Transport for London

Ref: TfL 94592

Prior Information Notice (PIN)

TfL Advertising Concessions for Rail network (including London Underground) and Bus Shelters

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1. BACKGROUND INFORMATION

INTRODUCTION

Transport for London (TfL) is seeking to place advertising concessions with a media partner(s) to commence from 1 April 2025 for both its rail network (including London Underground) and its bus shelters.

Tube & Rail Advertising Concession

This involves the right to sell and display advertising on all stations and trains on the following transport services:

- London Underground
- Elizabeth line
- London Overground
- Docklands Light Railway
- Trams
- Victoria Coach Station

This consists of various traditional assets of varying formats from 4 sheets to 96 sheets, as well as a range of digital opportunities including Digital 6 Sheets, Digital 12 Sheets, Escalator Panels, Escalator Ribbons, large scale Landmarks/Video Walls, and Digital Runways (integrated into platform edge doors).

The concessionaire will be responsible for the posting/scheduling of adverts and the installation and maintenance of all advertising assets.

Bus Shelter Advertising Concession

This involves the right to sell and display advertising on TfL’s bus shelter estate throughout the Greater London area. This consists of approximately 5,000 bus shelters comprising 9,500 traditional paper advertising panels and 612 shelters with full digital advertising.

The concessionaire will be responsible for posting adverts on the traditional poster panels, as well as the scheduling of adverts across the digital network. The maintenance and cleaning of the bus shelters is conducted by third parties, but the concessionaire will be responsible for the installation, maintenance and cleaning of the traditional and digital advertising panels on bus shelters.

Bidding Lots

The advertising concessions will be tendered in three lots:

Lot A – Tube & rail advertising concession only

Lot B – Bus Shelter advertising concession only

Lot C – Tube & rail advertising concession and Bus shelter advertising concession combined.

Questionnaire

Any interested parties in the above concessions should complete the following questionnaire.

This questionnaire is part of a soft market testing exercise for TfL with the aim of further developing TfL's strategy to commercially exploit its advertising assets.

(Respondents completing the below questionnaire will do so at their own cost.)

MARKET SOUNDING QUESTIONNAIRE

Ref: TfL 94592

TfL Advertising Concessions for Rail network (including Tube) and Bus Shelters

1.0 Introduction and Purpose

The purpose of this Prior Information Notice (PIN) is to seek information from suppliers in the advertising market to further inform the development of TfL's procurement strategy and any related contract specification. Information provided will be used to inform TfL in its continued consideration of the nature of any future procurement activity. If deemed appropriate TfL may, at its sole discretion, enter into further discussions with respondents.

2.0 Structure and Format

Suppliers are requested to complete the following questionnaire. Suppliers must adhere to the format of the questionnaire when answering the questions. Where questions cannot be answered fully, please provide relevant explanations and details. Please keep responses concise. Questions should be answered in English.

3.0 Background Information about TfL

TfL was created in 2000 and is the integrated body responsible for the Capital's transport system. TfL implements the Mayor's Transport Strategy for London and manages transport services across the Capital for which the Mayor has responsibility. These services include:

- London's Buses
- London Underground (including Elizabeth line)
- Docklands Light Railway (DLR)
- London Overground
- Trams
- London River Services
- Victoria Coach Station
- Red route road network
- Santander Cycle Scheme
- Congestion Charging
- London Cable Car
- And many other services

Further information regarding TfL can be obtained at www.tfl.gov.uk.

4.0 Terms of the Market/ Suppliers engagement

TfL will not enter into a contract or contracts based solely on the responses to this PIN and no information contained in this document or in any communication made between TfL and any supplier in connection with this should be relied upon as constituting a contract, agreement or representation that any contract shall be offered in accordance with this PIN. Responding to this PIN is not a pre-requisite for participation in any future procurement activity, nor will the provision of a response (or lack thereof) be taken into account in the evaluation of any future procurement.

5.0 Confidentiality and Intellectual Property Rights

Except as expressly required for the preparation of a response to this PIN, suppliers must not without TfL's prior written consent, disclose to any third party any of the contents of this document or related information. Suppliers must ensure that their employees, consultants and agents are also bound and comply with this condition of confidentiality.

By responding to the PIN Questionnaire, the respondent gives TfL, the GLA and other GLA bodies (and their respective professional advisors) a licence to use the information provided within that response for the purposes of preparing and conducting future procurement activity for the services described in this document. Please do not provide information which you are not content to be used for this purpose.

6.0 Freedom of Information

TfL is committed to open government and to meeting its legal responsibilities under the Freedom of Information Act 2000. Accordingly, all information submitted to TfL may need to be disclosed by TfL in response to a request under the Act. TfL may also decide to include certain information in the publication scheme, which TfL maintains under the Act.

If a supplier considers that any of the information included in their expression of interest is commercially sensitive, it should identify it and explain (in broad terms) what harm may result from disclosure if a request is received, and the time period applicable to that sensitivity.

Suppliers should be aware that, even where they have indicated that information is commercially sensitive, TfL might be required to disclose it under the Act if a request is received.

Suppliers should also note that the receipt of any material marked 'confidential' or equivalent by the TfL should not be taken to mean that TfL accepts any duty of confidence by virtue of that marking.

Suppliers are asked to include a single point of contact in their organisation. TfL will not be responsible for contacting suppliers through any route other than the nominated contact.

Transport for London

MARKET SOUNDING QUESTIONNAIRE

Ref: TfL 94592

for TfL Advertising Concessions for the Rail network (including London Underground) and Bus Shelters

Name of Respondent: Global

TO BE RETURNED BY 26th May 2023 to:

[redacted]@tube.tfl.gov.uk

1.0 Details of Your Organisation

(Please insert your responses in the white boxes below the questions)

1.1 Name of the organisation submitting this response:
Global Outdoor Media Limited
1.2 Contact name for enquiries about this submission:
[redacted]
1.3 Contact position (Job Title):
[redacted]
1.4 Main office address (including postcode):
7th Floor, Lacon House 84 Theobalds Road London WC1X 8NL
1.5 Telephone number:
[redacted]
1.6 E-mail address:
[redacted]@Global.com
1.7 Website address:
https://global.com/
1.8 Please provide details of your organisation including its principal business. Please also state your annual turnover and profit / loss after tax for the past 3 financial years, and net assets for the last financial year.
Global Outdoor Media Limited (company number 02866133) is a wholly owned subsidiary in the Global Media & Entertainment group (described in the subsequent answer, below) and the main trading company for the group's out-of-home media advertising business. Global Outdoor Media Limited's principal business is the development, installation, maintenance, marketing, and sale of outdoor advertising sites to advertisers and agencies. It does this by working with advertising partners such as TfL to maximise opportunities to develop their estate into compelling advertising propositions with the aim of maximising gross media revenue. Global Outdoor Media Limited's previous registered names are: • Exterion Media (UK) Limited • CBS Outdoor Limited • Viacom Outdoor Limited • TDI Advertising Limited, and, • LTA Advertising Limited The financial data requested is summarised in the table below:

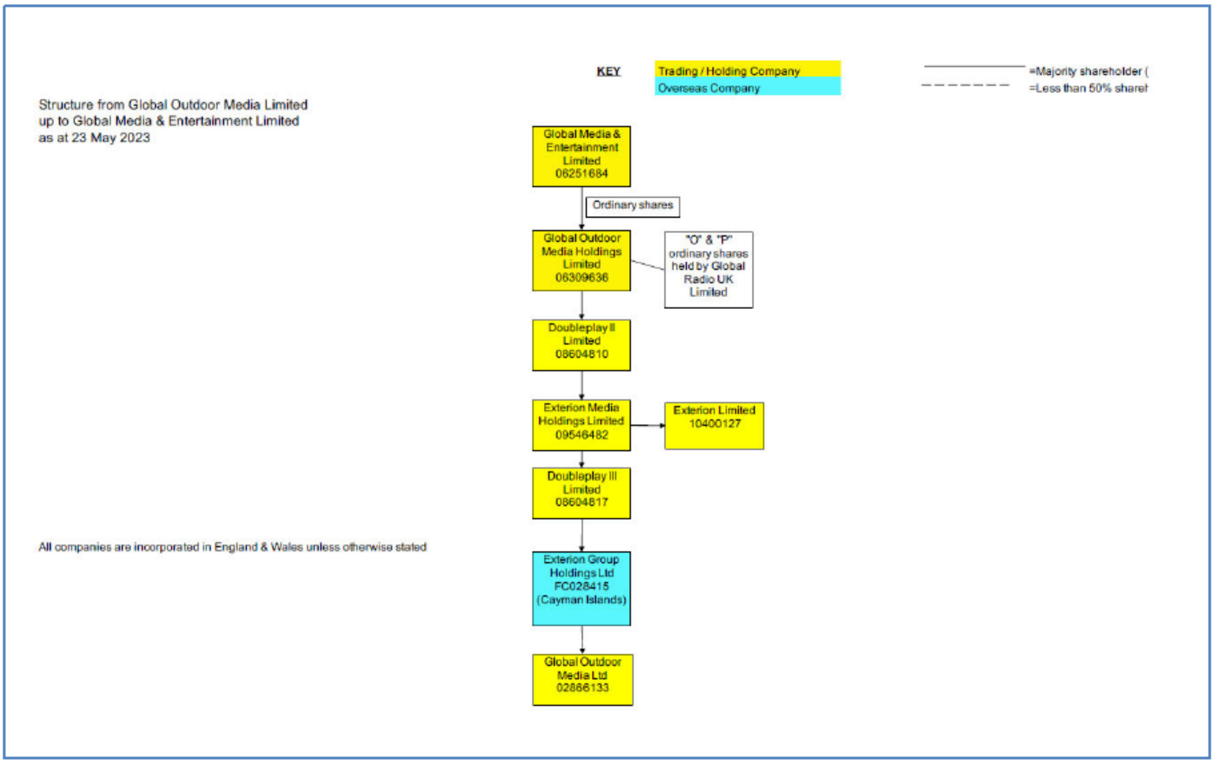
£'000	Submitted Accounts	Submitted Accounts	Submitted Accounts	Draft Accounts
FY Ending	March 2020	March 2021	March 2022	March 2023
Turnover	288,166	36,708	144,624	209,992
Profit after tax	26,618	(17,694)	(51,556)	(8,697)
Net Assets	137,418	124,704	78,424	148,088

1.9 If applicable, please provide full details of your ultimate parent company/ holding organisation. You should also attach an organisational chart showing the organisation structure.

Global Media & Entertainment Limited (company number 06251684) is the ultimate parent company of Global Outdoor Media Limited.

The principal activities of the Global Media & Entertainment group are the operation of commercial radio stations in the United Kingdom and the operation of out-of-home media advertising in the UK and Europe.

The figure below shows a simplified organisational chart as requested:



2.0 Scope of the Consultation

1. CAPEX COSTS It is envisaged that TfL will meet the up-front capital costs associated with all asset refreshes and new assets. These costs will be repaid to TfL by the advertising partner on a straight-line basis over a period that is likely to be 5 years. In addition, the advertising partner will pay interest on outstanding capital balances at a rate that is expected to be 6.29%. What are your thoughts on this mechanism for capital costs as detailed above or would you prefer to fund asset renewals yourselves? Please state the reasons for your answer.
In line with industry norms for rail / transit contracts, ideally TfL would bear the full cost for the capex with no repayment from the advertising partner / media owner, based on a jointly agreed estate development / capex plan. This would remove the challenge of ROI timelines and enable the media owner to focus on estate development and revenue exploitation through the duration of the contract, rather than reducing investment towards the end of the contract to protect ROIs. By taking a more ambitious estate development and revenue exploitation approach, this would also maximise the share of revenue the advertising partner would be able to commit to TfL as commercial income. If that is not an option, then, on the understanding that capex costs will operate under a similar mechanism to the current TIPP arrangement, we would be prepared to accept that mechanism.
2. CONTRACT DURATION **2.1** It is envisaged that the concessions will run for a period of eight years. What is the ideal contract period which you believe will maximise revenues for both parties?
We see 8 years as a **minimum** viable term, given the lead times needed for product development, installation and commercialisation and the need to generate net returns on investments. Shorter contract terms significantly limit the window of viable investments to generate returns before contract end. Clearly this is more of an issue on the Rail/Underground concession than on the Shelters concession given the vastly different complexity of product approval and installations.
2.2 If you currently operate advertising concessions for Metro / railway authorities and/or street furniture/ bus shelter advertising, what is the usual period of time you contract for? Please give brief details of such contracts below.

Our main metro concession is the TfL Rail/Underground concession, which we have operated in its various forms since the incorporation of Global Outdoor Media Limited in 1993. The most recent (current) contract term is ~8.5 years.

Other current and recent similar concessions operated by Global, include: ScotRail , Glasgow Subway (SPT) , Newcastle Metro (Nexus), FirstRail , TfGM Trams. These contracts range in duration from 9 to 12 years.

As mentioned in our response above, generally the transit operator bears the capital investment cost as part of a jointly agreed plan.

3. COMMERCIAL TERMS

3.1 What commercial model(s) do you think would best maximise gross revenues? (Please state your reasons)

Considering commercial models as a balance of revenue share mechanisms and guaranteed annual payments; there are pros and cons to the various models balancing risk and upside potential to both TfL and the advertising partner/media owner - summarised at a very high level in the table below:

Model	General dynamics	Risk to media owner	Proportion of expected revenues media owner likely to commit to TfL
Gross Revenue Share – current LU model	Limited incremental returns for the media owner from revenue growth driven by capex investments or revenue outperformance. **However,** given the relatively low risk the media owner will be more willing to commit a higher share of projected revenues as income to TfL	Lowest	Highest
Net Revenue Share (i.e., after specialist and agency commissions)	Similar to gross revenue share, however there is more opportunity to flexibly use incentives to drive incremental gross revenues (and in turn net revenues). For products where there is a high degree of substitutability (e.g., shelters in London) the effect of this can shift revenues. For products with lower substitutability and higher natural demand (e.g., Underground) this has less impact		
Revenue Share – a portion of which is guaranteed	To increase certainty of incomes to TfL, a portion of the forecast revenue share from the tender submission projections can be guaranteed each year. Clearly this increases risk or the media owner in case of revenue underperformance of the estate versus projections		
Fixed Minimum Guarantee (MG) + Revenue Share - current Bus Shelter model	Minimum guarantees (MG) add risk to the media owner, and as such reduce the amount of projected revenues the media owner would be prepared to commit as income to TfL. **However,** given the upside potential to the media owner it will incentivise incremental revenue performance, adding a revenue share above a certain level of performance shares that upside with TfL The lower the MG, the more revenue share from outperformance the media owner would be prepared to commit, as this reduces the risk profile		
Fixed Minimum Guarantee	Highest risk to the media owner, but the highest incentive from incremental revenue performance and capital investment. Given the risk to the media owner however the commitment to TfL will be hedged to reflect that risk This is amplified for very large concessions (such as shelters and the underground) where margins for the media owner are very thin	Highest	Lowest

Given the natural dynamics of the Underground**, Global's preferred model would be a gross revenue share.** If a Minimum Guarantee (MG) is also included – appropriate terms to protect Global from any significant risk must also be included (e.g., significant delays in project installations – such as experienced during the Elizabeth Line development, or extraneous factors such as advertising category restriction, a major health or economic crisis). The lower/most flexible possible MG and higher revenue share potential would balance risk and reward, and therefore the increase the proportion of our projected revenues from the concession we would be prepared to commit to TfL.
4.3 Are there any commercial models which you believe would risk maximising revenues? (Please state your reasons)
Yes. A single media owner winning Lot C would not have the same competitive incentives as two distinct competitors driving maximum revenues on each product. Furthermore, as described above there is a trade-off between maximising the incentives to drive gross revenues, and introducing risk, which in turn will be reflected in the media owner's commitment to TfL. A significant fixed MG would introduce substantial risk to the media owner. Particularly given the very low margins that large concessions such as the Underground operate at for media owners. Combining the contracts (the Lot C option) together with a fixed MG would put considerable risk onto a single media owner (and in turn TfL) and is in our opinion the least desirable option of all.

4. CRITICAL FACTORS **4.1** Are there any critical factors that would deter or prevent you from bidding for these concessions?
The inclusion of Lot C as an option introduces the risk of strategic gaming of bids by media owners, potentially undermining individual Lot bids in order to win Lot C at a lower price than a bidder otherwise would have to bid to win both Lots A and B. This is particularly relevant if not many bidders are prepared to bid for both A and B. **We strongly recommend that you remove the Lot C option.** We have re-attached our presentation on this matter from earlier in the year : "As Presented TfL Workshop on Auction Design.pdf'. Furthermore, a commercial model that includes a **significant minimum guarantee could deter or might even prevent Global from bidding,** as mentioned above given the tight margins on concessions such as the Underground, this introduces too much financial risk for a media owner.

As discussed below, **Global would not entertain a 3rd party sales agent (e.g., another SSP) to have access to the digital estate** which Global is investing in, installing, maintaining and paying a franchise fee which may or may not include a Guarantee – in addition to the significant complexities and risk that would introduce to revenue management and optimisation. Two or more sales agents trying to sell the same assets is probably the most likely way to drive down prices and trigger a 'race to the bottom'. Due to the fundamental differences of shelters to Global's core product set, and the number of substitutable products for shelters in London, **Global will not be bidding on Lot B**, and therefore **neither will Global be bidding on Lot C**. Given then the limited pool of bidders bidding for Lot C we strongly believe this undermines the strategic rationale for having Lot C as an option, and to maximise value we believe that you should run tenders for Lots A and B individually.
4.2 Are there any specific **technical challenges** that may pose concern at this stage? If so, what mitigating action do you think can be taken by TfL to minimise these risks?
As discussed below the risk of delays (e.g., Elizabeth Line) or long lead times or delays for product approval or installation can significantly impact the bid business case. To mitigate this TfL should propose clear compensation principles for delays that go beyond the original business case / 'capex plan'.
4.3 Are there any **critical or long lead time items** that may impact on the successful delivery of these concessions? If so, what mitigating action do you think can be taken by TfL to minimise these risks?
The key factor is product development, approval and implementation process timelines, given that, if, ultimately, capex sits with the media owner long implementation timelines significantly limit the opportunity to generate ROI. This is compounded by potential delays on the TfL side – such as experienced with the Elizabeth Line. This is a significant differentiating factor between the Rail/Underground and the Shelters concessions and a challenge to putting both on the same commercial model.
5. FUTURE DEVELOPMENTS **5.1** To what extent do you believe automated and /or programmatic trading will benefit TfL in real terms over the contract period?
Outdoor media owners, agencies and advertisers have been developing their automated and programmatic capabilities, tools, processes, and systems over the last decade. Removing friction from trading, opening routes to market and broadening the appeal of

outdoor advertising to advertisers for whom there were previously challenges or barriers (for example; advertisers put off by long lead times, inflexible fixed term opportunities, complex processes, or just now used to buying media in the on-line world, combined with declining audiences in traditional content based offline media) should drive growth. We expect there to be a transfer of revenue to programmatic / automated channels, as well as growth by opening the opportunity to new advertisers. However, as discussed below, in order to manage yields it is critical that the media owner manages the access of any 3rd party DSPs to the inventory. In our proposal we will share the degree of growth we expect this to deliver to TfL over the concession period.
5.2 Would there be advantages for TfL if it were to allow more than one Supply Side Platform access to its digital inventory?

No. Furthermore we strongly believe this will be a significant deterrent to prospective bidders on the estate for the reasons outlined below.
 	
We foresee this introducing significant risks and complications:
 	
• This will most likely lead to downward pricing pressure on the assets as multiple vendors try to sell the same opportunity, destroying value for TfL. Further considerations include:
    ○ How would prioritisation of access to display opportunities / impressions between SSPs / media owners be managed?
    ○ How would any incoming revenue be guaranteed to be incremental, rather than revenue that could have come in through another channel, potentially at a higher rate rather than auctioned down?
    ○ How would costs (capex and opex) for the installation and maintenance of advertising assets be fairly attributed?
 	
In summary any additional **DSPs** wanting access to the inventory would have to be managed and controlled by the media owner, not through TfL granting access.

5.3 How would you protect yields on programmatic deals; is TfL potentially de-valuing its estate by trading impacts rather than as a brand building, broadcast medium
TfL's estate is already used for a variety of advertising outcomes (brand building, activation), and programmatic trades are also used for a variety of outcomes. Brand building can be bought on an impressions basis together with other factors, as can activation campaigns The main issue is not the use of the estate, but the management of the yield of the assets. Global has developed robust systems and processes to do this. We will layout in detail our yield optimisation approach in our tender submission.

6. **ANY OTHER COMMENTS** Are there any other comments you would like to make regarding these tenders?
Having heard the proposed tender timeline in our Q&A session: • PQQ August 2023 • ITT Issue October 2023 • ITT Submission mid January 2024 • Award notice summer 2024 If you do intend for the process to run over the December holiday period, we would like you to commit to TfL stakeholders being available throughout the period to answer queries etc. Otherwise, **we recommend pulling the ITT issue and submission deadlines forward by one month** (so submission in December) as it will be extremely challenging to mobilise our workforce and external advisors (lawyers, consultants etc) over the late December/early January period, and, raise responses from TfL stakeholders on any key issues that arise in the process.