



STAFF REPORT ACTION REQUIRED

An Unsolicited Proposal – The Wired Canada Program

Date:	January 28, 2009
To:	Government Management Committee
From:	Phyllis Berck, Toronto Office of Partnerships
Wards:	All
Reference Number:	

SUMMARY

The Toronto Office of Partnerships (TOP) received an unsolicited proposal in 2008 in which a private firm has offered to establish and maintain, at no cost to the City, internet-ready computers that can be freely accessed by the public in City facilities. This initiative, called the Wired Canada Program (WCP), is financed by corporate sponsorships. Specifically, each of the 1,000 public access computers will exhibit up to 30 corporate “launch icons” on their respective screensavers. Users will have the option to either access the websites of these sponsors via the displayed icons or to bypass the corporate icons altogether and directly connect to the internet.

After TOP reviewed the proposal with various City Programs, both the Toronto Community Housing Corporation (TCHC) and the Parks, Forestry and Recreation Division (PF&R) deemed the initiative to have merit and indicated an interest in having the computers placed in various community centres and community housing sites. Having also assessed the prospects of the proposal with relevant corporate staff, the purpose of this report is to request that Council approve the initiative in principle and that the proponent’s plan be subjected to the Swiss Challenge (a specialized Request For Proposal process) as mandated by the City’s **Unsolicited Quotations or Proposals Policy**.

RECOMMENDATIONS

It is recommended that:

1. Council approve the Wired Canada Program proposal in principle; and
2. Council authorize the Toronto Office of Partnerships, in conjunction with Parks, Forestry and Recreation and the Toronto Community Housing Corporation, to prepare the necessary documentation for the Purchasing and Materials Management Division to apply the Swiss Challenge procedure to the Wired Canada Program proposal.

Implementation Points

Upon Council authorization, the Wired Canada Program proposal will be subjected to the Swiss Challenge process as outlined in the **Procedure for Conducting a Swiss Challenge Request for Proposal**:

<http://www.toronto.ca/top/pdf/swiss-challenge-procedure.pdf>

Financial Impact

Implementation of the Wired Canada Program is projected to produce incremental revenues of \$0.585M for the City over the initial 5-year term. This amount reflects an average annual guaranteed payment of \$0.117M to the City. While the revenues are to be assigned to Parks, Forestry and Recreation as well as to the Toronto Community Housing Corporation for their own operational requirements, the final allocation will depend on the actual placement of the computers.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

ISSUE BACKGROUND

In January 2008, the Toronto Office of Partnerships developed the **Process for Receiving and Reviewing Unsolicited Quotations and Proposals**. This protocol, which supplements the Council-approved **Unsolicited Quotations or Proposals Policy**, established a framework through which external organizations seeking to do business with the City, outside of the conventional procurement system, are given an opportunity to have their ideas presented and evaluated.

Soon after the protocol was formally adopted, a private firm (the Oxford Group) submitted a proposal for consideration in early 2008. The company's plan is to place, as part of a wider trans-Canada initiative called the Wired Canada Program, a thousand internet-ready computers in City venues. In return for the free use of City space, the desktop computers would be freely available for use by Toronto residents, subject to relevant City codes and policies (Appendix #1).

The Wired Canada Program (WCP) is fully funded through corporate sponsorships and, as such, there is no cost to the City. The public access computers feature icons of private and public organizations that sponsor the Program. The desktop screensavers will display up to 30 different organizational icons, each of which will allow users to directly access the websites of the sponsoring company. There is, however, no requirement for the user to "click on" any icon in order to operate the computer. A user is free to by-pass all of the icons and simply activate any of the computers various applications (i.e. Internet Explorer, MS Office, etc.).

The premise of the WCP is therefore similar to that of a free website whose operation is financed by the display of banner ads. While the visitor to the website may chose to click through to the home page of the sponsoring firm via its banner ad, the user is not mandated to do so in order to browse the very website which features the ad. Instead of banner ads that fund the running of a particular website, the WCP places the "launch icons" of sponsors on its desktops to fund the free use of the computers themselves.

COMMENTS

After carefully evaluating the proposal, and after further refining its content, the WCP has been deemed by TOP, as well as PF&R and TCHC, to be in the public interest. It is therefore recommended that Council approve implementation of the initiative for the following reasons:

I. The Need for Broadband Access

In today's wired world, access to broadband internet is no longer a luxury, but a necessity. Communities cannot be competitive in a global, technologically-driven economy if its citizens do not have broadband access.

Despite initial efforts, Canada continues to lose ground on the information super highway. As of December 2007, Canada had 8.6 million broadband subscribers (or about 26.6 per 100 inhabitants). This was only sufficient to rank it 10th among the 30 developed countries that make up the Organization for Economic Co-operation and Development. In the OECD's previous survey six months earlier (June 2007), Canada ranked ninth, while in 2002 it placed second only behind South Korea.

The decline is ominous because high-speed internet access is now as integral to a community's competitive advantage as roads and other physical infrastructure. While factors such as education, age, gender, and place of access have typically influenced Internet usage, income is arguably the biggest barrier to broadband access. Low income households simply can not afford the cost of a computer and the monthly internet subscription charges. Not surprisingly, they are most vulnerable to being shut out of today's digital economy.

The WCP, by giving Torontonians free access to internet-ready computers in public facilities, helps to address this need, especially in the City's priority neighbourhoods, where the Program is scheduled to be rolled-out first.

II. Limited Risk

As previously noted, all costs associated with the proposal are to be borne by the proponent. Project costs include, but are not limited to, the computers themselves, as well as printers, furniture, and high-speed internet subscriptions. Since the proponent will also be responsible for setting up and maintaining all hardware and software, there is no operating impact on the City. Moreover, to further mitigate liability concerns, the proponent is also responsible for ensuring adequate general and property insurance coverage.

To ensure that the workstations are used in accordance with all applicable City policies and protocols, the desktops will incorporate adequate monitoring controls, such as commercial filtering software, so as to block access to inappropriate sites.

The respective Division Heads must also approve all sponsors involved in the Program. This right to vet all participants will allow either Parks, Forestry and Recreation or the Toronto Community Housing Corporation to decline any sponsor who represents a reputational risk to the City and whose activities are deemed to be contrary to the values of the City. Examples of ineligible sponsors include, but are not limited to, liquor distributors and arms manufacturers.

III. Pilot Project

Although the WCP will be a partnership between the City and a private sector operator, the initiative will be positioned as a temporary pilot project. This will allow both parties to continuously assess the value and feasibility of the initiative and make adjustments as required. Rolling out the WCP as a pilot project will also serve to manage public expectations. It will be made clear from the outset that the City does not have the resource capacity to maintain the Program on its own and that the initiative will only continue if the proponent can sustain its viability.

IV. Project Feasibility

Before a proposal can be subjected to an RFP, it must first be deemed to be viable by the City. TOP has worked extensively with the proponent to refine the submitted business case in an effort to enhance its feasibility. While the success of this, or any new, initiative cannot be guaranteed, the business plan that has been developed is a conservative one and indicates that the proponent's idea can potentially be converted into a profitable and sustainable business enterprise.

A. Budget Analysis

For instance, although the planned budget includes all anticipated costs (including some corporate expenditures that are common to the Canada-wide Program) and a conservative revenue stream, the Program is expected to achieve profitability in only its second year (Appendix #2 & #3). The net income to be generated will allow the proponent to make guaranteed payments to the City averaging \$0.117M per annum over the first five years of the Program.

B. An Innovative Marketing Concept

In addition, while the prospect of securing the requisite 30 sponsors may be a challenge in the current fiscal climate, WCP's value proposition is quite compelling. Compared with other forms of advertising (television commercials, print marketing, internet banner ads), the WCP represents a cost effective promotional tool. Moreover, with consumers increasingly inundated (and immune to) conventional advertising, organizations are looking for creative ways to effectively break through advertising clutter in order to either re-capture the attention of their audience or to gain new customers. Marketing in an unusual way or unique place is a proven method for businesses to rise above the din of a market saturated with media messages and to build brand awareness. The WCP, with its desktop launch icons and its placement in high-traffic City facilities, denotes a new non-intrusive marketing platform through which organizations may reach consumers.

C. Corporate Social Responsibility

In crowded marketplaces, companies strive for a unique selling proposition which can separate them from the competition in the minds of consumers. In this regard, Corporate Social Responsibility (CSR) can play a role in building customer loyalty based on distinctive ethical values.

Corporate social responsibility is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

Businesses are an integral part of communities in which they operate. Accordingly, firms typically put a CSR approach in place for more than just economic reason. In many cases, it is also due to moral principles: a belief that it is the “right thing to do” and concern for the welfare of present and future generations is what spurs many firms to consider their social responsibilities. Recognizing that business can not succeed in societies that are failing, the WCP represents an opportunity for Corporate Canada to not only build trust and goodwill with its various constituents, but to contribute to the very fabric of City life. By sponsoring the use of free computers and broadband access in priority neighbourhoods, participating organizations will be conspicuously demonstrating their commitment to enhancing the prosperity of Toronto’s diverse communities and the quality of life of its residents.

V. Swiss Challenge

The **Unsolicited Quotations or Proposals Policy** requires that all eligible unsolicited proposals be subject, upon Council approval, to the Swiss Challenge, a specialized procurement process that is distinct from the City’s typical RFQ/RFP procedure.

The Swiss Challenge process involves seeking competing counter proposals to the original submission. Once the process closes, the counter proposals are appraised and the highest evaluated proposal is selected. If it is determined that this successful counter proposal is superior to the original submission, the original proponent will have the opportunity to match or improve on the selected competing proposal. If, within 30 days, the original proponent elects to meet the terms of the successful counter proposal, it will be recommended for the award of the contract. The relevant Divisions will then be responsible for working with the proponent to implement the initiative while keeping the TOP apprised of developments and outcomes.

Hence, in order to proceed with the initiative and to ensure that the City receives best overall value, it is recommended that Council authorize the application of the Swiss Challenge to the WCP proposal.

Related Resources:

The **Unsolicited Quotations or Proposals Policy** is available at:
<http://www.toronto.ca/calldocuments/pdf/unsolicited.pdf>

The **Process for Receiving and Reviewing Unsolicited Quotations and Proposals** is available at: <http://www.toronto.ca/top/pdf/policy.pdf>

The **Procedure for Conducting a Swiss Challenge Request for Proposal** is available at: <http://www.toronto.ca/top/pdf/swiss-challenge-procedure.pdf>

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ATTACHMENTS

Appendix #1 – Wired Canada (Toronto) Business Plan
Appendix #2 – Wired Canada (Toronto) Budget Notes
Appendix #3 – Wired Canada (Toronto) Budget & Cash Flow