

The Regional Municipality of York

Committee of the Whole

Transportation Services

June 11, 2020

Report of the Commissioner of Transportation Services

Bus Advertising Contract Extension

1. Recommendations

1. Council authorize the renewal of Contract P-15-20 with Pattison Outdoor Advertising for advertising on the York Region Transit bus fleet for an additional five-year term commencing October 1, 2020, and expiring September 30, 2025.
2. The Commissioner of Transportation Services be authorized to execute the contract on behalf of the Region.

2. Summary

This report seeks Council authorization to exercise the renewal option of the contract between York Region and Pattison Outdoor Advertising (Pattison) for exclusive advertising rights on the York Region Transit (YRT) fleet, including Viva buses.

In compliance with the Region's Purchasing By-law 2017-30, Section 18.1 (a) and (c), a report shall be submitted to Council where the terms of a proposed contract is for a period greater than five years, or where the extension or renewal of a contract or direct purchase would result in an aggregate term of greater than five years. The total amount of the Pattison contract exceeds \$2.0 million.

Key Points:

- Pattison is the exclusive supplier of all advertisements on YRT buses
- In September 2020, Pattison will have successfully completed the first five-year term of their contract
- \$4.6 million in guaranteed advertising revenue was generated for York Region in the first four years of the contract; the fifth year total to date from October 2019 to March 2020 is \$750,000. The remaining amount from April to September 2020 is inconclusive at the time of this report due to the COVID-19 pandemic.
- Pattison provided a new quote of \$8.65 million in guaranteed advertising revenue to the Region for the five-year contract renewal, based on the same terms and conditions as the initial contract and, at this time, Pattison is still guaranteeing this amount and have not changed it due to COVID-19

3. Background

In August 2015, Council awarded a five-year contract to Pattison for exclusive advertising rights on the York Region Transit conventional fleet

Following a competitive bid process, in August 2015, Pattison was awarded P-15-20 for the sale, installation, removal and maintenance of interior and exterior advertising space on the YRT conventional fleet to generate advertising revenue for the Region. Pattison's proposal attained the highest overall score. It also guaranteed the highest revenue to the Region during the contract term, with an option to renew for a second five-year term from October 1, 2020, to September 31, 2025.

In November 2019 Viva buses were added into the bus advertising contract

The initial 2015 contract provided that if the Region deemed advertising is permitted on the Viva fleet, the Contractor would be invited to submit a proposal for advertising on Viva buses.

Pattison subsequently provided a quote within the 20 per cent scope change of the contract, and the agreement amended to incorporate the new provisions, effective November 2019.

Approximately \$4.6 million in guaranteed revenue was generated for the Region over the first four years of the contract by selling advertising on YRT buses

Advertising revenue generated for the Region is based on a minimum annual guaranteed amount from Pattison. In addition, should 55% of Pattison's net revenue exceed the guaranteed amount they are to issue the Region a bonus payment at the end of each year for the difference.

The Region received approximately \$4.6 million of guaranteed revenue (an average of \$1.15 million annually) during the first four years of the contract. The fifth-year guaranteed revenue amount is \$1.5 million. To date, the Region has received \$750,000.00 from Pattison for October 2019 to March 2020. Staff is working with Pattison to determine if the remaining \$750,000.00 for April to September 2020 is still feasible due to the COVID-19 pandemic. If it is not feasible for Pattison to pay the remaining amount, staff will work with Legal Services to determine a reasonable solution for both the Region and Pattison.

4. Analysis

Pattison is the largest provider of out-of-home advertising in Canada and offers revenue through local, regional and national advertising sales

Staff completed a review of other transit agencies in the Greater Toronto Area to identify the value of the contract for bus advertising between YRT and Pattison. It was determined the contract was comparable in terms of length and/or exceeded revenue generated by the transit agencies interviewed. Further, Pattison has been a reliable and trusted partner and has completed the following over the first contract term:

- Placed over 2,350 campaigns, resulting in almost 70,000 advertisements on the YRT fleet and have continuously attracted new local, regional and national advertisers
- Successfully met all provisions of the contract
- Kept YRT apprised on the latest methodologies, materials, technologies and trends in bus advertising and followed all protocol and security procedures within the bus garages when installing and removing advertisements
- Followed the Council-approved YRT Advertising Policy and Canadian Code of Advertising Standards, resulting in no substantiated complaints about advertising on YRT buses during the term

5. Financial

The second five-year contract term guarantees approximately \$8.65 million in revenue for the Region

Pattison has not requested any changes to the contract provisions for the second five-year term of October 2020 to September 2025 due to COVID-19.

Pattison has provided a quote of approximately \$8.65 million in guaranteed revenue for the second contract term, representing a 42% increase over the previous contract term. This amount has been included in the 2020 operating budget and outlook years. In addition, the Region will receive a revenue bonus at the end of each year, should Pattison exceed their sales targets.

At this time, due to COVID-19, issuing a new Request for Proposal may result in a significant decline in advertising revenue, and staff does not recommend it at this time.

6. Local Impact

Transit advertising provides a unique opportunity for local businesses by providing a complete market of their message throughout neighbourhoods, capturing the attention of drivers and pedestrians.

Revenue generated by exterior and interior bus advertising helps offset the cost of operating public transit in York Region.

7. Conclusion

Prior to March 2020 and the onset of COVID-19, staff conducted a market review of other Greater Toronto Area transit agency advertising contracts.

At the time, it was determined the contract between the Region and Pattison is competitively priced. Further, York Region Transit is very satisfied with the first five-year contract in terms of revenue, process, quality control, safety and security.

The renewal of Contract P-15-20 with Pattison would allow for ongoing advertising on all York Region Transit buses and a consistent guaranteed revenue stream for the Region.

Staff recommends Council authorize the renewal of the existing contract with Pattison Outdoor Advertising for an additional five-year term for the period October 1, 2020, to September 30, 2025.

For more information on this report, please contact Ann-Marie Carroll at 1-877-464-9675 ext. 75677. Accessible formats or communication supports are available upon request.

Recommended by: **Paul Jankowski**
Commissioner of Transportation Services

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

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