

CONCEPTUAL OVERVIEW OF THE LICENSE PLATE AUCTION

August 27th, 2012

A REBOUND SOLUTIONS PRODUCT

AGENDA FOR TODAY

- **Discuss the Working Assumptions Underlying our License Plate Auction Initiative**
- **Understand the Successful Elements of a License Plate Auction**
- **Examine the Gaps in Our Current Personalized Plate Auction Expertise**
- **Meet the Challenges**
- **Define Roles and Responsibilities**
- **Understand Market Channels**
- **Next Steps: Phase 1 and Phase 2 Timelines**

WORKING ASSUMPTIONS

1. Available Registration numbers may be auctioned at any time.
2. The auction winners do not have to title a vehicle unless they want the actual plate for their vehicle.
3. For example, a citizen can have multiple registration numbers gained by winning auctions and have a plate that is not considered a high value plate on their vehicle.
4. Only Colorado citizens can request a plate for their vehicle.
5. The state does not have all of the necessary expertise or bandwidth to market and conduct auctions.
6. Therefore, finding appropriate partners or outsourcing of some activities will be required to conduct world class auctions with the desired, extensive participation.
7. We may need a partner to front some upfront expenses depending on the intent of the current legislation.

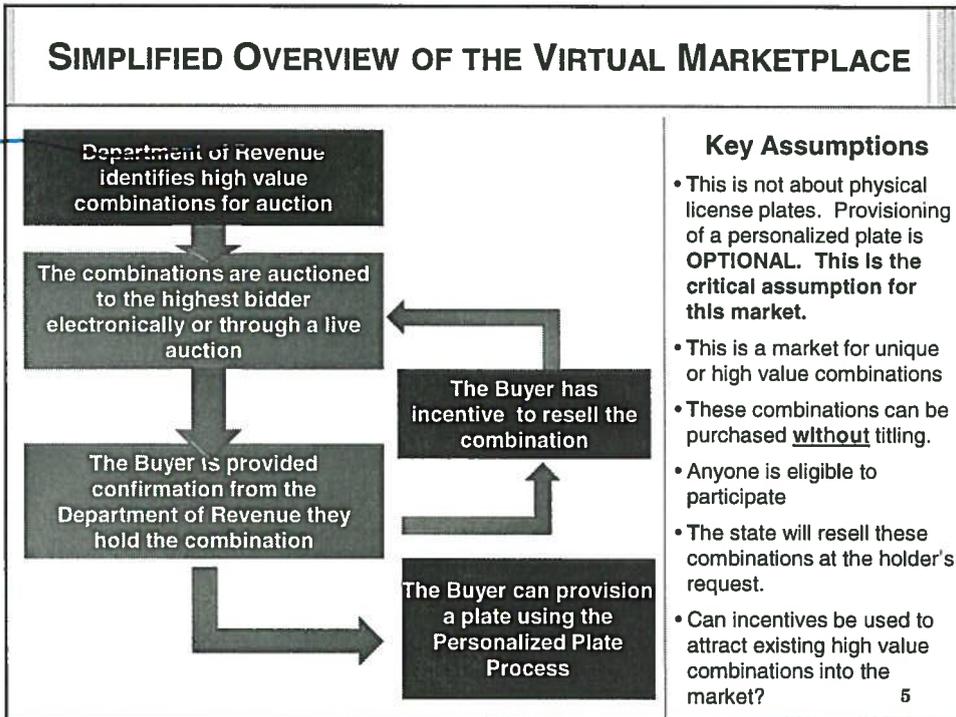
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UNDERSTANDING THE SUCCESSFUL ELEMENTS OF A LICENSE PLATE AUCTION

Valuable Assets	Assets must be high demand and there must be a market which will attract buyers
Speculation Value	Assets could be purchased at lower prices through auction but hold or increase value if held for a period of time
Effective and Target Marketing	The target buyers are known or must be created. A deliberate marketing approach creates both demand and awareness
Auction Capabilities	Auctions can be done in multiple ways – live or through an electronic bidding system
Diverse Market	The larger and more diverse the market, the more potential to generate revenue

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THE DIFFERENCES BETWEEN PERSONALIZED PLATES AND HIGH VALUE COMBINATIONS

Personalized License Plates	High Value Combinations for Auction
<ul style="list-style-type: none"> • Anyone can order a personalized plate combination <u>but they must title this to a vehicle.</u> • There is a higher fee associated with these plates. • Plates can not be transferred and are owned by the state. • Citizens are granted an exclusive, perpetual, personalized plate . • The process results in delivery of a physical asset with a vehicle registration. • Only Colorado citizens who have a vehicle to title are eligible. 	<ul style="list-style-type: none"> • Anyone can participate in an auction for high value combinations. • Colorado could impose fees for out-of-state buyers if they are not going to provision a plate. • Buyers could hold the combination for up to specific period but some type of incentive (positive or negative) will be applied to encourage buyer to put the combination onto a plate or back into the market. • The process results in confirmation the buyer has rights to the combination.

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EXISTING RISKS AND GAPS

	Fundamentals	Colorado's Position
Valuable Assets	Assets must be high demand and there must be a market which will attract buyers.	Partial. The highest value assets are currently held as personal plates. There must be incentives to get those plates back into the market.
Speculation Value	Assets could be purchased at lower prices through auction but hold or increase value if held for a period of time.	Partial. There may be an ability to predict higher value combinations but again the highest value combinations are not in circulation.
Effective and Target Marketing	The target buyers are known or must be created. A deliberate marketing approach creates both demand and awareness.	Major Gap. The target buyers are not known. The state is not equipped for a statewide or national level auction. There isn't a generated buzz or high demand yet.
Auction Capabilities	Auctions can be done in multiple ways – live or through an electronic bidding system.	Major Gap. SIPA can likely source this functionality to an E-Bay or other auction service. The ability to host live auctions is limited.
Diverse Market	The larger and more diverse the market, the more potential to generate revenue.	Major Gap. The market today is narrow and directed at plate collectors. The market may need to be expanded to hit revenue targets in the future.

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THE ROAD AHEAD

- The existing model is a great start. There appear to be some lucrative assets to auction in the early years but we need to plan for long term financial viability.
- The most challenging tasks will be to:
 - Ensure the highest value plates are in the marketplace
 - Ensure a wide and diverse marketplace of buyers
 - Successfully market and communicate to the public
 - Manage and conduct the auctions
 - Find a sustainable revenue model
- These challenges require strong marketing, marketplace analysis, and other business functions that are better served by experts in their fields. In addition, we have virtually no bandwidth or additional budget for our state human resources except for some degree of in-house program administration.

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OUR THOUGHTS ON MEETING THE CHALLENGES

The Challenges	Our Recommendations
Ensure the highest value plates are in the marketplace	Build incentives (policy and legislative change may be required) to attract existing personalized plates into the auction
Ensure a wide and diverse marketplace of buyers	Build distribution channels that are marketed to multiple audience types. Perform analysis on these buyers and potential revenue.
Successfully market and communicate to the public	The Auction Fiscal Agent should contract with a marketing or communication firm to ensure a targeted campaign to buyers.
Manage and conduct the auctions	The Auction Fiscal Agent should contract through SIPA to secure an auction system that can manage the auction functionality.
Find a sustainable revenue model	The creation of multiple channels combined with a valuable inventory of assets and a targeted marketing campaign to high value buyers should produce longer term sustainability.

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TRADITIONAL AND EXPANDED DISTRIBUTION CHANNELS

- We are proposing a model that moves ownership of distribution channels from the state to the Auction Fiscal Agent.
- We believe expanding a revenue sharing model will increase the total revenue for the auctions. Currently the Auction Fiscal Agent could contract out distributors (large non-profits) to sell unique high value combinations to corporate or other non-profits. This model would still allow a major share to the disability group but would extend the range of other causes being served by the auction, thus increasing both demand and interest.
- Regardless if this concept is accepted, the Auction Fiscal Agent **MUST** be empowered now to own and administer this auction. This includes extending contracts to the auction entity (SIPA) and a communication and marketing firm.

(Marketing ; running of the auction.)

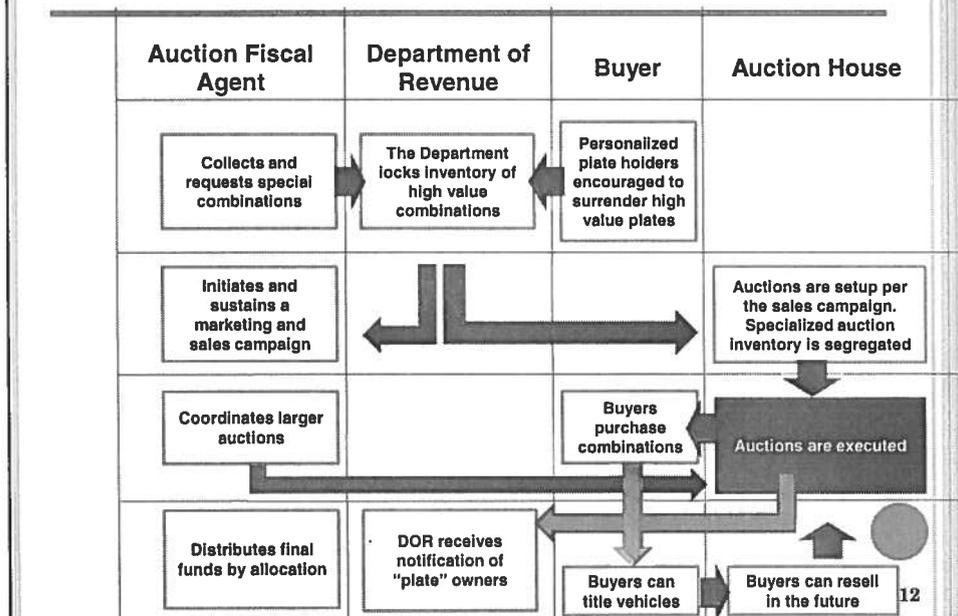
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PROPOSED ROLES AND RESPONSIBILITIES

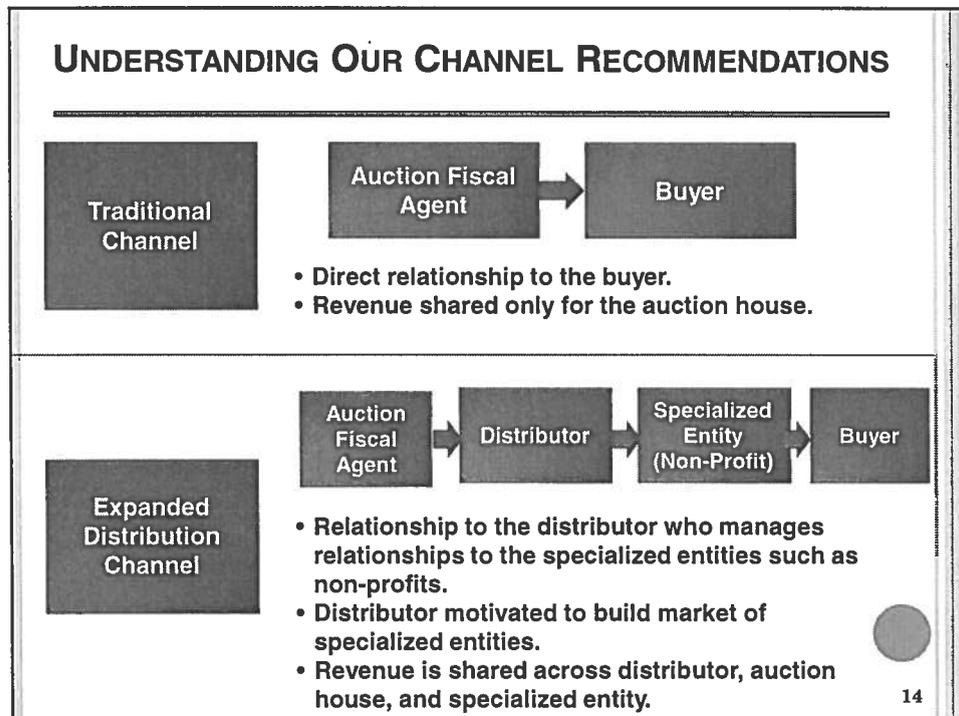
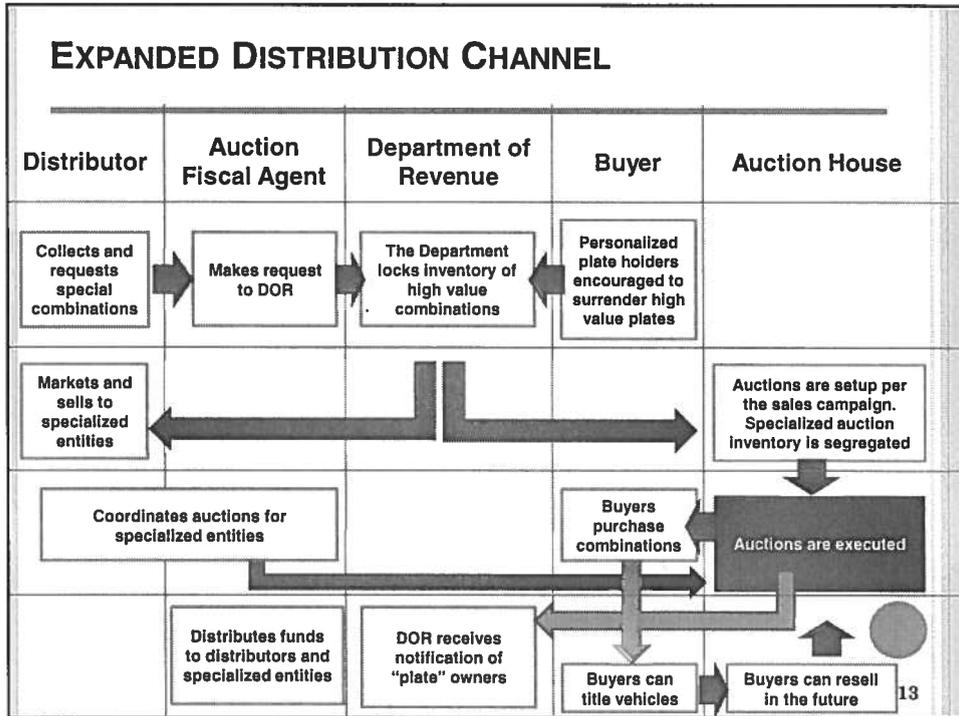
Auction Fiscal Agent (Disability Coalition)	Responsible for marketing and communicating the auction. Coordinates and approves auctions. Controls funding.
Auction House	Conducts the auction – event (live) or electronic storefront auctions. Authenticates buyers and manages bids.
Distributor	Partners who can distribute specialized inventory to specialized licensees (Phase 2)
Specialized Entities	Organizations who want to auction specialized inventory for specific causes or marketing. (Phase 2)
Department of Revenue	Controls inventory and manages the provisioning and titling functions.
Buyer	Highest bidder of an auction – may or may not title a vehicle. May resell through the auction

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TRADITIONAL OR CURRENT CHANNEL



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OUR NEXT STEPS

- **Phase 1: Get started with what you have.** Single digit plates plus the high value plates you have already identified should be good revenue generators if marketed properly.
- We will build out a project plan outlining how Phase 1 can be implemented using the traditional distribution approach. This plan will include:
 - Contracted services – what is needed to market and build demand
 - Auction house administration – costs and setup
 - Summary of Business process changes
 - Summary of Policy and legislative changes
- We will address the following questions:
 - What will the LPAG use the 5% maximum “administration” appropriation for?
 - What will the LPAG use the 5% maximum “implementation” for?
 - Can we pay a transaction fee, commission etc. to secure the necessary marketing, communication and auction hosting services to implement and to operate the program? 5% may not be enough to meet the market.
- **Phase 2: Introduce creative auction ideas.** Concurrently, we will look at the longer term which leverages additional distribution channels, special auctions etc.

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THANK YOU

What potential revenues can we project?

Questions or Discussion?

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