



For Action with Confidential Attachment

Amendment to TTC's Advertising Contract

Date: April 14, 2022
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 or on behalf of the City or local board.

Summary

The purpose of this report is to approve contract amendment(s) to TTC's advertising contract with Pattison Outdoor Advertising LP ("Pattison") that will:

- Extend the current advertising contract for an additional 10 years, terminating on December 31, 2033;
- Result in a change to the schedule of Pattison's Minimum Annual Guaranteed (MAG) payments to the TTC; and
- Provide TTC with additional revenues based on Pattison operating and maintaining digital screens in TTC stations including digital stations posters, digital murals, video walls, digital bulkheads, Platform Video Screens (PVS), Next Vehicle Arrival Screens (NVAS) and Station Information Screens (SIS).

Pattison's continued operation of its current network screens and the conversion of static advertising in TTC stations to digital screens of the TYSSE stations 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 2033.

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

As set out in the confidential attachment, the expectation for higher revenue payments in future contract years 2022 – 2031 inclusive is dependent on the timely installation of digital screens in TTC subway stations and a return to 2019 ridership levels.

Eglinton LRT and Finch West LRT advertising is not included in these amounts and would be addressed separately. In addition, in the event of strong advertising sales, an opportunity exists for TTC to increase minimum advertising above the minimum annual guarantee. Additional payment revenue is payable to the TTC based on the TTC's own capital investment into new digital technology screens.

The 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), as well as 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; and
- 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 required to ensure 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 also providing the 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 and ensure their safety while on transit.

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 12 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

In December 2021, the TTC Board delegated authority to CEO to grant an abatement to 2021 MAG payments due to the economic impact of COVID-19.

https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2021/Dec-20/1_TTCs_Advertising_Contract.pdf?rev=6b4ec3306d8d433fbd173ea5302b37e7&hash=93867D17DC1553E287BC70E65BE2DC43

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 10 years (two five-year contract extensions).

Comments

TTC staff have negotiated changes to Pattison's payment obligations and a contract extension. As part of those changes, the amount of digital advertising on the TTC would increase. By moving to a moderate increase in digital advertising in the TTC system, these changes are in sync with the TTC's Digital Connectivity Strategy, particularly supporting objectives two and three:

- **An Exceptional Customer Experience** – Better knowledge of TTC customers, moving customers more reliably and improving the customer experience leveraging data and digital tools.
- **Enhanced Operations and Employee Experience** – Enable more efficient, connected and reliable transit operations, maintenance, safety monitoring and internal processes to improve the employee experience and reduce operational costs.

Digital advertising will improve financial sustainability by leveraging new technologies to reduce costs, increase revenue, and maximize efficiency across the organization. It will also improve safety and system-wide communication to notify customers in the event of a service disruption, and serve as a foundation for “smart city” initiatives by integrating real-time information, news updates, government notices and offers from local businesses into public transit.

Increasing revenues with digital advertising has been a priority in major markets around the world. Five Canadian public transit systems feature digital advertisements: Toronto, Montreal, Vancouver, Edmonton and Calgary. In addition to digital network screens, Montreal and Edmonton feature large-format digital products such as platform posters and video walls. New York City's MTA and Transport for London has also made significant investments in digital transit advertising.

In 2012, when Pattison began the TTC advertising agreement, digital out-of-home displays were not common, and since then, local competitive landscapes have changed immensely. The TTC is now surrounded by competitive digital out-of-home advertising choices:

- Union GO station digital pillar wraps
- PATH video matrix walls and digital posters
- City of Toronto street-level digital transit shelters
- Yonge & Dundas digital spectaculars
- Yonge Street video displays
- Digital posters and super boards on city streets and on the Gardiner Expressway

As the advertising landscape evolves, and in order to continue to generate necessary non-fare revenue, the TTC must remain an advertiser-of-choice. Mobile marketing and digital out-of-home advertising working together is a key factor in out-of-home advertising's annual growth over the past five years. While large format static advertising such as vinyl streetcar murals and station dominations still play an important part in an advertising campaign, they will increasingly occupy a secondary or complimentary role to digital/mobile first marketing plans. Transit advertising must also be widely available in digital formats if it is to remain relevant today and in future years.

The installation of digital advertising has the added benefit of increasing the TTC's ability to inform our customers of major disruptions to service. Our over-ride capabilities in the event of an emergency would ensure that TTC customers are informed immediately of any issues.

Additional information is provided in the Confidential Attachment.

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Signature

Scott Haskill
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Attachments

Confidential Attachment 1 – Pattison Contract Negotiations