



## Midway Agreement with North American Midway Entertainment

### STAFF REPORT ACTION REQUIRED Confidential Attachment

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| <b>Date:</b>                                | November 8, 2007  |
| <b>To:</b>                                  | Executive Committee   |
| <b>From:</b>                                | David Bednar, General Manager, Canadian National Exhibition<br>Dianne Young, Chief Executive Officers, Exhibition Place |
| <b>Wards:</b>                               | Ward 19   |
| <b>Reason for Confidential Information:</b> | This report involves the security of property belonging to the City or one of its agencies, boards, and commissions     |
| <b>Reference Number:</b>                    |   |

### SUMMARY

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The following report on the Midway Agreement with North American Midway was considered and unanimously approved by the Board of Governors of Exhibition Place at its meeting of November 7, 2007.

This report recommends that the Canadian National Exhibition Association (CNEA) enter a five-year agreement, with an option to renew for another five years (at the sole option of the CNEA), with North American Midway Entertainment (NAME) to be licensed as the Midway Provider for the Canadian National Exhibition (“CNE”).

### RECOMMENDATIONS

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**The Board of the CNEA and the Board of Governors of Exhibition Place, on the advice of the General Manager of the CNEA and Chief Executive Officer of Exhibition Place, recommends that City Council:**

- (1) **approve an agreement between the CNEA and NAME for a period of five years, commencing January 1, 2008 and expiring December 31, 2012, with an option to extend (at the sole option of the CNEA) until December 31, 2017, for the provision of midway services for the annual CNE on the terms**

**and conditions set out in this report and the Confidential Attachment 1 to this report and such other terms and conditions as may be satisfactory to the GM of the CNEA, the CEO of the BOG and the City Solicitor; and,**

- (2) direct that the confidential information in Attachment 1 and its Appendix “A” not be released publicly in order to protect the competitive position and the future economic interests of the CNEA.**

## **FINANCIAL IMPACT**

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Financial implications of this agreement are estimated to be a positive return of \$2.1M to the annual CNE in commissions paid by NAME from ride, game and food operations. Research data indicates that approximately 1/3 of attendees to the CNE come in order to visit the midway. Therefore, the midway presentation is extremely important to the CNE in terms of attendance and related revenues.

## **ISSUE BACKGROUND**

At their meetings of January 30 and 31, 2003 the CNEA Board and the Board of Governors respectively, approved a three-year agreement with Conklin & Garrett Inc., Conklin Holdings Inc. to be the midway provider for the CNE commencing August 1, 2003 and expiring on December 31, 2005.

At their meetings of September 29 and November 3, 2005, the CNEA Board and Board of Governors respectively, approved a two-year extension of the three-year agreement with NAME which had purchased all interests in Conklin Shows, which extension terminates on December 31, 2007.

At its meeting of September 20, 2007, the CNEA Board of Directors adopted the recommendations outlined in Report No. 11 from the General Manager which identified North American Midway Entertainment as the “Preferred Proponent” for further negotiation of a contract in accordance with the RFP.

At its meeting of October 18, 2007, the CNEA Board of Directors adopted the recommendations outlined in Report No. 1 from the General Manager thereby authorizing an agreement between the CNEA and NAME for a period of five years, commencing January 1, 2008 and expiring December 31, 2012, with an option to extend (at the sole option of the CNEA) until December 31, 2017, for the provision of midway services for the annual CNE. The Board further adopted that subject report be recommended to the Board of Governors of Exhibition Place for approval, and for subsequent approval by City Council.

## **COMMENTS**

In May 2007, a Request for Proposals was issued through the City of Toronto Purchasing Department for the provision of a midway provider for the CNE. The closing date of the RFP was September 5, 2007. Four (4) submissions to the RFP were received from Funland Outdoor Amusements (FOA), Conko Inc. (Conko), Wade Shows (Wade) and North American Midway Entertainment (NAME).

The Selection Committee for this RFP consisted of the following individuals: David Bednar, General Manager, CNE; Virginia Ludy, Operations Manager, CNE; Mike Knott, Concessions Coordinator, CNE; Shekhar Prasad, Accounting Manager, Exhibition Place; and Kathryn Woodcock, Associate Professor, Ryerson University (Principal Investigator: THRILL research lab) and member of Technical Standards and Safety Authority Consumer and Amusement Devices Advisory Councils. In addition, Ms. Sypher, P. Eng., RCM Technologies (safety engineering consultant of record to the CNE and Exhibition Place) provided the Selection Committee with an analysis of the safety plans and historical records of the proponents and Mr. Gerd Rose, Purchasing Manager, Exhibition Place advised on the RFP process.

The submissions were evaluated following a point system with a total of 100 points allocated for each submission. The categories and score values used by the Selection Committee were as indicated on the attached Chart "A".

Confidential Attachment 1 to this report outlines the Selection Committee's analysis of each of the bids on the basis of the evaluation criteria noted above for each of the proponents. On review of the written submissions, three of the four proponents achieved an aggregate score exceeding 70% and were interviewed by the Selection Committee.

Following review of the written submissions and the interviews, the Selection Committee recommends NAME to be the preferred proponent to provide midway services to the annual CNE.

NAME was formed in 2004 by the amalgamation of the former Farrow Amusement Co., Conklin Holdings Inc., Thebault-Blomsness Inc., All Star Amusement Co., Astro Amusement Co., and Mid-America Shows. It provides rides, food, and games to approximately 19 million visitors at over 130 events, including 10 of the top 50 fairs in North America, in 19 states and 4 provinces. In terms of the number of events, annual revenues (\$71M), rides owned (250), number of employees (5,700 full and part-time), NAME is the largest midway company in North America.

NAME assumed responsibility for the CNE midway in 2005 and continued to provide the CNE midways in 2006 and 2007, giving the CNEA three years of experience with NAME. During this time, NAME significantly changed the way of conducting business at the annual fair. It has made noticeable improvements in staffing through the employment of permanent staff in key operational areas rather than a large percentage of part-time, revolving staff. This shift has resulted in more courteous staffing and fewer patron complaints. The coordination of efforts between NAME and CNE staff has also improved at both the management and staff levels.

NAME has invested approximately \$22.0M in their product over the last three years. This investment was put towards new rides, upgrading existing rides, new food service trailers, support equipment (such as generators, bunk houses, mobile training facility) and e-ticketing for the midway. The improvements made to the staff support equipment and

services have enabled NAME to hire more experienced employees who in turn provide a safer midway and better service to CNE customers.

The province of Ontario is one of the most highly regulated jurisdictions in North America for amusement devices. Midways must comply with all provincial statutes and their regulations; including, but not limited to, the *Technical Standards and Safety Act (TSSA)*, the *Occupational Health and Safety Act* (Ministry of Labour), the *Electricity Act* (Electrical Safety Authority), and the *Employment Standards Act* (Ministry of Labour). NAME has a proven record in this regard and has implemented rigorous training strategies to not only meet tough TSSA regulations for rides but also to meet all OHSa regulations. NAME has licensed mechanics and staff who are certified in Ontario for forklift operation, fall arrest, dangerous fuels, and first-aid.

Respectfully submitted,

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## **ATTACHMENTS**

### **SELECTION COMMITTEE SCORES – CHART “A”**

### SELECTION COMMITTEE SCORES – CHART “A”

| CRITERIA   | Detailed Score Value | RFP Section Score |  |
|--|----------------------|-------------------|--|
| <b>Section 1: Proponent Profile</b>  |                      |                   |  |
| <ul style="list-style-type: none"> <li>• A profile and summary of corporate history including:</li> <li>• Date company started;</li> <li>• Total revenues;</li> <li>• Total number of employees;</li> <li>• Major clients; and</li> <li>• Business partners;</li> <li>• Average gross revenue for each ride and number of riders per day;</li> </ul> | <b>5</b>             | <b>25</b>         |  |
| <b>Section 2: Experience and Qualifications of the Proponent</b>   |                      |                   |  |
| <ul style="list-style-type: none"> <li>• Experience in the ownership, management and operations of a midway which has amusement rides currently in operation.</li> <li>• Midway experience</li> <li>• References</li> <li>• Safety Record</li> </ul>   | <b>10</b>            |                   |  |
| <b>Section 3: Staff Team &amp; Resources</b>   |                      |                   |  |
| Staffing plan which illustrates an organizational chart and list of key staff that the Proponent would propose be directly involved in the management of the Midway  | <b>10</b>            |                   |  |
| <b>Section 4: Midway Design/Theme Objectives</b>   |                      |                   |  |
| Midway layout, including features. <ul style="list-style-type: none"> <li>• Overall design concept for the midway including site plan</li> <li>• General colour scheme</li> <li>• Lighting/Seating and Fixtures</li> <li>• Signage and Graphics</li> <li>• Landscaping</li> </ul>  | <b>10</b>            | <b>25</b>         |  |
| Proposed Midway themes <ul style="list-style-type: none"> <li>• Theme</li> <li>• Visual presentation plan</li> <li>• Monitoring and implementation of current trends</li> <li>• Colors/Flags/ Banners/Lighting, Landscaping and Signage</li> </ul>   | <b>5</b>             |                   |  |
| <b>Section 5: Midway Equipment</b>   |                      |                   |  |
| List equipment to be provided including rides, food concessions, game concessions, guest relations facilities, furnishings, lighting and fixtures etc. with specific information outlining capacity, size and number of  | <b>10</b>            |                   |  |
| List equipment to be provided including rides, food concessions, game concessions, guest relations facilities, furnishings, lighting and fixtures etc. with specific information outlining capacity, size and number of item.  |                      |                   |  |
| <b>Section 6: Midway Operations/Management</b>   |                      |                   |  |
| <ul style="list-style-type: none"> <li>• Specific plan for midway operations including how rides and services will be provided.</li> </ul>   | <b>5</b>             | <b>25</b>         |  |
| <ul style="list-style-type: none"> <li>• Customer service program including overall customer service goals of the organization and customer service training program</li> <li>• Employee uniform, outline of employee dress code and employee code of conduct.</li> </ul>  | <b>10</b>            |                   |  |
| Logistics associated with the midway   | <b>5</b>             |                   |  |
| Detailed Ride Management Plan including the following: <ul style="list-style-type: none"> <li>• Safety</li> <li>• Proponent’s Environmental Program</li> </ul> Compliance with Regulatory Requirements   | <b>5</b>             |                   |  |
| <b>Section 7: Fees</b>   |                      |                   |  |
| Rides and Amusement Devices <ul style="list-style-type: none"> <li>• Percentage payment offered from gross sales and/or a percentage based on POP for each of the five years of the agreement.</li> <li>• Minimum Annual Guarantee to the CNE for each of the five years of the agreement.</li> </ul>  | <b>15</b>            | <b>25</b>         |  |
| Food/Beverage and Game Concessions<br>Rental percentage payable to the CNE for each type of concessions included.  | <b>10</b>            |                   |  |
| <b>Score</b>   | <b>100</b>           | <b>100</b>        |  |

