

Date Issued: 22 July 2021

Item: Proposed Amendments to Advertising Concessions

This paper will be published once the decision has been made.

1 Summary

- 1.1 This paper provides an overview of the impacts of the coronavirus pandemic and the delayed opening of the Elizabeth line on both the advertising industry and on TfL's income from commercial advertising sales. It seeks Procurement Authority to vary the level of income due to TfL under its two main advertising contracts:
- (a) the Advertising Partnership Agreement (APA) with Global which covers all Rail and Underground advertising; and
 - (b) the Bus Shelter advertising concession with JCDecaux.
- 1.2 The use of Chair's Action is considered appropriate as a decision to vary the level of income is required before the date of the next Finance Committee meeting in October 2021 enabling our focus can shift to rebuilding our commercial media revenue streams.
- 1.3 The appendix to this paper contains supplementary information that is exempt from publication. The information is exempt by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL and is legally privileged.
- 1.4 The members of the Committee are asked to consider the proposal and provide Ben Story, as Vice-Chair and acting Chair for the purposes of this decision, with their views on or before 26 July 2021. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Committee.

2 Recommendation

- 2.1 The Vice-Chair of the Committee, in consultation with available Members, is asked to note the paper and the confidential Appendix, and authorise the Procurement Authority required for the proposed changes to income for the contracts in the sums set out in the confidential Appendix.**

3 Background

- 3.1 Prior to the coronavirus pandemic, the Out of Home (OOH) advertising market in the UK was worth approximately £1.3bn per annum. TfL's directly managed assets accounted for approximately £250m (19 per cent) of this UK OOH spend through a combination of our rail advertising estate (London Underground,

London Overground, DLR, Croydon Tramlink and Victoria Coach Station), our bus shelter advertising estate, and our large format roadside advertising estate.

- 3.2 The OOH sales market in the UK is currently split between four main organisations, two of which are our key revenue generating counterparties:
- (a) Global has an approximate 35 per cent share of the OOH market. This follows their acquisition of Exterior Media, Primesight and Outdoor Plus in 2018, which consolidated the overall OOH market. Global manage sales on the Rail and Underground estate and on a range of our roadside sites;
 - (b) JCDecaux has an approximate 35 per cent share of the OOH market. JCDecaux manage sales on our bus shelter advertising estate, and also on a range of our roadside advertising sites;
 - (c) Clear Channel has an approximate 17 per cent share of the OOH market, Clear Channel only operates one large digital roadside advertising panel on our estate; and
 - (d) Ocean Outdoor has an approximate 6 per cent share of the OOH market. The remaining approximately 7 per cent of the market is distributed among smaller organisations.
- 3.3 The coronavirus pandemic lockdown measures have had a catastrophic impact on the advertising industry. Figures published by the Advertising Association/World Advertising Research Centre show that the year-on-year advertising spend for 2020 fell by 7.2 per cent across all types of advertising which includes online, print, television, and OOH.
- 3.4 OOH has been hit extremely hard with year-on-year reductions in 2020 of 46.3 per cent. OOH revenues have been more severely impacted as lockdown measures have restricted the movement of people and therefore the potential audiences for OOH advertising.
- 3.5 The withdrawal of such a large amount of spend from the industry, and in a very short space of time, resulted in our advertising partners approaching us to support them through this unprecedented situation. We responded by providing emergency relief to our advertising partners for Q1 2020/21 as did most other estate owners.
- 3.6 The OOH market is starting to see a slow return of advertisers, but the rate at which advertisers are returning is dependent upon a number of factors;
- (a) audience - Social distancing requirements have an impact on the audience levels across our estate, as capacity is limited, and people continue to work from home in line with Government requirements;
 - (b) current restrictions – This may impact specific advertisers or products that an advertiser is looking to promote e.g. travel firms if restrictions on travel persist;

- (c) advertising budgets – Businesses may continue to withhold advertising spend as they try to repair the damage to their own balance sheets as a result of lockdown; and
 - (d) economic uncertainty – This may also impact advertising investment as it will continue to be perceived as higher risk investment until uncertainties about unlocking are removed and economy recovery is demonstrated.
- 3.7 In addition, across our rail estate there has been the additional pressure of Crossrail delays on the ability of our advertising estate to drive additional revenues from the new, high impact digital advertising assets that have been installed across the new Crossrail central stations.
- 3.8 With all of this in mind, we have worked with both Global and JCDecaux to understand their position and the effects being felt on the market and to develop plans that will see a return to pre-existing contractual payment mechanisms as soon as possible to support our commercial recovery.

4 Commercial Considerations

- 4.1 The commercial considerations and support provided to our partners, along with the proposals for the contract that fall within the remit of the Committee, are set out in the appendix to this paper which is confidential and contains legally privileged advice.

List of appendices to this report:

An appendix that contains supplemental information that is exempt from publication.

List of Background Papers:

None

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