

**Subject: Sponsorship of Transit Services**

**File Number: ACS2023-TSD-SCER-0019**

**Report to Transit Commission on 12 October 2023**

**Submitted on September 29, 2023 by Renée Amilcar, General Manager, Transit Services Department**

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**Ward: Citywide**

**Objet : Commandite des services de transport en commun**

**Numéro de dossier : ACS2023-TSD-SCER-0019**

**Rapport présenté au Commission du transport en commun**

**Rapport soumis le 12 octobre 2023**

**Soumis le 29 septembre 2023 par Renée Amilcar, directrice générale, Direction générale du transport en commun**

**Personne ressource : Lisa Bishop-Spencer, directrice, Communications stratégiques et Relations extérieures**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATION**

That the Transit Commission receive this report for information.

## **RECOMMANDATION DU RAPPORT**

Que la Commission du transport en commun reçoive ce rapport pour information.

## **BACKGROUND**

At its meeting of February 9, 2023, the Transit Commission carried the following motion directing staff to bring back a report on opportunities and challenges with respect to attracting sponsorship of free transit service:

*BE IT RESOLVED that, the General Manager prioritize ways to augment sponsorship opportunities with outside entities, enter into an agreement if feasible and report back to the Transit Commission by October 2023 on what progress has been made, how other jurisdictions attract sponsorships to offer free transit and challenges encountered to attract new sponsorships.*

This report responds to the Transit Commission direction from the February 9 meeting and provides the results of the review of other jurisdictions conducted by staff.

## **DISCUSSION**

OC Transpo uses advertising, sponsorship and partnerships to generate non-fare revenue. This includes existing advertising contracts, along with sponsorship and partnership agreements for special events and services where feasible. Staff are maintaining existing arrangements that continue to generate revenue and are actively working with partners to increase revenue generated from these activities. While the total revenue generated from these activities is relatively small compared to the transit operating budget, it represents a consistent source of revenue for the City and can help animate the transit experience and raise OC Transpo's profile in the community.

OC Transpo is also reviewing whether additional opportunities to expand sponsorship and partnership agreements are feasible, while balancing other priorities from the Transit Services Five-Year Roadmap. Expanding these agreements could involve arrangements with new or existing partners who would solicit, execute, and maintain agreements on OC Transpo's behalf. In reviewing the approaches of other transit agencies, staff have confirmed that OC Transpo's current approach is on par with, or exceeding, that of its closest comparators, and that the barriers and opportunities faced in other jurisdictions are similar to those experienced in Ottawa.

### Review of other public transit authorities

OC Transpo's current sponsorship activities have been reviewed against sponsorship approaches by comparable North American transit authorities, including Toronto (TTC), Chicago (CTA), Edmonton, Calgary, Montreal (STM) and Vancouver (TransLink).

This review found similarities across all transit authorities in terms of challenges for sponsorship agreements:

- Staffing resources needed to solicit, draft, and implement agreements
- Limited interest from sponsors in a competitive space for marketing dollars, where potential sponsors can favour dealing with marketing agencies over public sector organizations
- The revenue generated from sponsorship activities is small in relation to overall operating budgets for transit services, and can be small in relation to the level of effort required to solicit and implement agreements
- Legal review timelines and lack of delegated authority to execute timely sponsorship agreements
- Complexities in sponsor coordination and interpretation of existing agreements
- Sponsorship agreements can sometimes compete or interfere with the scope of existing advertising contracts, reducing the overall revenue for the transit agency
- Challenges in achieving stakeholder consensus on a suitable sponsor that does not infringe on municipal and transit brand identity
- Real or perceived risk for potential sponsors in associating their brand with a transit agency
- Potential for sponsorship activities to compete with transit system wayfinding or customer information needs

Despite these challenges, this comparator review also reinforces that public transit remains an appealing opportunity for potential sponsors, given its extensive and unique advertising collateral and mobile assets, extensive local audience, strong brand recognition, as well as transit's role as a connector of communities.

### *Toronto (TTC)*

The Toronto Transit Commission (TTC) engages in ad hoc cross-promotional partnerships with local events and businesses, negotiating agreements involving

prepaid transit fares and/or advertising space on TTC's channels in exchange for promotion of the TTC on partner channels.

The TTC has used sponsorship to offset the cost of offering free transit service. Corby Spirit and Wine is a longstanding title sponsor for the TTC's New Year's Eve free service.

The TTC does not currently have dedicated staff resources to solicit sponsorship and partnership agreements. Sponsorship and naming rights agreements fall within the scope of the TTC's advertising contract with Pattison Outdoor Advertising. While naming rights agreements have been explored, they have yet to be implemented on the system.

### *Chicago (CTA)*

The Chicago Transit Authority (CTA) coordinates all sponsorship activities through its contracted advertising agency, Intersection. Sponsorship of free service is offered through annual opportunities, such as First Day of School and New Year's Eve service. The CTA also considers additional, ad hoc proposals from advertisers for sponsorship of free service for other community events and concerts. The CTA also solicits sponsorship of popular programs like the Holiday Train and Bus, the Pride Train, and the CTA's Community Connections Bus, which allows advertisers to bring the bus out to community events.

The CTA has marketed naming rights opportunities for its stations and rail lines, but no agreements have been signed to date. The 20-year term and substantial costs of such agreements have been noted as barriers. The CTA instead focuses on medium-term agreements of approximately five years, selling advertisers exclusivity on station advertising space, which creates opportunities for distinctive branding. These agreements do not carry official changes to station names and are less expensive to implement.

### *Edmonton (ETS)*

Edmonton Transit Service (ETS) focuses on in-kind cross-promotional partnerships with local not-for-profit community events and festivals, providing free transit or shuttle service to staff or volunteers in exchange for identification as a sponsor, the promotion of transit to reach the event, and/or space for transit outreach staff onsite. These agreements are not revenue generating but are completed in-kind to support positive community outcomes.

ETS is also exploring additional sponsorship opportunities, including naming rights agreements.

### *Calgary Transit*

Calgary Transit does not currently solicit sponsorship to offset free transit service for specific events, but works with the Calgary Convention Centre, Calgary Sports and Entertainment Corporation, Tourism Calgary, and other national and local organizations on an ad hoc basis to negotiate prepaid fares and charter services for international, national, and local events held in the city.

In addition, Calgary Transit has a contract with a naming rights broker, and recently entered into an agreement with TD Bank Group for naming rights for its free fare zone, now called the TD Free Fare Zone.

### *Montreal (STM)*

La Société de transport de Montréal (STM) explores in-kind advertising and sponsorship agreements, involving transit service in exchange for promotion of transit. STM has explored naming rights in the past but does not currently have any agreements in place.

### *Vancouver (TransLink)*

At this time, TransLink has not solicited sponsorship to offset free transit service.

TransLink had a merchandizing agreement in place with Warner Brothers (WB) for a branded transit card bundle which included superhero Compass smartcards, a superhero poster and branded lanyard.

In conducting this comparator analysis, varying approaches to soliciting sponsorship opportunities were noted. Some transit authorities use internal staff resources where possible to explore sponsorship activities balanced against other priorities. Other agencies build sponsorship, partnership, and naming rights opportunities into contracts with third-party resources. This is commonly accomplished through amendments to an existing advertising contract or through the hiring of a more specialized resource, such as a naming rights broker. Staff are exploring whether the approach of using external, specialized resources could be used for transit sponsorship and partnerships in Ottawa.

## Sponsorship of transit at OC Transpo

OC Transpo engages in sponsorship agreements to offset the costs associated with offering transit service and programs, including:

- In-kind agreements that provide advertising space or other benefits to OC Transpo in exchange for event shuttles and other services.
- Annual sponsorship to offset costs associated with free transit service, such as New Year's Eve free service.

Additional partnerships and agreements that involve cross-promotion to derive value for OC Transpo, transit customers and sponsors, include:

- Current agreements with TELUS for free Line 1 station Wi-Fi, and Happy Goat coffee shop at Blair Station.
- Free ticketed transit service to events, including Bluesfest, TD Place, and other events on a case-by-case basis.

In addition to its sponsorship activities, OC Transpo has contracts in place with two contractors for transit advertising, expected to generate \$4.3 million in revenue in 2023. Branded Cities is contracted to sell advertising on bus shelters, while Pattison Outdoor Advertising is contracted to sell advertising on buses, Transitway stations, and O-Train Line 1 stations and trains. Staff are actively working with both advertising contractors to increase the revenue generated for the City, including branded Line 1 station takeovers, large vinyl mural advertisements in stations, advertising on the pedestrian overpass over Highway 174 at Blair Station, as well as digitization of bus shelter advertising. This also includes an interdepartmental project beginning this fall to further expand digital out-of-home advertising assets on City property, with a particular emphasis on transit properties.

Sponsorship agreements are guided by the City of Ottawa's Corporate Sponsorship and Advertising Policy. OC Transpo staff routinely review the policy and consult with the Recreation, Cultural and Facility Services Department's Sponsorship & Advertising unit to leverage best practices in soliciting agreements with sponsors.

Historically, OC Transpo has worked with Safer Roads Ottawa to identify a sponsor to recover foregone fare revenue for New Year's Eve free transit service. In December 2022, free service ran from 6 pm to 4 am and was partially recovered through a

sponsorship agreement with M.A.D.D. through Safer Roads Ottawa. In consultation with the Recreation, Cultural and Facility Services Department, OC Transpo is moving ahead in securing a sponsorship agreement to offset foregone revenue for this year's New Year's Eve free transit service.

Where possible, staff will continue to identify new sponsorship and partnership opportunities, in addition to New Year's Eve, to offset the cost of free transit, derive value for customers, or to generate additional revenue for the City. This includes ongoing review of special events and transit services that are suitable as sponsorship opportunities and attractive for potential sponsors. The extent of this work is subject to staff capacity and other priorities in OC Transpo's Transit Services Five-Year Roadmap. However, staff will be assessing whether expanding sponsorship and partnership could be accomplished through arrangements with new or existing partners who would solicit, execute, and maintain agreements on OC Transpo's behalf.

## **FINANCIAL IMPLICATIONS**

Additional advertising and sponsorship revenue will be included as part of the 2024 Operating Budget process for Council consideration and approval.

## **LEGAL IMPLICATIONS**

There are no legal impediments to receiving this report for information.

## **ACCESSIBILITY IMPACTS**

Staff will adhere to the *Accessibility for Ontarians with Disabilities Act (AODA)* and apply the City's Equity and Inclusion Lens with regards to any policy or procedural developments resulting from this report. Staff will continue to engage accessibility stakeholders to ensure that their perspectives are considered and incorporated, and to promote inclusion. Staff will also ensure that any applicable accessibility legislation, standards, and guidelines are adhered to during the execution of initiatives identified in this report.

## **DISPOSITION**

Staff will continue to pursue sponsorship agreements to offset the free transit offerings, in collaboration with the Recreation, Cultural and Facility Services' Sponsorship & Advertising unit, and in keeping with the City's Sponsorship & Advertising policy. The Transit Services Department will action any direction received from Transit Commission or Council as part of consideration of this information report.