

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: February 27, 2008

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT – ONESTOP
MEDIA GROUP PROPOSAL – NEXT BUS ARRIVAL SCREENS

RECOMMENDATION

It is recommended that the Commission approve the extension of the contract with OneStop Media Group (OneStop) in a form satisfactory to General Counsel for the supply, installation and maintenance of the platform video screens (PVS) on subway platforms for a seven year period from December 31, 2011 to December 31, 2018 based on OneStop:

- (a) providing the Commission revenue of between \$6.8 M to \$8.7 M during the seven year extension period;
- (b) supplying, installing and maintaining PVS's at the station platforms of the six SRT Stations and the seven remaining subway stations which do not currently have PVS's; and
- (c) supplying, installing and maintaining LCD screens on the bus platforms at subway/SRT stations (where possible) to provide next bus and next train arrival information, as applicable.

FUNDING

Acceptance of OneStop's proposal would result in revenue to the Commission of between \$6.8 M to \$8.7 M over the 7 year extension period of the contract and result in a cost avoidance of approximately \$16.0 M in the installation of screens on the bus platforms and PVS's on the SRT and remaining subway station platforms.

BACKGROUND

The Commission's contract for advertising with CBS Outdoor (CBS) is for the period of January 1, 2005 to December 31, 2011 and includes advertising/sponsorship at all subway, SRT and bus platforms. Further, CBS has a right of first refusal on any new advertising initiatives (with some restrictions) on TTC property. In 2007, CBS assigned advertising on the PVS's on the subway platforms to OneStop and further, CBS agreed to work in good faith with the TTC should it wish to expand OneStop's PVS network to bus platforms throughout the system.

The Commission's contract with OneStop includes the replacement of the Commission's Metron units with a network of 143 PVS's for the period from July 1, 2007 to December 31, 2011. The PVS network provides a variety of content (transit information provided by

TTC, time, news, weather, emergency broadcasts, etc.) as well as advertising. At the end of this contract, ownership of the hardware for the PVS network on TTC property will vest with the Commission.

Staff is currently developing a Next Bus Arrival System, which will require the installation of display screens throughout the City including the Commission's bus platforms at subway and SRT stations.

DISCUSSION

In January 2008, OneStop submitted a proposal based on extending its contract for the PVS network by an additional seven years from December 31, 2011 to December 31, 2018. In return for the contract extension, OneStop is offering to increase the Commission's share of advertising revenues from the subway PVS network and to install screens (LCD) on bus platforms (where possible) and PVS's on SRT platforms and the remaining subway platforms (i.e. Downsview and stations on the Sheppard Subway line). In addition OneStop will replace all bus platform screens and PVS's (both existing and new) with new (upgraded) display technology during the term of the extension and develop the software required to display information from the Commission's Next Bus Arrival System on the bus platform screens.

The new bus platform screens would provide next bus and other TTC information as required by the Commission, along with the time, weather and OneStop's logo that would also appear in a discrete location on the platform screen display. In addition, OneStop would retain the option of substituting its logo for a sponsor's logo in the future subject to subsequently reaching an agreement with the TTC and CBS on this matter. Aside from a potential sponsor's logo, there would be no advertising on the bus platform LCD screens and OneStop's proposal is not conditional on receiving sponsorship from third parties. The display on the SRT and additional subway PVS's will be the same as that on the existing PVS network on the subway platforms.

Staff has scheduled a pilot demonstration of the Next Bus Arrival System to commence in November 2008 and as part of that pilot, OneStop would install screens at the Finch Station Bus platform to display the next bus arrival information. Subject to satisfactory performance, the Commission will roll-out the Next Bus Arrival System throughout the transit system and as part of its proposal OneStop would install approximately 220 LCD screens/PVS's (depending on space availability) at approximately 41 bus platform locations plus 6 SRT and 7 subway stations.

Since the bus platform screens do not have any third party advertising, they will not generate any revenue and even the use of sponsorship will not likely generate significant revenue. Nonetheless, OneStop has agreed to increase the minimum guarantee and revenue sharing from the subway platform PVS's network. OneStop is offering the Commission a minimum guaranteed revenue of \$6.8 M over the 7 year extension period of the contract, which represents an average annual increase of approximately 425% compared to the current contract. Based on OneStop's projections and depending on net advertising revenue, the Commission's share of the advertising revenues could be up to approximately \$8.7 M over the 7 year contract extension.

OneStop has advised that its cost to supply, install, maintain and replace the bus platform screens and the PVS's for the SRT and additional subway platforms is approximately \$16.0 M and based on this and the additional revenue being offered, staff consider that there is a significant financial advantage to the Commission in accepting OneStop's proposal as described herein and extending its contract with OneStop for a seven year period from December 31, 2011 to December 31, 2018 on a sole source basis.

Based on the terms of OneStop's proposal (either no advertising or sponsorship only on the bus platform PVS's) it is highly unlikely that another company would be willing to install, maintain and replace the PVS's at no cost to the Commission at this time.

As noted earlier in this report, the current agreements with OneStop and CBS limit the Commission's ability to contract with another provider for a similar service to that being proposed by OneStop. Therefore, alternatives to accepting OneStop's proposal would be for the Commission to install and maintain the bus platform screens at its own expense; or delay the installation of the screens until the end of the CBS and OneStop contracts presuming a similar arrangement would be worked out with the successful advertising contractor under a new contract.

Accepting OneStop's proposal would result in the Commission having PVS's installed on the SRT and remaining subway platforms as well as screens on the bus platforms for the Next Bus Arrival System at no cost to the Commission. Further, OneStop's proposal also offers a significant increase in revenue to the Commission over the current revenues from the subway PVS network. In addition, OneStop will upgrade/change out all PVS's and bus platform screens at least once during the term of the extension to ensure the technology remains current. As a result, staff is recommending that the Commission accept OneStop's proposal as described herein and extend the OneStop contract by seven years to December 31, 2018 on a sole source basis as it offers significant financial and other advantages to the Commission that no other company could offer at this time.

JUSTIFICATION

Accepting the proposal from OneStop as described in this report and extending their contract for seven years to December 31, 2018 will result in a significant financial advantage to the Commission in having screens installed on bus platforms to display next bus arrival information and PVS's installed on the SRT and remaining subway platforms and will result in a significant increase in revenues to the Commission from advertising on the subway PVS network.

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