

## **Use of the City's Free Advertising Entitlement from Astral Media**

<b>Date:</b>	May 30, 2012
<b>To:</b>	Public Works and Infrastructure Committee
<b>From:</b>	City Manager
<b>Wards:</b>	All
<b>Reference Number:</b>	

### **SUMMARY**

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At its meeting on April 10 and 11, 2012, City Council directed the City Manager to report to the June 14, 2012 meeting of the Public Works and Infrastructure Committee on a plan to ensure free advertising available through the Astral Media Contract is utilized to the fullest extent.

As part of the City's Street Furniture Contract with Astral Media, Astral provides the City with free national television, radio and outdoor advertising space (billboards) up to a total value of \$2 million in year one of the contract with increases indexed by the Consumer Price Index annually for a total value of \$66 million over the contract term. The entitlement is made available to the City on a "space available" (unsold inventory) basis. The agreement does not provide for carryover of the unused portion of the annual advertising entitlement to subsequent year entitlements. The 20-year agreement commenced in July 2007.

Most City divisions do not advertise nationally as its programs and initiatives are targeted to local Toronto audiences only. The advertising entitlement from Astral is for national media campaigns not single market campaigns, i.e. Toronto only. As a result, the City has experienced difficulty using the entire entitlement annually.

The Strategic Communications Division is responsible for the management of the City's free outdoor advertising and the advertising entitlement provided by Astral. Since the program's inception, the City has steadily increased its usage of the entitlement but given the restriction of the entitlement to national advertising, it is unlikely that the City will achieve 100 per cent usage each fiscal year. There may be cost effective opportunities to

support the City's economic development strategy by using the available national advertising entitlement to raise Toronto's profile as a great place to visit, live, start a business, etc. Staff are also recommending that the City extend the entitlement to the City's Agencies and Corporations for national advertising campaigns that support the City's economic development strategy.

## **RECOMMENDATIONS**

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**The City Manager recommends that City Council direct that:**

1. the Astral Media advertising entitlement be extended to the City's Agencies and Corporations for national advertising campaigns that support the City's economic development strategy; and
2. The Director of Strategic Communications communicate this entitlement to Agencies and Corporations and monitor the level of usage, if the entitlement is extended to these bodies.

### **Financial Impact**

There is no financial impact to the City by allowing the City's Agencies and Corporations access to the Astral Media advertising entitlement for national advertising campaigns.

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

### **DECISION HISTORY**

At its meeting on April 10 and 11, 2012, City Council directed that the City Manager report to the June 14, 2012 meeting of the Public Works and Infrastructure Committee on a plan to ensure free advertising available through the Astral Media Contract is utilized to the fullest extent.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU6.4>

### **ISSUE BACKGROUND**

As part of the City's Street Furniture Contract with Astral Media, Astral provides the City with free national television, radio and outdoor advertising space up to a total value of \$2 million in year one of the contract with increases indexed by the Consumer Price Index annually for a total value of \$66 million over the contract term. The agreement does not provide for carryover of the unused portion of the annual advertising entitlement to subsequent year entitlements.

In his report to Audit Committee in February and Council at its April 10/11, 2012 meeting, the Auditor General noted that the City has not fully utilized available free

advertising to the extent possible and recommended that City Council request the Director, Strategic Communications ensure free advertising available through the Astral Media contract is utilized to the fullest extent.

## **COMMENTS**

When negotiating the Street Furniture contract with the City of Toronto in 2006, Astral proposed providing the City with an added benefit in the form of an advertising entitlement. The entitlement would provide the City with up to \$2 million annually of national television, radio or outdoor advertising. At the time, Astral had recently acquired a number of radio stations as part of its purchase of Standard Broadcasting and felt that the City could benefit from its excess inventory. It is important to note that this advertising benefit was not part of the City's RFQ for street furniture but was presented as an added benefit by Astral, which the City accepted.

In 2007, Strategic Communications met with representatives from Astral Media to determine how to best use the entitlement, given that the City does not advertise nationally. Astral was unable to provide the entire \$2 million for a single market purchase, i.e. advertising purchases in the Toronto market only. In reviewing the demographics of the Toronto market versus the national market, it was determined that \$350,000 to \$500,000 of the available \$2 million could be allocated to media purchases in the Toronto market.

Over the years, the City has steadily increased its usage. In 2010, the City used \$451,576 of the \$2 million entitlement, \$1,449,867 in 2011 and in 2012 to date, the City has used \$1,169,246. Thus far, Astral Media has continued to meet the City's requests for advertising over and above the \$500,000 threshold for the Toronto market.

However, Astral has noted that these numbers are not sustainable in the long-term and that it can only provide the City with an average of \$500,000 annually in the Toronto market over the remaining balance of the contract. The City generally "spends" its entitlement on radio, online and digital billboards. Astral has only three radio stations in the Toronto market and 17 digital billboards. The online advertising appears on the websites of the three Toronto radio stations. The City has not used any television advertising, largely due to the associated high production costs. Adding to the usage issue is the huge popularity of Astral's digital billboards with paid advertisers, which reduces the availability of unsold space.

In order to fully use the advertising entitlement provided by Astral, the City will more proactively explore national advertising opportunities. There may be cost effective opportunities to support the City's economic development strategy by using the available national advertising entitlement to raise Toronto's profile as a great place to visit, live, start a business, etc. Cultural events such as Nuit Blanche, Summerlicious and

Winterlicious provide opportunities for the City to advertise in nearby markets (southern Ontario and Quebec) to drive tourism from these markets.

With Council direction, the City could also make this advertising entitlement available to the City's Agencies and Corporations for national advertising campaigns that support the City's economic development strategy. The portion of the entitlement that is allotted to the Toronto market would continue to be used by City divisions only.

## **CONTACT**

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## **SIGNATURE**

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