

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: July 6, 2011

SUBJECT: PROCUREMENT AUTHORIZATION – ADVERTISING ON THE TTC

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission approve the award of a contract to Pattison Outdoor Advertising for the right to sell and display advertising on Commission owned or occupied property based on a minimum total guaranteed cash revenue return to the Commission of \$324,000,000 over a period of twelve years from January 1, 2012 to December 31, 2023.

FUNDING

The 2012 Operating Budget will reflect the year-one minimum guarantee fee of \$25,200,000 to be provided under this contract by Pattison Outdoor Advertising. This is approximately \$5,000,000 million higher than the revenue included in the 2011 Operating Budget.

BACKGROUND

The Commission requires the services of a firm to sell advertising space on TTC owned or occupied property. The objective of the successful advertising company is to generate maximum advertising revenues for the available advertising space.

There are various types of advertising which the Commission allows such as printed advertising space sold for the subway stations and revenue vehicles such as buses, streetcars and subway trains. The Commission also makes available a specified number of buses, streetcars and subway trains for vehicle wrap advertising which is a vinyl material affixed to the exterior of the vehicles which promotes a unified advertising theme as well as subway stations for "Station Domination" themed advertising.

The current seven-year advertising contract with CBS Outdoor Canada expires on December 31, 2011

DISCUSSION

Nine companies were invited to submit proposals in addition to the public advertisement on the Commission's Web Site on March 28, 2011, out of which four companies submitted proposals as summarized on the attached Appendix 'A'.

The Commission's intent for this requirement was to award a contract to a single advertising company who will be responsible for sales relating to all types of advertising space available

including any new initiatives, which may be approved by the Commission at its sole discretion. The proponents were also required to identify any new initiatives which may generate additional revenue for the TTC and provide details from both a commercial and technical perspective for consideration by the Commission. Specified examples of new initiatives listed in the Request for Proposal (RFP) included 3D LCD screens, digital kings, information kiosks, subway line naming rights, subway station naming rights, subway car video screens and subway station modernization/improvement projects funded by advertising revenue.

The request for Proposal (RFP) was issued on the basis of a twelve-year contract term with two optional five-year extensions which can be exercised at the Commission's sole discretion. All four proponents submitted bids for the twelve year term and only two proponents submitted bids for the two five year options. The Commission may exercise the option(s) to extend the contract any time up to 6 months prior to expiration of the contract.

The financial return to the Commission for the base and optional bids would be the greater of: a minimum guaranteed fee or a percentage of the annual billings by the Contractor. The Commission will receive no less than the minimum guaranteed fee.

The proposal submissions were evaluated on a qualitative basis and the criteria used included corporate summary/experience, project staff qualifications/experience and sales plan/strategies. They were also evaluated for commercial compliance and any exceptions/qualifications taken to the Commission's standard terms and conditions. In order to be considered qualified to perform the work, the proponent must score 70% or higher on the qualitative evaluation. The recommended company would be the qualified company with the highest minimum guaranteed fee payable to the Commission. All four submissions were found to be commercially acceptable and also considered qualified to perform the work.

Pattison Outdoor Advertising (Pattison) offered the highest minimum guaranteed fee of \$324,000,000 over the 12-year contract term. Pattison did not state any exceptions or qualifications but their bid contained several clarifications relating to the annual fee calculation, future taxes being imposed and sales contract distribution which are considered acceptable. The bid received from Pattison is considered commercially and technically acceptable.

As Pattison has not provided this service to the TTC for a number of years, reference checks were conducted with the transit properties from Calgary, Edmonton and Ottawa regarding work performance. All responded that they were very satisfied with Pattison's work performance.

Pattison's submission also included an added value component consisting of making available media space for the 12 year term which would total \$1,015,000 in annual media and production credits on some of Pattison's other media formats outside of TTC property available in the Toronto area, for the exclusive use of TTC. This could be used to promote the TTC and its services. Pattison has also committed to a total capital investment of \$6,000,000 over the term of the contract for sign framing maintenance, replacement and improvements.

Therefore, on the basis of being the highest minimum guarantee cash return to the Commission, Pattison is recommended for award of the Commission's Advertising contract for a 12-year term which results in the minimum guaranteed revenue of \$324,000,000 to the TTC. The two 5 year optional contract extensions may be exercised by the Commission at its sole discretion.

Titan Outdoor Canada (Titan) submitted the second highest minimum guarantee fee of \$283,000,000 over the 12-year term and offered minimum guarantees for the two optional extensions. They did not state any exceptions or qualifications and their submission is considered commercially and technically acceptable.

Lamar Transit Advertising (Lamar) submitted the third highest minimum guarantee fee of \$222,000,000 over the 12-year term. Their bid contained several qualifications which were judged to be acceptable. The bid received from Lamar is considered commercially and technically acceptable.

CBS Outdoor Canada (CBS) submitted the lowest minimum guarantee fee of \$220,000,000 over the 12-year period. They did not state any qualifications or exceptions and their bid is considered commercially and technically acceptable.

In the first year of the contract (2012), the minimum guarantee payable to the Commission from Pattison is approximately 76% or \$10.9 million higher than the minimum guarantee payable to the Commission under the current contract in 2011.

The Commission currently has a separate contract with the OneStop Media Group (OneStop) for advertising on the Platform Video Screens, Next Vehicle Arrival Screens and Customer Service Information Screens located on Commission property. The contract is due to expire on June 30, 2020 and at that time this work will be included in the advertising contract. Onestop was recently purchased by Pattison and following contract award, staff should discuss this issue with Pattison to determine whether this separate contract should be folded into the overall advertising contract beginning in 2012. This will be the subject of a separate contract amendment, as appropriate.

A Fairness Commissioner from the firm, Knowles Consultancy Services Inc. (Knowles) was hired to assess the proposal evaluation process to confirm that it was carried out in a fair and objective manner in accordance with the RFP. The Fairness Commissioner attended all of the Evaluation Committee evaluation sessions. In summary and based on their review, they were satisfied that the Advertising on the TTC RFP process was conducted in a procedurally fair, open, and transparent manner. All Proposals received were evaluated against the evaluation criteria and they detected no bias either for or against any particular Proponent in the application of the evaluation criteria. In their opinion, the procurement process administered by the Commission satisfied procedures related to fairness, openness and transparency.

JUSTIFICATION

Award of this contract will ensure the continued payment of advertising revenue to the Commission over the next twelve year period.

June 16, 2011
9-118-52
Attachment – Appendix ‘A’

APPENDIX 'A'

PROCUREMENT AUTHORIZATION: ADVERTISING ON THE TTC

SUMMARY OF PROPOSALS

<u>PROPONENT</u>	<u>MINIMUM GUARANTEE 12 YEAR TERM</u>	<u>OPTION ONE (5 YEARS)</u>	<u>OPTION TWO (5 YEARS)</u>
PATTISON OUTDOOR ADVERTISING*	\$324,000,000	**	**
TITAN OUTDOOR CANADA	\$283,000,000	\$167,750,000	\$205,500,000
LAMAR TRANSIT ADVERTISING	\$222,000,000	No Bid	No Bid
CBS OUTDOOR CANADA	\$220,000,000	No Bid	No Bid

* Recommended for Award

** An amount not less than five times 65% of the average annual net revenue in the two contract years prior to each of the Optional extensions.

EVALUATION CRITERIA

- CORPORATE QUALIFICATIONS/EXPERIENCE
- PROJECT STAFF QUALIFICATIONS/EXPERIENCE
- SALES PLAN/STRATEGIES