

Report to Council



Date: February 27, 2012
File: 1405-03
To: City Manager
From: Jerry Dombowsky, Regional Programs Manager
Subject: Transit Bus Advertising Franchise

Recommendation:

THAT Council approve the granting of exclusive permission and rights for the sale of advertising on regional transit buses to Lamar Transit Advertising Canada Limited for the period from January 1, 2012 to December 31, 2014;

AND THAT the Mayor and City Clerk be authorized to sign the transit bus advertising agreement with Lamar Transit Advertising Canada Limited.

Purpose: To extend the on-bus Transit Advertising Contract for Three years

Background:

The City of Kelowna issued a Notice of Intent for Transit Advertising on Buses on Jan 11, 2012, to extend a contract to Lamar Advertising, that closed January 25, 2012.

The transit advertising franchise includes advertising rights to the following:

- Inside and outside advertising on 69 full size conventional buses including frame and vinyl advertising products (base proposal includes 2 full bus vinyl, 4 full driver side vinyl and 51 full back vinyl).

Lamar Transit Advertising has held the bus advertising contract since January 1, 2007 (formerly Obie Media). Lamar Advertising has the contract for the BC Transit fleet of buses in other BC communities and also for TransLink. They are a highly qualified contractor with significant experience and success in operating advertising franchises. They have strong operating, marketing and business plans along with the financial resources and staff required to operate an effective advertising service.

Their operating plan includes retaining a local sales office with a District Sales Manager based in Kelowna. They have an aggressive local sales program, a regional client/agency sales program and a strong national sales program. Their focus and current majority of their business comes from local sales through small and medium size businesses.

The contract is for a three year term. Based on the current inventory of buses the guaranteed minimum return to the local transit partners is \$324,000 over the complete term of this

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contract. The guaranteed minimum amount can be supplemented based on the gross advertising revenues generated by Lamar Advertising. The local partners will receive 40% of the gross advertising revenues (less commissions and production charges) or the minimum annual guarantee, whichever is greater for the three years of the term. This could generate an additional \$50,000 over the three year term if their revenue projections are realized. Expansion potential and the use of innovative new product lines could also increase the return over the contract term.

Advertising revenues from the buses are shared between the four local transit partners based on the transit revenue sharing splits. The City of Kelowna bus advertising revenues are used for improvements to the City's transit amenities including upgrading of bus stops to meet accessibility standards, the purchase of new shelters and benches, and other changes made to increase ridership on the transit system.

Subject to the free speech provisions of the Canadian Charter of Rights and Freedoms, and those established by the Canadian Code of Advertising Standards, the City has contractual control over advertising content with the express right to refuse any advertising it deems to be of a controversial nature or contrary to the interests of the City.

Internal Circulation:

Director, Financial Services

Financial/Budgetary Considerations:

A corresponding revenue budget will be set up.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by:



J. Dombowsky, Regional Programs Manager

Approved for inclusion:



R. Westlake, Director Regional Services

cc: Director, Financial Services