

Clear Channel Bus Shelters Member Investigation

1. Background

A meeting was held on 26th October 2017 between Councillors Asvachin and Atkinson and officers from the Council's Transport Co-ordination Service and Highways Management Teams to discuss the current concessions agreement between Devon County Council and Exeter City Council and Clear Channel, to see if they are doing an acceptable job and what if any further action could be taken.

This has come about due to quite a high number of members receiving complaints from their constituents regarding the removal, upkeep or lack of bus shelters at various locations in Exeter.

2. Findings

Clear Channel first took over the contract in Exeter (which was previously Adshel) in 2012 after a procurement exercise.

The agreement means that they have the exclusive right to advertise on the shelters in return for maintaining, and replacing the existing bus shelters at no cost to the Councils.

The contract is for 20 years, with Clear Channel agreeing to replace 188 existing shelters within the first 5 years and in the 6th year, start to add an extra 2 new shelters each year. As of January 2017, 84% had been replaced (100) with another 57 meant to be completed by June. These have yet to be undertaken and there has been no feedback from them since then, although there has been a promise of a list showing the work they are planning to do soon (See Appendix 1).

An initial delay was caused by Clear Channel wanting to use contractors who did not meet the requirements of Devon County Council to carry out works on the Highway.

Originally, there was a ban on advertising on the bus shelters in the High Street but this was reconsidered, as the City Council agreed it was hard for Clear Channel to make enough revenue due to changes in the way people watch adverts/pay for advertising space.

Clear Channel has yet to officially respond to this offer. The company's financial situation can be seen from their accounts published at Appendix 2.

3. Conclusion

The group decided that moving forward; the best action plan would be to arrange a meeting with Clear Channel to which Devon County Council and Exeter City Council

Members and officers would be invited. County Council officers are arranging this meeting.

The aim of the meeting will be to understand what the current position is, the timetable for meeting obligations made in the agreement and to explore with Clear Channel how to overcome any barriers to meeting the contract timetable.

It was also agreed that moving forward we will need to discuss how we agree with them which new bus shelters to install and where.

Councillors Marina Asvachin and Yvonne Atkinson
Members of the Corporate Infrastructure & Regulatory Services Scrutiny Committee

Scheduled dates for the installation of bus shelters:

Exwick Road – 1st to 3rd November

Holman Way – 1st to 3rd November

Causey Lane – 2nd to 4th November

Barley Lane – 2nd to 4th November

(these being sites where old shelters had been removed).

Appendix 2

	2016 £000	2015 £000	% Change £000
Turnover	124,301	144,091	(14%)
Operating Profit/(Loss)	2,827	(1,076)	362%
Operating Margin*	2%	(1%)	
Gross Profit Percentage	27%	22%	
Net Assets	122,043	191,578	(36%)
Net Current Assets	32,860	27,797	18%
Capital Expenditure	12,810	9,785	31%

*Operating margin defined as operating profit as a percentage of Turnover.

Turnover decreased 14% due to the loss of the TFL bus shelter contract at the end of 2015 offset by strong growth elsewhere particularly as a result of our ongoing digital strategy. The directors expect this growth to continue in 2017.

Operating profit for the year was £2,827k (2015 - £1,076k loss), an increase of 362% due to strong cost control, savings from the loss of the TFL contract and material one off costs incurred in 2015 that did not repeat.

Net current assets improved by £5,063k and capital expenditure increased by £3,025k to support digital expansion.

The loss for the year after taxation amounted to £69,555k (2015 - £2,309k). The loss is due to a one off impairment of £78,320k which reflects the decline in projected profitability from certain investments.

Future developments

With digital continuing to be the primary driver behind the growth of outdoor advertising, we intend to continue to develop our expertise in digital display technology and we anticipate that this will have a significant impact in the outdoor sector over the coming years.

Principal risks and uncertainties

Dependence on key relationships with clients

Clear Channel is always seeking to improve relationships both with advertising agencies and specialists, as well as large company clients. The company is working closely with all stakeholders in order to achieve this.

Exposure to a downturn of the advertising industry and continued market growth

The demand for outdoor advertising has continued to outperform some other advertising segments in recent years. The Board continues to keep market movements under close review.