



For Action with Confidential Attachment

TTC's Advertising Contract

Date: December 20, 2021
To: TTC Board
From: Chief Strategy and Customer Officer (Acting)

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 Chief Executive Officer to enter into negotiations for a contract amendment(s) and extension to TTC's advertising contract, based on the two contractual options as set out in the current contract (each for five years) with Pattison Outdoor Advertising LP ("Pattison") that will:

- Potentially result in a change to the schedule of Pattison's Minimum Annual Guarantee (MAG) payments to the TTC.
- Provide TTC with an opportunity to increase advertising revenues as recovery from the pandemic occurs.

Pattison has indicated that due to the impact of COVID-19 on the economy and continued reduced ridership, it has experienced a significant reduction in monthly advertising sales and has requested a change to its scheduled payments to the TTC in 2021. This is in addition to an abatement granted for 2020.

The contract options to extend the term, if exercised, will provide an opportunity for higher annual revenue as recovery occurs, with potential for further increases based on future capital investment to increase digital signage products across the TTC. The development of this digital content program will enhance and grow the TTC's customer communication network. It will also contribute significantly to the TTC's Non-Fare Revenue Strategy.

Recommendations

It is recommended that the TTC Board:

1. Approve the recommendations as set out in the Confidential Attachment; and
2. Authorize the release of the information within the Confidential Attachment upon completion of any negotiations with Pattison Outdoor Advertising LP.

Financial Summary

Please refer to the confidential attachment for details.

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 advertising will be reviewed. All advertising on

TTC property must:

- Comply with applicable laws, including by 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 effect on the image of the TTC or public transit, as a safe and reliable form of transportation.

Pattison is charged with ensuring that 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 enhances the 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://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2008/February-27/Other/Onestop_Media_Group_.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 extensions to be exercised by the TTC at its sole discretion.

https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2011/July-6/Reports/PA_Advertising_on_th.pdf?rev=8bf4af5b2d484255b8e78b15b1544916&hash=B1B5093ADB28750F42FA3D41CDD74872

In July 2020, the TTC Board approved amendments to the contract with Pattison for the right to sell and display advertising in the Toronto-York Spadina Extension (TYSSE) stations and a contract extension for Pattison's operation of PVS, NVAS, SIS (formerly performed by OneStop) for the period July 1, 2020 to December 31, 2023. The amendment also included a change to MAG payments in 2020/2021 due to the economic impact of COVID-19 which reduced the MAG payment for 2020 by \$7.6M and for 2021 by \$2.35M (including the additional revenue for OneStop).

https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/July_14/Reports/3_Amendment_to_TTCs_Advertising_Contract.pdf?rev=e299150fbc1246a6a5d6b4670c632a83&hash=262671A7861417D036BCEAF7DF78E581

Issue Background

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. In addition, Pattison also provides the operation and advertising on various information and video screens throughout the transit network.

Under the terms of the current contract, the TTC has the right at its sole discretion to extend the contract for up to an additional ten years (two five-year contract extensions).

Comments

Pattison has proposed changes to its payment obligations under the current contract based on a reduction in advertising sales due to the impact of the COVID-19 global pandemic on the economy and on transit ridership, while also providing opportunities for future revenue increases to the TTC.

Additional information is provided in the Confidential Attachment.

Contact

Scott Haskill, Chief Strategy and Customer Officer (Acting)
416-393-4497
scott.haskill@ttc.ca

Signature

Scott Haskill
Chief Strategy and Customer Officer (Acting)