



**For Action
with Confidential Attachment**

Amendment to TTC's Advertising Contract

Date: July 14, 2020
To: TTC Board
From: Kathleen Llewellyn-Thomas, Chief Customer Officer

Reason for Confidential Information

This report contains information related to a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by the TTC.

Summary

The purpose of this report is to authorize the CEO to enter into negotiations and approve a contract amendment(s) to TTC's advertising contract with Pattison Outdoor Advertising LP ("Pattison") that will:

- Potentially result in a change to the schedule of Pattison's Minimum Annual Guaranteed (MAG) payments to the TTC.
- Provide TTC with additional revenues based on Pattison operating and maintaining Platform Video Screens (PVS), Next Vehicle Arrival Screens (NVAS) and Station Information Screens(SIS);
- Provide TTC with additional revenues by allowing Pattison to incorporate the Toronto-York Spadina Subway Extension (TYSSE) stations into the advertising contract; and

Pattison has indicated that due to the impact of COVID-19 on the economy and reduced transit ridership, it has experienced a significant reduction in monthly advertising sales and has requested a reduction in its scheduled MAG payments to TTC in 2020 and 2021.

Pattison's continued operation of its current network screens and the inclusion of the TYSSE stations into the Pattison contract will enable more consistent messaging among stations and an enhanced customer experience along with additional revenues from advertising until the Pattison contract expires in December 2023.

Recommendations

It is recommended that the TTC Board:

1. Approve the recommendations as set out in Confidential Attachment - Pattison Contract Negotiations; and
2. Authorize the release of the information within the Confidential Attachment subsequent to issuance of a Contract Amendment(s).

Financial Summary

Negotiations that result in the inclusion of TYSSE stations into the contract and Pattison's continued operation of non-TYSSE screens will result in additional revenues to the TTC, the extent of which is not known until negotiations are concluded. As set out in the confidential attachment, the expectation is a minimal impact on the 2020 Operating Budget with higher revenue payments in future contract years 2021 – 2023 inclusive.

The impact on the 2020 and future Operating Budgets is also not known until negotiations are concluded respecting a potential change to the schedule of Pattison's Minimum Annual Guarantee (MAG) payments as more particularly set out in the confidential attachment.

The Interim Chief Financial Officer has reviewed this report and agrees with the Financial Impact information.

Equity/Accessibility Matters

The TTC has established criteria for the acceptability of advertising on TTC property (vehicles, real property, platform video screens and any other "available space" identified), and the process by which the advertising will be reviewed. All advertising on TTC property must:

- Comply with applicable laws, including but not limited to the Canadian Code of Advertising Standards and the Ontario Human Rights Code;
- Not discredit the business or service of public transit, the TTC or its employees or have an adverse affect on the image of the TTC or public transit, as a safe and reliable form of transportation.

Pattison is charged with ensuring that all advertising on TTC property meets these standards. The TTC strives to facilitate advertising campaigns that are responsible, respectful and reflect the diverse city we live in, while at the same time providing needed non-fare revenue to the TTC.

The ability for digital network screens to showcase written messages during an emergency enhance TTC's ability to communicate with our customers.

Decision History

CBS Outdoor was TTC's advertising contractor prior to Pattison and in 2005 CBS Outdoor (known as Viacom at that time) assigned a portion of its work, the replacement of Metron Screens to Platform Video Screens (PVS), to OneStop Toronto Inc. (which became OneStop Media Group) ("OneStop"). The original OneStop agreement with TTC began July 1, 2005 and had a contract expiry date of December 31, 2011.

In February 2008, the TTC Board approved the extension of the contract with OneStop for the supply, installation and maintenance of PVS on subway platforms and NVAS on station bus platforms for a seven-year period from December 31, 2011 to December 31, 2018:

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2008/Feb 27 2008/Other/Onestop Media Group .pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2008/Feb%2027%202008/Other/Onestop%20Media%20Group_.pdf)

In August 2010, based on the direction from the TTC Board, an amending and extension agreement was executed on September 30, 2010 extending the OneStop agreement to June 30, 2020.

In March 2011, an RFP was issued to award a new advertising contract. At the same time, Pattison acquired OneStop. The original advertising contract with CBS Outdoor ended on December 31, 2011.

In July 2011, the TTC Board approved the award of a contract to Pattison for the right to sell and display advertising on TTC owned or occupied property based on a minimum total guaranteed cash revenue return to the TTC of \$324,000,000 over a period of twelve years from January 1, 2012 to December 31, 2023. The contract includes options for two five-year contract extensions to be exercised by the TTC its sole discretion.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2011/July 6 2011/Reports/PA Advertising on th.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2011/July%206%202011/Reports/PA%20Advertising%20on%20th.pdf)

Issue Background

OneStop Contract

OneStop, which is owned by Pattison, supplies, installs, maintains, and provides software with programming to operate TTC's digital PVS, NVAS and Station Information Screens (SIS). Advertising space/content is only sold on the PVS. Under the OneStop contract, TTC receives MAG payments in exchange for OneStop's right to sell advertising on PVS.

Pattison Contract

Pattison currently sells advertising for static posters, murals and vinyl wraps across the TTC on buses, streetcars, subways and at stations, with some digital products at Union Station including a video matrix display (video wall) and 20 digital posters.

The existing Pattison advertising contract specifically excludes PVS, NVAS, SIS and recognizes OneStop has a contract for the operation and advertising on these screens. Although, the Pattison contract indicates that when the OneStop contract expires on June 30, 2020 the programming, maintenance and replacement of these screens will be included in the Pattison Advertising contract.

As contemplated in the Pattison contract, Pattison has continued to operate the digital screens without interruption and per the same programming conditions and parameters. However, the Pattison contract did not address its payment (revenue) obligations to the TTC in exchange for the right to sell advertising on the PVS network. In order to formalize the change, a contract amendment is required subsequent to negotiating acceptable terms and payment amounts.

TYSSE Stations

The TYSSE stations (Downsview Park, Finch West, York University, Pioneer Village, Highway 407 and Vaughan Metropolitan Centre) currently have no advertising and the existing screens are not part of the OneStop/Pattison network, but rather are operated by a different service provider – The Plan Group.

The Pattison advertising contract specifically excludes the right to advertise in TYSSE stations, but also gives Pattison the first right of refusal for additional advertising opportunities at the TYSSE stations.

Comments

Pattison has provided the TTC with three separate proposals related to its advertising contract; the addition of OneStop, the addition of TYSSE stations, and a request to reduce MAG payments under the existing Pattison contract.

OneStop Contract

As noted above, aside from the payments to be made to the TTC, the Pattison contract contemplates the OneStop contract requirements will be absorbed by Pattison - specifically the Pattison agreement states:

The Agreement does not include the right to advertise on the Platform Video Screens, Next Vehicle Arrival Screens and Customer Service Information Screens located on Commission property. This is covered under a separate Contract with the Onestop Media Group and is due to expire on June 30, 2020. When this Contract expires on June 30, 2020, the programming, maintenance and replacement of these screens will be included into this Agreement, subject to terms satisfactory to the TTC.

Pattison, in place of OneStop, will continue to be responsible for capital costs to replace screens, maintenance costs, as well all software development costs to ensure the successful uptime of the network, in accordance with the existing operating parameters and will continue to provide critical messaging to TTC customers. Final terms, including the financial offer by Pattison, are subject to negotiation as set out in the confidential attachment.

TYSSE Stations

Pattison has proposed to add the YYSSE stations to the advertising contract effective October 1, 2020.

The Pattison contract provides that the Line 1 Extension stations may be added to the contract as "Additional Advertising Opportunities" in accordance with a Right of First Refusal. Sections 2.2 and 3.9 provide as follows:

Section 2.2 (in part):

This Agreement does not include the right to advertise in Subway Stations or other transit facilities completed and opened for transit services after January 1, 2012. All new stations or transit facilities ("New Facilities") such as the New Facilities being constructed as part of the Toronto -York Spadina Subway Extension will be dealt with separately. Notwithstanding the above and provided that the TTC has the authority to offer and sell advertising within any New Facilities opened after January 1, 2012, those New Facilities shall be considered as "Additional Advertising Opportunities" (to the extent that the TTC has the authority to offer and sell advertising in the New Facilities) in accordance with Section 3.9. The requirements of Section 3.9 shall apply to the New Facilities.

Section 3.9 First Right of Refusal states in part that:

So long as the Company is not in default of any obligations under this Agreement, then the Company shall have a first right of refusal, on the terms and conditions hereinafter set out in this Section 3.9, for other additional advertising privileges on TTC owned or occupied property which privileges have not been set out in Section 2.1 ("Additional Advertising Opportunities")

Pattison is not in default of any obligations under the terms of the contract.

Pattison's YYSSE proposal provides for the installation of 56 static Station Poster advertising frames in the six stations: 8 in each of Downsview Park, York University, Pioneer Village, 407; and 12 in each of Finch West and Vaughan Metro Centre.

Pattison's YYSSE offer also proposes to assume responsibility of the 64 digital network screens that were installed in YYSSE stations. This includes paying for the costs for hardware needed to retrofit the screens and to install software that will enable the same messaging as the rest of the TTC network communications system. Capital replacement and on-going maintenance costs associated with these screens will be borne by Pattison.

Currently the TTC pays the Plan Group to operate and maintain these screens. Pattison's proposed capital investment, TTC's cost savings, and the proposed MAG (to be negotiated) related to these screens and TYSSE advertising are set out on the confidential attachment.

TYSSE screens managed by Pattison will result in more consistent customer communications and an improved customer experience. The addition of TYSSE into the Pattison contract will result in reduced operational costs and increased revenues by way of MAG payments.

Pattison MAG Reduction Request

Pattison has also submitted a request to reduce the MAG payments to the TTC in 2020 and 2021 based on a reduction in advertising sales due to the impact of the COVID-19 global pandemic on the economy and on transit ridership as set out in the confidential attachment.

Contact

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Signature

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Attachments

Confidential Attachment 1 – Pattison Contract Negotiations