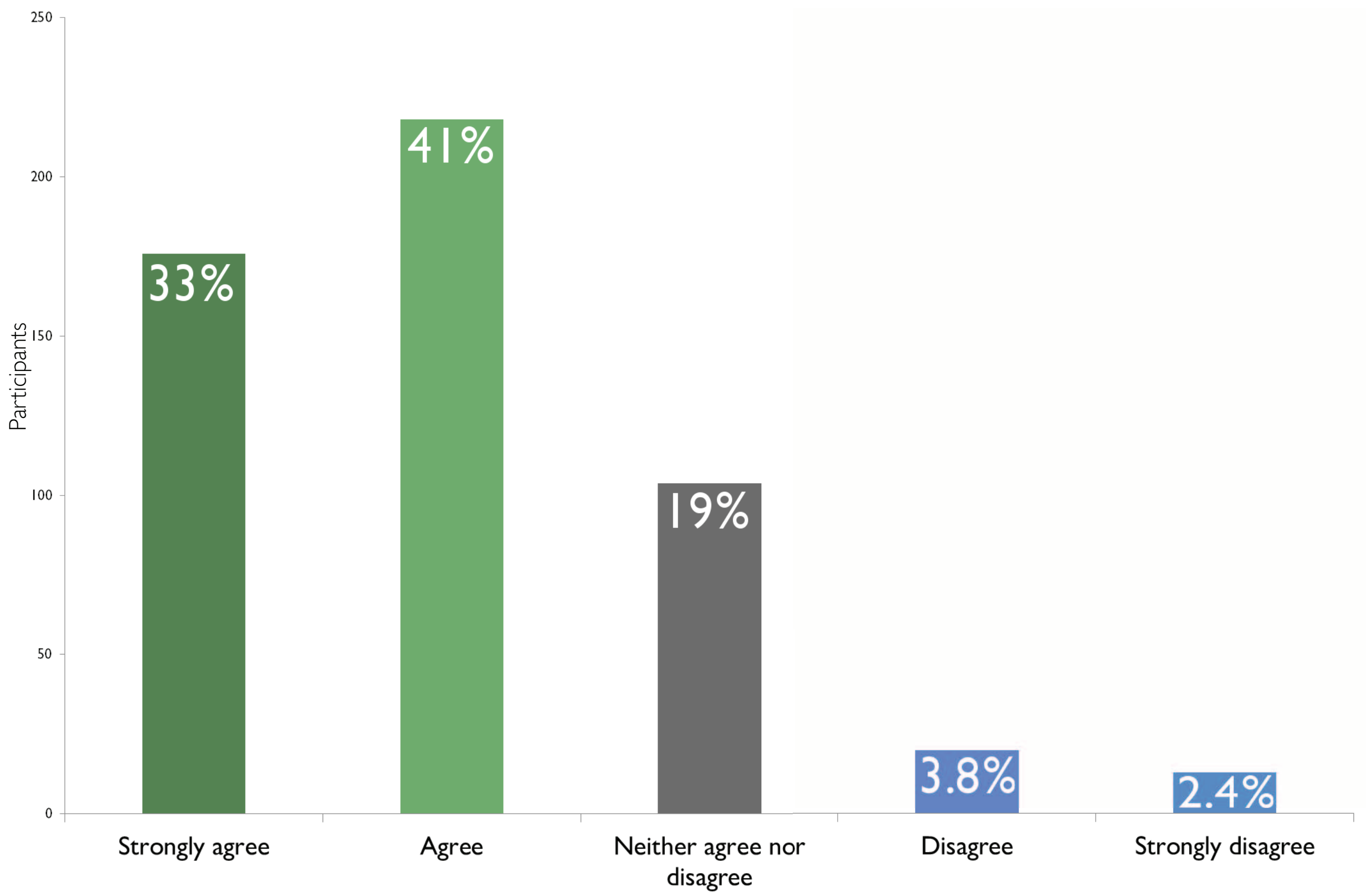
INTRODUCTION

Sponsorship is big business. Yet despite much noise and positioning from Transport for London (TfL) over recent years and signals that the organisation is ready to embrace sponsorship on London's public transport, TfL has so far remained resistant to using commercial sponsorship on its existing services. Is this the right attitude? This report argues that TfL's cautious approach to sponsorship is wrong. TfL has argued that there is no advantage to Londoners of allowing commercial brands onto the tube map, save the finance that might arise from it.[1] Yet if this finance can be used for a purpose that is clearly in the public interest, then significant advantages for Londoners exist.

The difficult financial situation that all public sector organisations currently face, combined with the upward trend of both fares and the cost of living, add further weight to the need for TfL to look again at their policies for sponsorship. The presumed unacceptability of allowing wider commercial sponsorship is also a major barrier. For this report, a poll was conducted asking Londoners about their views. It shows that this barrier is non-existent amongst the vast majority of Londoners, should the money raised be used effectively.

In a poll of 531 Londoners undertaken by Censuswide for GLA Conservatives[2], a massive three-quarters of respondents (74%) agreed that TfL "should expand their use of sponsorship across public transport in London and use the money generated to freeze or cut fares." 33% strongly agreed. Only 6% of respondents disagreed with this statement. These polling results show that Londoners are clearly in favour of TfL expanding their sponsorship programme if the money raised is used to make changes that are in the interest of the fare payer, such as bearing down on fares.

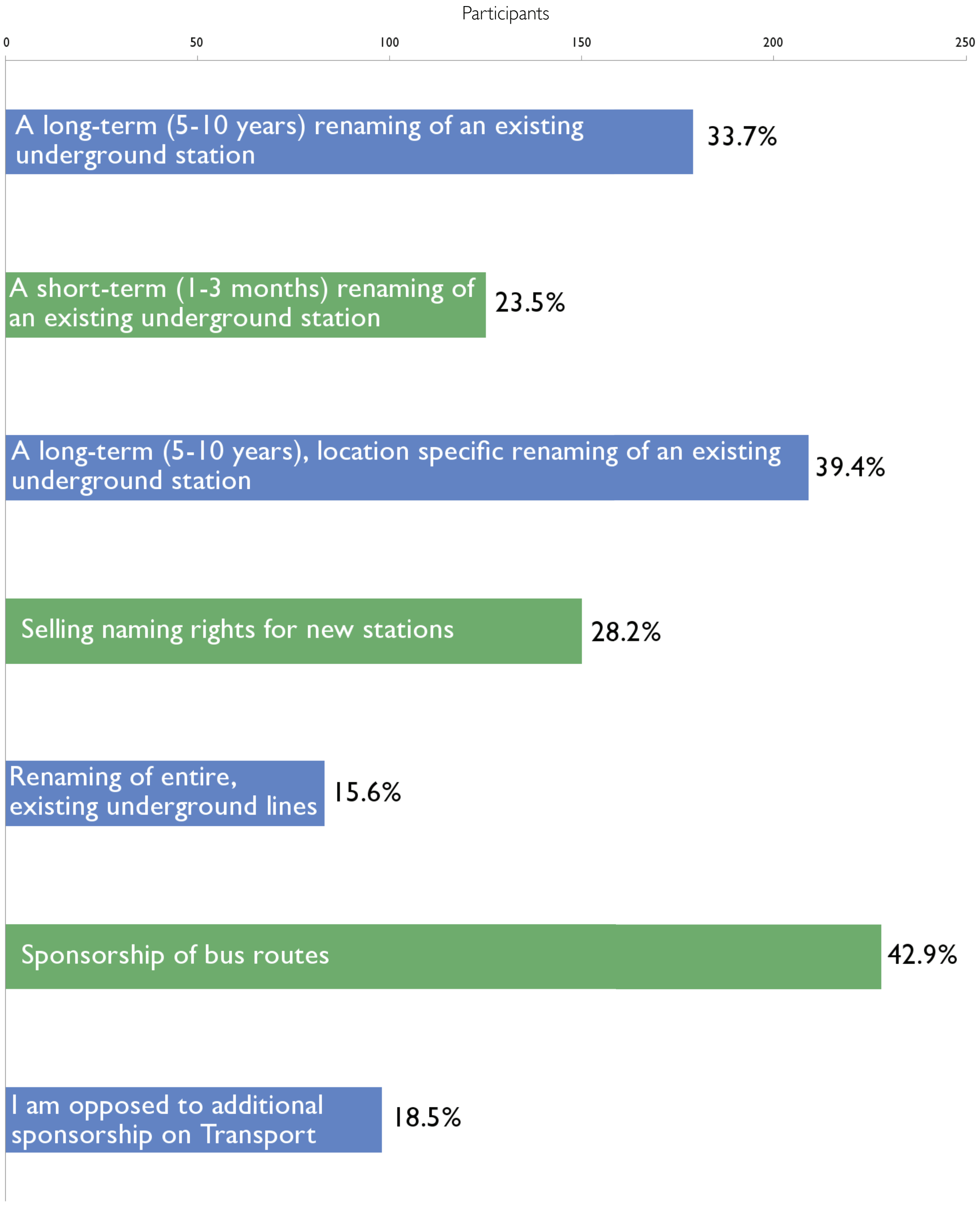
Figure 1: To what extent do you agree with the following statement: TfL "should expand their use of sponsorship across public transport in London and use the money generated to freeze or cut fares."



1. Comments from Daniel Moylan at the London Assembly Budget and Performance Committee, 8 December 2011
2. The poll was conducted online between 1 and 13 May 2013.

The poll also asked about the acceptability of a range of different examples of sponsorship that TfL could pursue. 39% would support a longer-term (5-10 years), location-specific renaming of an existing underground station (e.g. "Knightsbridge, Home of Harrods"). 42% of respondents would support sponsorship of bus routes. Less than one in five respondents (19%) were opposed to additional sponsorship on public transport.

Figure 2: "Which, if any, of the following types of sponsorship on public transport in London would you support?"



TFL'S POSITION

A new sponsorship policy is currently being drafted by TfL, a version of which the Assembly's Budget and Performance Committee recently scrutinised.[3] In addition, TfL is writing a sponsorship strategy which will set out what aspects of TfL's operations and services are considered appropriate for sponsorship. It is this strategy which this report aims to influence.

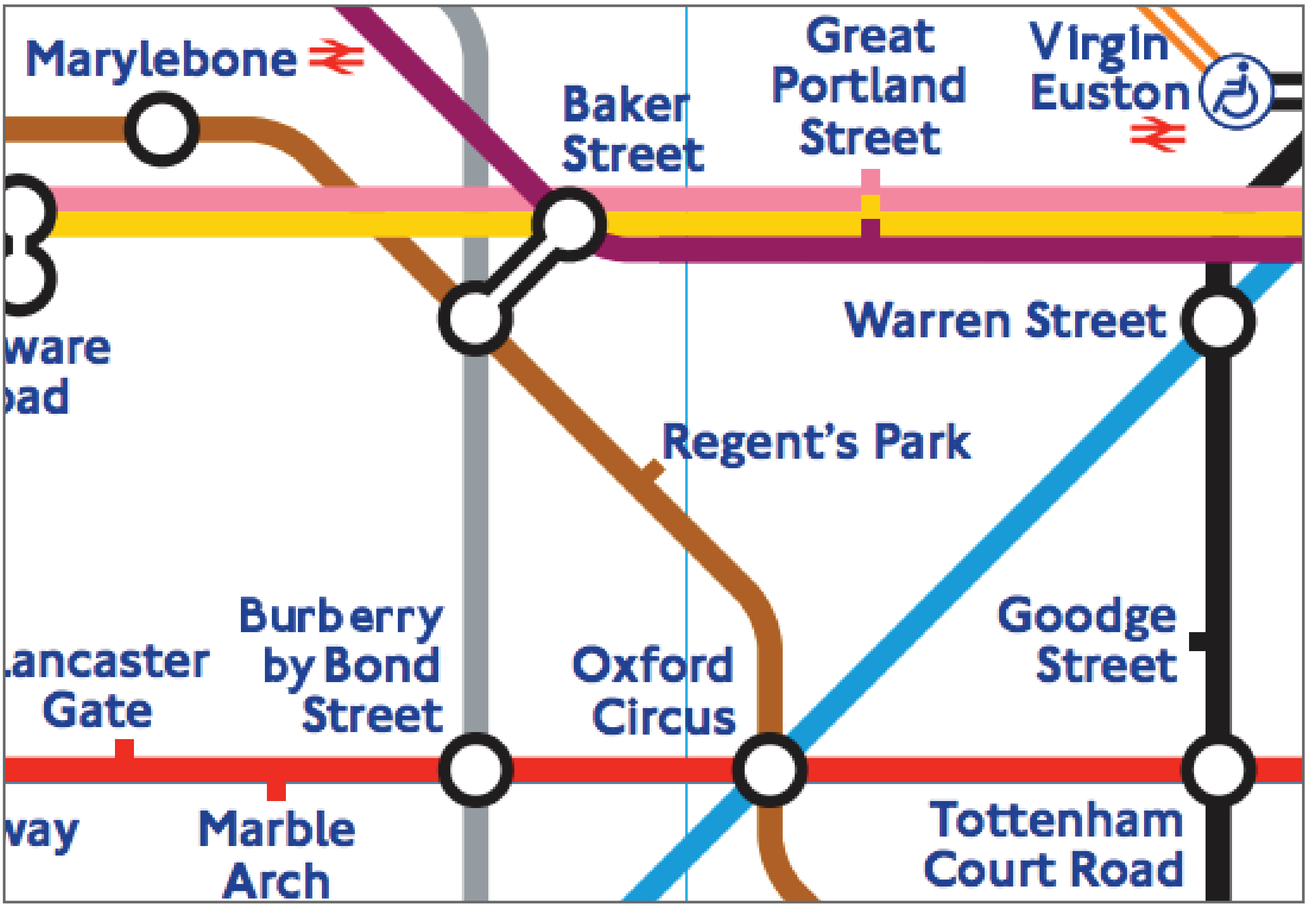
TfL's current position errs on the side of caution with regard to widening sponsorship, but their policy has been far from clear over the last few years. Back in 2008, it looked like TfL were ready to embrace station sponsorship: details were released of TfL's intention to appoint an agency to help with raising more money through advertising.[4] However, little progress followed. Since then, TfL has used corporate sponsorship to part-fund two new infrastructure projects. Barclays are the sole sponsor of the cycle hire scheme and Emirates are the sole sponsor of the Thames cable car, or Emirates Airline, as it is officially known.

Despite these two high-profile projects, TfL has reaffirmed its opposition to sponsorship of existing services. On tube station sponsorship, TfL's position is that: "the Tube map is an iconic brand and to clutter it up with other people's brands excessively would be inappropriate."[5] Speaking as the Deputy Chair of TfL, Daniel Moylan argued that: "If you take most stations, Vodafone for Oxford Circus or something, I just ask you to accept that my judgement and the Mayor's judgement is that is going too far. […] I don't see us having a Sainsbury's Northern Line or whatever. I don't think Londoners would find that [acceptable]."[6] This position was recently restated by Graeme Craig, TfL's newly appointed Commercial Development Director. He said that he is "instinctively uncomfortable" with renaming tube stations that are "long cherished" by Londoners.[7]

However, as well the new polling results, three occurrences clearly undermine this position. Firstly, TfL has taken money in the past in order to rename stations for commercial reasons. Surrey Docks station was renamed Surrey Quays when the shopping centre of the same name opened nearby in 1989.[8] The second occurrence is the deal struck between TfL and Emirates over the sponsorship of the Thames cable car. The £36 million deal includes the naming rights for the cable car – the Emirates Airline – and also of the two newly built cable car termini – Emirates Greenwich Peninsula and Emirates Royal Docks - with the Emirates name now appearing not just once, but three times on every standard tube map. TfL argue that this case is not a good example since the stations and cable car were new. Yet as a result of this development, TfL's policy of not placing other brands on the tube map thus teeters precariously on an interpretation of the word "excessively." As the mocked-up example shows in Figure 4, adding a brand name to the map in TfL's own font, as has already happened with Emirates, need not clutter the map excessively.

3. London Assembly Budget and Performance Committee meeting, 16 April 2013.
4. "Transport chiefs set to allow Tube station sponsorship", ***Campaign***, 3 December 2008. http://www.campaignlive.co.uk/news/866806/
5. "TfL needs to tighten up approach to sponsorship deals, says Assembly" Press release, available at: http://www.london.gov.uk/media/assembly-press-releases/2012/02/tfl-needs-to-tighten-up-approach-to-sponsorship-deals-says
6. Comments from Daniel Moylan at the London Assembly Budget and Performance Committee, 8 December 2011
7. Comments made at the London Assembly Budget and Performance Committee, 16 April 2013
8. Butt, R, ***The Directory of Railway Stations***. Yeovil: Patrick Stephens Ltd., 1995

Figure 3: An example section of the tube map containing sponsored stations.



Thirdly, and most pertinently, TfL entered into detailed negotiations with the wine company Oxford Landing in 2011 about a temporary renaming of Oxford Circus station. The plan included renaming the station "Oxford Landing" for three months; the planting of vines at the entrances; posters of vines on the walls and an idea to make the platforms look like dirt-covered tracks. Advertising agencies had contributed to the planning but it fell through at an advanced stage.[9] TfL has stated that Oxford Landing's valuation was "paltry" and that many of their ideas were "tacky".[10] Furthermore, the short-term nature of the deal would have incurred significant infrastructure costs.[11] TfL is understood to have asked for a fee of at least £10 million.[12] The importance of this extensive negotiation is that TfL seriously considered renaming stations. If this was totally off-limits, why would they have wasted their time?

9. "Oxford Landing tube plans scuppered" The Drinks Business, 27 June 2011. Available at: http://www.thedrinksbusiness.com/2011/06/oxford-landing-tube-plans-scuppered/

10. Comments made at the London Assembly's Budget and Performance Committee, 8 December 2011

11. Comments from Graeme Craig at the London Assembly's Budget and Performance Committee, 16 April 2013.

12. "The grape escape for Oxford Circus: Tube station nearly renamed in winemaker's sponsor deal" Evening Standard, 24 June 2011. http://www.standard.co.uk/news/the-grape-escape-for-oxford-circus-tube-station-nearly-renamed-in-winemakers-sponsor-deal-6414885.html

WHY TFL SHOULD RECONSIDER THEIR POSITION

TfL's position is clear, but flawed.

Missed Revenue - The first reason why TfL's position should be reconsidered is arguably the most important: the money that could be raised. TfL, along with all other public sector organisations, faces an on-going reduction in the funding available from central Government. At the same time, the on-going pressure on fares and the squeeze on living standards means that Londoners are also struggling. Every potential revenue stream should be explored before fares are put up again. The revenue potential for sponsorship is significant. Therefore, it is right that TfL should look at widening their sponsorship programme to include sponsorship of all assets including, but not limited to, stations, lines, trains and bus routes.

Sponsorship across the private sector - TfL is behind the curve. Network Rail, for example, has embraced sponsorship at a number of their mainline London railway stations, with sponsorship appearing on platform signs at some stations, including Vauxhall and Reading. Sponsorship is also used widely across the private sector, where it has become widely acceptable, despite the same concerns being voiced when it was brought in, as we are seeing now when considering sponsorship of public assets. Sponsorship of the FA Cup and Premier League for example, far from spelling their ends, has allowed English football to remain competitive and at the top of the world stage. TfL must follow in these footsteps if London's transport network is to remain one of the best in the world too.

Madrid…Dubai…New York…Why not London? There is a plethora of examples from around the world of public transport sponsorship schemes that go further than TfL are currently willing to. The Madrid metro started down the path of sponsorship with a short-term deal to rename the Puerta del Sol station (Madrid's equivalent of Oxford Circus) "Sol Galaxy Note", in a three-month deal struck with Samsung to promote a new mobile phone. A subsequent deal has recently been announced whereby an entire tube line – Line 2 - and the Sol station will be branded by Vodaphone, in a three-year €3m agreement.[13] Station signs will be reprinted as "Sol Vodafone" and signs on the rest of the line will say "Line 2 Vodafone".[14]

Dubai sought sponsorship for its new metro system, raising in excess of £300 million for the branding of 21 new stations across the network.[15] 10 year sponsorship deals are now in place with firms including Emirates, First Gulf Bank and Dubai Healthcare City. In Philadelphia, the telecoms company AT&T have a five year deal in place, worth $5 million, to completely rename SEPTA's Pattison Avenue stop.[16] The station is now simply called AT&T.

Station sponsorship has been used extensively in New York over past decades, with station adoption schemes dating back to 1977. Only recently, however, have naming rights been sold for stations on New York's metro. Three stations - Atlantic Avenue, Pacific St and Flatbush Avenue in Brooklyn – have added Barclays to their name. The deal is linked to the new Barclays Centre, a sports arena that the stations serve.[17]

13. "Madrid Metro signs naming rights agreement with Vodafone", International Railway Journal, 23 April 2013: http://www.railjournal.com/index.php/metros/madrid-metro-signs-naming-rights-agreement-with-vodafone.html?channel=525

14. "Madrid to brand landmark metro station 'Vodafone", Global Post, 24 April 2013: http://www.globalpost.com/dispatch/news/afp/130424/madrid-brand-landmark-metro-station-vodafone

15. "New names for Dubai Metro's Green Line stations" Dubai Metro, 24 September 2011, http://dubaimetro.eu/business-and-jobs/8685/new-names-for-dubai-metros-green-line-stations

16. "AT&T near naming rights to SEPTA stop", Philadelphia Business Journal, 18 June 2010: http://www.bizjournals.com/philadelphia/stories/2010/06/14/daily45.html

17. "M.T.A. Sells Naming Rights to Subway Station", New York Times, 23 June 2009: http://www.nytimes.com/2009/06/24/nyregion/24naming.html

A number of other innovative sponsorship arrangements are also in place in New York. Google Offers, for example, sponsored free Wi-Fi on the New York subway.[18] New York's bike hire scheme, unlike London's bike scheme, has two sponsors. The main sponsor, Citigroup, operates akin to Barclay's sponsorship of London's bike scheme. The second sponsor, MasterCard, paid $6.5 million to sponsor the 600 payment stations and use the slogan "Priceless New York".[19] Elsewhere in the USA, Nextel paid around $50m over a 12 year period to sponsor one of the seven stations on the Las Vegas monorail, and the State Senate in Massachusetts has called upon the Boston Transport Authority to investigate selling naming rights for subway stations.[20]

Putting destinations on the map - One of TfL's reasons for not going ahead with the Oxford Landing renaming was that it would cause problems for people attempting to navigate around the city. Yet it is easy to envisage naming deals that could improve way finding on the tube. For example, if Harrods were to sponsor Knightsbridge station in some way, or if an airline was to sponsor underground stations at Heathrow, the opposite effect is possible: sponsorship could help people find their destination more easily. Figure 5, below shows a mock-up of what a sponsored Knightsbridge station platform might look like.

Figure 4: An example of what a sponsored Knightsbridge station might look like. Please note, Harrods is intentionally misspelt to avoid infringing copyright

18. "Boingo Announces Summer of Free Wi-Fi in NYC, Sponsored by Google Offers" Business Wire, June 25 2012: http://www.businesswire.com/news/home/20120625005410/en/Boingo-Announces-Summer-Free-Wi-Fi-NYC-Sponsored

19. "Citigroup, MasterCard to sponsor NYC Bike Share and pay stations, Examiner.com, 7 May 2012." http://www.examiner.com/article/citigroup-mastercard-to-sponsor-nyc-bike-share-and-pay-stations

20. "Mass. Senate seeks naming rights for T stations" Boston Herald, 13 April 2013: http://bostonherald.com/news_opinion/local_politics/2013/04/mass_senate_seeks_naming_rights_for_t_stations

RISKS

There are of course a number of risks associated with sponsorship. The first of these is public acceptability. There was some unease, for example, about the Emirates brand name making its way onto the tube map, with cries from some quarters of the perils of selling off the family silver. However, if the benefits of sponsorship deals are much clearer to Londoners, and likely to offer a universal benefit – e.g. a fares freeze, rather than one piece of infrastructure that many Londoners will not benefit from – it is likely that such a policy would be much more palatable. Our poll clearly demonstrates that this is the case: 74% of respondents agreed that TfL "should expand their use of sponsorship across public transport in London and use the money generated to freeze or cut fares." Freezing or cutting fares may or may not be possible, depending on the level of revenue that is generated, but using the revenue to pursue policies in the public interest would make sponsorship acceptable.

Another common argument against station sponsorship is that such a move would tarnish the TfL brand. There was widespread criticism following Wonga's sponsorship of free New Year's Eve travel, for example. TfL's draft sponsorship policy has been well written to act as a guideline for what is and what isn't possible. In particular, it discusses an approach to avoiding reputational problems under section 5 of its draft sponsorship policy which states that:

> "The Authority will not enter into sponsorship arrangements that may, or may be perceived to, have a detrimental impact of the Authority's ability to discharge its functions impartially or may put the Authority's reputation at risk."[21]

Therefore, by following their own guidelines, and by exercising some discretion with regard to which firms would be suitable for sponsorship, TfL can easily avoid this risk. A deal that makes use of an existing relationship, such as Green Park, home of Fortnum and Mason's, both mitigates this risk, and is more likely to be acceptable to Londoners. Again, this is reflected in the polling results.

HOW MUCH COULD SPONSORSHIP RAISE?

A range of experts have spoken of the significant commercial potential of sponsoring transport in London. Allan Biggar, chairman of All About Brands, commented that "sponsoring TfL would be quite attractive because you are getting your brand in front of a wide cross-section of people."[22] Pete Champion, a director of brand consultancy I-Am Associates, has stated that: "From the brand point of view there are lots of wins and it allows brand to go beyond the traditional advertisement and engage with consumers in a more experiential way. Research on brand psychology shows that you get a much deeper and more embedded consumer engagement, and make subsequent recall more successful, when a brand is identified with an experience, like Barclays and cycling."[23]

We already have a number of examples for commercial sponsorship deals that TfL has struck which give an indication of the order of magnitude of a potential sponsorship deal on the existing network. Whilst exact figures have not been made public, TfL were reportedly seeking at least £10 million for a three-month renaming of Oxford Circus.[24]

21. "Greater London Authority and Transport for London Sponsorship Policy." http://tinyurl.com/c6vh4ru

22. "Will TfL let our London landmarks be renamed in a bid to make money?" http://www.londonlovesbusiness.com/will-tfl-let-our-london-landmarks-be-renamed-in-a-bid-to-make-money/1278.article

23. http://www.londonlovesbusiness.com/will-tfl-let-our-london-landmarks-be-renamed-in-a-bid-to-make-money/1278.article

24. http://www.standard.co.uk/news/the-grape-escape-for-oxford-circus-tube-station-nearly-renamed-in-winemakers-sponsor-deal-6414885.html

The cable car sponsorship deal between TfL and Emirates is worth £36 million over 10 years. This includes the naming of the cable car and two new stations. However, relative to a station such as Oxford Circus, the usage of the cable car and therefore the impact of the branding is paltry: the cable sees an average of 30,187 journeys per week,[25] compared to an average of 1.48 million per week at Oxford Circus.[26] Waterloo saw an average of 1.6 million entries and exits per week in 2011. The same figure for Knightsbridge was 0.4 million, still over 10 times that of the cable car. It is not just stations that see such high footfall, but the tube lines too. The Northern Line, for example, saw just shy of five million journeys per week, on average, in 2011.

Footfall would be a major factor in determining the value of any given station sponsorship deal. Based on footfall figures alone, extrapolating the value of the Emirates cable car deal to Oxford Circus, a 10-year deal would be worth £1.8bn. Clearly this figure is a significant overestimate, not least because of the unique nature of the cable car deal: exclusively for Emirates, a new and novel piece of infrastructure, the Emirates name appearing three times on all standard tube maps, the connection to the Olympics when it opened and the experience of travelling on the cable car being akin to travelling on an Emirates plane (aircrew included.)

Figure 5: An example of what a sponsored Euston Station might look like

However, Oxford Circus, or any number of other high profile central London stations offer incomparable exposure when compared to the cable car. Whilst it is very difficult to make an accurate estimate – mainly because of the enormous range of variables that would have to be negotiated, such as exclusively, length

25. Based on weekly usage figures between 22 September '12 and 11 May '13. Figures from TfL: http://www.tfl.gov.uk/corporate/modesoftransport/26168.aspx. Accessed 16 May 2013.

26. There were 77.09 million entry and exits at Oxford Circus in 2011. Source: TfL Station Exit and Entry Figures. http://www.tfl.gov.uk/corporate/modesoftransport/londonunderground/1592.aspx

of deal, branding and advertising within the station and on platforms, inclusion of a brand name on the standard tube map – it is not out of the question that a long-term (years, not months) sponsorship deal of a central London station, or underground line, which includes naming rights, would be valued in the tens, if not hundreds, of millions of pounds.

CONCLUSIONS AND RECOMMENDATIONS

This report has argued that TfL should look creatively at expanding the commercial sponsorship of transport in London, to include renaming tube stations, underground lines and bus routes in order to raise significant levels on non-fares revenue. Our polling shows that Londoners support increased sponsorship if its proceeds are used to fund developments that are clearly in the public interest, such as bearing down on fares. Following from this conclusion, this report makes a number of recommendations about expanding sponsorship to TfL:

1. *Pursue long-term deals* - Our polling also shows that some types of sponsorship are more acceptable to the public than others. A long-term (5-10 years) renaming of an existing underground station was more attractive than a short-term deal. There are both commercial and practical reasons why a long-term deal would be better. Changing a station name for a number of months, as occurred in Madrid, is less likely to be ingrained in the minds of tube users as changing a name for a number of years. It is therefore a less attractive advertising opportunity. There are also practical considerations around continually rebranding a station.

2. *Look to exploit existing brand and station, line associations* – Our polling shows that a location specific renaming of an existing underground station, for example "Knightsbridge, home of Harrods" would be more acceptable than a branded renaming of a station with no clear association, such as "Nike at Oxford Circus". Other relevant location-specific examples would include train companies sponsoring stations with main line rail terminals that they serve, such as "Virgin Euston", or Westfield sponsoring stations at Stratford or Shepherd's Bush.

3. *Pursue with additional vigour selling the naming rights for forthcoming stations* – For a commercial sponsor, the naming rights of a new station are more attractive (and therefore more lucrative for TfL) than renaming an existing station, since this is a blank canvas rather than a re-branding exercise. There are a number of new stations currently being planned or built across London, including two new stations to service the Northern Line Extension[27] and nine new Crossrail stations.[28] A property company involved in the redevelopment of the Nine Elms area would be a strong candidate for the naming rights to either of the Northern Line extension stations, for example.

4. *Use the money to bear down on fares* – Our polling clearly showed that Londoners would like TfL to focus more effort on fares: 77 per cent of respondents agreed that TfL "should focus more closely on measures that would allow them to freeze or cut fares." Reducing fares without the funding to do so would harm TfL's crucial upgrade programme. But raising additional revenue in order to bear down on fares would not damage investment. Furthermore, the extent to which TfL pursue sponsorship could determine the extent of the downward pressure on fares. TfL have confirmed that to freeze fares at inflation costs £34 million in lost revenue, compared to the above inflation rise (RPI + 1%) that we saw in January.[29] Therefore, a three-year real-terms fares freeze would cost £204 million. Alternatively, to freeze fares completely for one year would cost £136m.[30] Neither of these

27. Nine Elms and Battersea Power Station

28. Paddington, Bond Street, Tottenham Court Road, Farringdon, Liverpool Street, Whitechapel, Canary Wharf, Custom House and Woolwich.

29. As stated by TfL at the London Assembly's Budget Monitoring Sub Committee, 16 October 2012.

30. Assuming that RPI is 3% and a 1% freeze costs £34 million

figures seems overly ambitious to raise through a package of sponsorship deals across London's public transport.

5. *Continue to seek sponsorship for new infrastructure developments* – The cable and cycle-hire examples show that TfL are clearly switched on when it comes to seeking sponsorship to help pay for new infrastructure that might not otherwise have enough funding to get built. TfL should continue in this vein as there are a number of unfunded infrastructure projects that might only go ahead with sponsorship, such as the DLR extension to Dagenham Dock, perhaps sponsored by Ford, or the Tram extension to seek sponsorship from a business based in South London.

Note: The GLA Conservatives are not promoting, endorsing or working with any of the named brands. Any brand mentions are solely for illustration purposes with this report.

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