

**CITY OF HAMILTON**

**PUBLIC WORKS DEPARTMENT  
Transit Division**

<b>Report to:</b> Chair and Members Public Works Committee	<b>Submitted by:</b> Scott Stewart, C.E.T. General Manager Public Works Department
<b>Date:</b> October 20, 2008	<b>Prepared by:</b> Andy McLaughlin Extension 1809

**SUBJECT: Hamilton Street Railway Bus Advertising Contract Renewal 2009 to 2014 (PW08125) - (City Wide)**

---

**RECOMMENDATION:**

- (a) That the General Manager of Public Works be authorized and directed to enter into negotiations with a single source, 1333988 Ontario Inc. (StreetSeen Media), for the renewal of the Hamilton Street Railway bus advertising licence agreement for an additional five year period, commencing on April 1, 2009, with a five year minimum revenue guarantee of \$2,125,000;
- (b) That the licence agreement renewal document be in a form satisfactory to the City Solicitor and that it incorporate the provisions contained within the revised City of Hamilton Commercial Advertising and Sponsorship Policy (Report PW08060) approved by City Council on June 11, 2008, (Public Works Committee Report 08-010).

---

Scott Stewart, C.E.T.  
General Manager  
Public Works

**EXECUTIVE SUMMARY:**

The current Hamilton Street Railway bus advertising contract, held by StreetSeen Media, expires on March 31, 2009. The value of the current five year contract is \$1,625,000. An unsolicited proposal to renew the current licence agreement was received by the City. The proposal is offering a total of \$2,125,000 in annual minimum guaranteed revenue, over five years, representing a 30% increase in annual guaranteed

**SUBJECT: Hamilton Street Railway Bus Advertising Contract Renewal 2009 to 2014 (PW08125) - (City Wide) - Page 2 of 5**

revenue. The average annual revenue per bus, based on the projected September 2009 Hamilton Street Railway fleet complement, would be \$2,202.

While Council may reject the StreetSeen Media unsolicited proposal and direct staff to proceed to Request for Proposal to solicit competitive bids for bus advertising, there is some risk in doing so. The StreetSeen Media proposal provides for an increase in annual guaranteed minimum revenue from \$350,000 to \$425,000. While a new contract would anticipate an offer of an annual minimum guaranteed revenue, there is no assurance that this would be the case. In addition, the StreetSeen proposal increases the minimum additional annualized revenue by \$75,000. For 2009 (April 1 to December 31) this would represent \$56,250 in new additional revenue, helping to offset known budgetary pressures in the Transit Division.

Over the last five years, StreetSeen Media have demonstrated a commitment to grow the bus advertising business with local clients, resulting in three bonus payments to the Transit Division totalling \$93,725. Day-to-day transactions and monthly payment history has been highly satisfactory. A review of the StreetSeen Media unsolicited proposal, following the guidelines specified in Purchasing Policy 11, has resulted in a recommendation to enter into negotiations with StreetSeen Media, as single source, for the provision of Hamilton Street Railway bus advertising for the period April 1, 2009, to March 31, 2014.

**BACKGROUND:**

The information and recommendations contained within this report have City wide implications.

1333988 Ontario Inc., operating as StreetSeen Media, have held the City of Hamilton's licence for interior and exterior advertising on Hamilton Street Railway buses since April 1, 2004. At expiry, the existing five year licence agreement has generated \$1,625,000 in revenue for the Transit Division. Additionally, bonus payments to date totalling \$93,725 have been paid by StreetSeen Media to the City. On May 22, 2008, the City's Purchasing Section received an unsolicited proposal from StreetSeen Media for a five year renewal of the existing licence agreement.

**ANALYSIS/RATIONALE:**

Adoption of the staff recommendation would allow for a renewal of the bus advertising licence agreement to be in place prior to the March 31, 2009, expiry date of the existing licence agreement.

The following companies presently dominate the outdoor transit advertising market:

- ☐ Lamar Advertising Company, Baton Rouge, LA
- ☐ CBS Outdoor Canada, Toronto, ON
- ☐ Pattison Outdoor Advertising, Oakville, ON

These companies tend to focus their transit sales program on attracting national advertisers, whose primary target markets are Montreal, Toronto and Vancouver. Hamilton demographics make it challenging to secure and build consistent national sales in this particular advertising medium. CBS Outdoor Canada currently maintains and sells advertising on Hamilton Street Railway's shelters under a licence agreement

**SUBJECT: Hamilton Street Railway Bus Advertising Contract Renewal 2009 to 2014 (PW08125) - (City Wide) - Page 3 of 5**

that expires in 2015. Due to disappointing sales results as the pre-2004 supplier of bus advertising to HSR, CBS Outdoor declined to bid on the HSR bus advertising RFP in 2004. Lamar, operating as Obie Media, submitted a proposal in 2004 and has indicated that they are interested in doing so again at the next opportunity. Pattison has also expressed an interest in entering the Hamilton bus advertising market. However, as economic conditions impacting the advertising business continue to change, CBS Outdoor could also be expected to bid on a City of Hamilton bus advertising RFP.

**StreetSeen Media**

In contrast to the national companies, StreetSeen Media dedicates their sales efforts towards attracting and retaining locally based clients who wish to directly target Hamilton consumers. Local clients have been particularly receptive to using exterior vinyl wraps, on all or a portion of a bus, to successfully communicate their message. StreetSeen Media also retains an experienced national sales representative, based in Toronto, who can provide immediate sales and service to meet the needs of national advertisers, when required.

Should the City choose to accept the StreetSeen proposal and successfully negotiate a renewal of the existing licence agreement with them, the new minimum guaranteed revenue for the five year contract period would amount to \$2,125,000, a 30% increase in revenue compared to the 2004 to 2009 bus advertising contract.

Regular transactions, such as the holding-in of buses to permit the application of advertising, are conducted in a mutually co-operative and professional manner. StreetSeen Media staff exhibit a high degree of flexibility that allows Hamilton Street Railway Fleet Maintenance to meet daily bus allocation requirements, ensuring that transit route operations are unaffected. The designated space reserved for advertising storage at the Mountain Transit Centre is maintained in a satisfactory condition. Complaints and inquiries are promptly responded to. Payments to the City, as outlined in the licence agreement, are made on schedule.

StreetSeen Media has a strong connection to the local community, demonstrated through an increasing volume of advertising sales to local businesses. This sales growth has had a positive impact on net advertising revenue in each of the last three years, resulting in bonus payments to the City, as stipulated in the licence agreement.

Retaining StreetSeen Media as the Hamilton Street Railway's bus advertising contractor will allow the City of Hamilton to benefit from this sales momentum. A bonus payment for the 2007/2008 contract year of \$40,490, plus GST, was recently recognized during a cheque presentation at the September 15, 2008, meeting of the Public Works Committee.

StreetSeen Media have honoured their contractual obligations in terms of providing the Hamilton Street Railway and the City with the use of any unsold advertising space free of charge. Public Health Services has been using bus advertising on a continuing basis to promote a range of programs from "I'm Worth the Wait" (sexual health) to "Get the Lead Out" (lead pipe awareness). Other municipal divisions (Traffic and Special Supports) have also taken advantage of bus advertising opportunities.

Table 1 contains a summary of transit bus advertising contracts at various Ontario transit agencies.

**Table 1  
Summary of Bus Advertising Contracts at Ontario Transit Properties**

<b>Municipality</b>	<b>Contractor</b>	<b>Annual Guaranteed Revenue (\$)</b>	<b>Number of Buses</b>	<b>Average Revenue per Bus (\$)</b>
Brampton	Sambrook	\$241,500	168	\$1,438
Burlington	Lamar	\$130,000	54	\$2,407
Durham	DPI	\$343,511	155	\$2,216
London	Lamar	\$330,000	193	\$1,709
Mississauga	CBS Outdoor	\$980,000	395	\$2,481
St. Catharines	StreetSeen	\$100,000	58	\$1,724
Waterloo	StreetSeen	\$200,000	148	\$1,351
Windsor	StreetSeen	\$150,000	96	\$1,563
York	DPI	\$400,000	262	\$1,527
<b>Average</b>		<b>\$319,446</b>	<b>170</b>	<b>\$1,879</b>

**ALTERNATIVES FOR CONSIDERATION:**

Should Council wish, the City can proceed to issue an RFP and offer the bus advertising rights to interested parties. An RFP process would be undertaken by Purchasing and Transit, commencing in November 2008. This timeline will allow sufficient time for staff to prepare and issue the RFP document for interested contractors to prepare their proposals and for a staff analysis and report to Council, culminating in the successful execution of a new licence agreement by March 31, 2009. It is important to ensure that there is sufficient time for an orderly transition period, should a new contractor emerge from the RFP process.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial**

The value of the current five year contract is \$1,625,000. Additionally, \$93,725 in bonus payments have been received as a result of increased advertising sales.

An unsolicited proposal to renew the current licence agreement for a five year period was received by the City's Purchasing Section. The proposal is offering a total of \$2,125,000 in annual minimum guaranteed revenue. Annual payments of \$425,000 per year, over five years, represent a 30% increase in overall bus advertising revenue.

The annual revenue per bus, based on the projected September 2009 Hamilton Street Railway fleet complement that will be available to accept advertising, would be \$2,202. This compares favourably with other Ontario transit properties.

**POLICIES AFFECTING PROPOSAL:**

Purchasing Policy 11, when a single source for the supply of a particular Good and/or Service is being recommended because it is more cost effective or beneficial for the City. As per policy, this report and recommendations are being presented to the Public Works Committee and Council. Committee and Council can choose to amend the recommendations or otherwise provide staff with direction in this matter.

Innovate Now - Public Works Vision for 2017 calls for sound financial management for the long haul. Recommendation (a) contained in this report will allow the Transit

**SUBJECT: Hamilton Street Railway Bus Advertising Contract Renewal 2009 to 2014 (PW08125) - (City Wide) - Page 5 of 5**

Division to take better advantage of available funding sources with the private sector, ensuring a predictable five year revenue stream, with good potential for annual bonus payments to the City.

The City Corporate Strategic Plan calls for a focus on financial sustainability and growing the economy. Predictable advertising revenues help ensure that the Transit Division can effectively manage annual budget challenges. StreetSeen Media embraces the latest in bus advertising products and concentrates on creating custom advertising campaigns for local businesses to successfully deliver their messages to consumers, helping to grow the local economy.

City of Hamilton Commercial Advertising and Sponsorship Policy, June 2008.

**RELEVANT CONSULTATION:**

Corporate Services Department, Financial Services Division, Purchasing Section, and Finance and Administration.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.**  Yes  No  
Partnerships are promoted.

**Environmental Well-Being is enhanced.**  Yes  No  
A sustainable transportation network provides many options for people and goods movement; vehicle-dependency is reduced.

**Economic Well-Being is enhanced.**  Yes  No  
Investment in Hamilton is enhanced and supported.

**Does the option you are recommending create value across all three bottom lines?**  
 Yes  No

**Do the options you are recommending make Hamilton a City of choice for high performance public servants?**  
 Yes  No