Transit Advertising Sales Agreements

DETAILS

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TCRP

SYNTHESIS 51

TRANSIT COOPERATIVE RESEARCH PROGRAM

Sponsored by
the Federal
Transit Administration

Transit Advertising Sales Agreements

A Synthesis of Transit Practice

TRANSPORTATION RESEARCH BOARD
OF THE NATIONAL ACADEMIES

TRANSIT COOPERATIVE RESEARCH PROGRAM

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TRANSIT COOPERATIVE RESEARCH PROGRAM

The nation's growth and the need to meet mobility, environmental, and energy objectives place demands on public transit systems. Current systems, some of which are old and in need of upgrading, must expand service area, increase service frequency, and improve efficiency to serve these demands. Research is necessary to solve operating problems, to adapt appropriate new technologies from other industries, and to introduce innovations into the transit industry. The Transit Cooperative Research Program (TCRP) serves as one of the principal means by which the transit industry can develop innovative near-term solutions to meet demands placed on it.

The need for TCRP was originally identified in *TRB Special Report 213—Research for Public Transit: New Directions*, published in 1987 and based on a study sponsored by the Federal Transit Administration (FTA). A report by the American Public Transportation Association (APTA), *Transportation 2000*, also recognized the need for local, problem-solving research. TCRP, modeled after the longstanding and successful National Cooperative Highway Research Program, undertakes research and other technical activities in response to the needs of transit service providers. The scope of vice configuration, equipment, facilities, operations, human resources, maintenance, policy, and administrative practices.

TCRP was established under FTA sponsorship in July 1992. Proposed by the U.S. Department of Transportation, TCRP was authorized as part of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). On May 13, 1992, a memorandum agreement outlining TCRP operating procedures was executed by the three cooperating organizations: FTA, the National Academy of Sciences, acting through the Transportation Research Board (TRB), and the Transit Development Corporation, Inc. (TDC), a nonprofit educational and research organization established by APTA. TDC is responsible for forming the independent governing board, designated as the TCRP Oversight and Project Selection (TOPS) Committee.

Research problem statements for TCRP are solicited periodically but may be submitted to TRB by anyone at anytime. It is the responsibility of the TOPS Committee to formulate the research program by identifying the highest priority projects. As part of the evaluation, the TOPS Committee defines funding levels and expected products.

Once selected, each project is assigned to an expert panel, appointed by the Transportation Research Board. The panels prepare project statements (requests for proposals), select contractors, and provide technical guidance and counsel throughout the life of the project. The process for developing research problem statements and selecting research agencies has been used by TRB in managing cooperative research programs since 1962. As in other TRB activities, TCRP project panels serve voluntarily without compensation.

Because research cannot have the desired impact if products fail to reach the intended audience, special emphasis is placed on disseminating TCRP results to the intended end-users of the research: transit agencies, service providers, and suppliers. TRB provides a series of research reports, syntheses of transit practice, and other supporting material developed by TCRP research. APTA will arrange for workshops, training aids, field visits, and other activities to ensure that results are implemented by urban and rural transit industry practitioners.

The TCRP provides a forum where transit agencies can cooperatively address common operational problems. TCRP results support and complement other ongoing transit research and training programs.

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The members of the technical advisory panel selected to monitor this project and to review this report were chosen for recognized scholarly competence and with due consideration for the balance of disciplines appropriate to the project. The opinions and conclusions expressed or implied are those of the research agency that performed the research, and while they have been accepted as appropriate by the technical panel, they are not necessarily those of the Transportation Research Board, the Transit Development Corporation, the National Research Council, or the Federal Transit Administration of the U.S. Department of Transportation.

Each report is reviewed and accepted for publication by the technical panel according to procedures established and monitored by the Transportation Research Board Executive Committee and the Governing Board of the National Research Council.

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FOREWORD

By Staff
Transportation
Research Board

Transit administrators, engineers, and researchers often face problems for which information already exists, either in documented form or as undocumented experience and practice. This information may be fragmented, scattered, and unevaluated. As a consequence, full knowledge of what has been learned about a problem may not be brought to bear on its solution. Costly research findings may go unused, valuable experience may be overlooked, and due consideration may not be given to recommended practices for solving or alleviating the problem.

There is information on nearly every subject of concern to the transit industry. Much of it derives from research or from the work of practitioners faced with problems in their day-to-day work. To provide a systematic means for assembling and evaluating such useful information and to make it available to the entire transit community, the Transit Cooperative Research Program Oversight and Project Selection (TOPS) Committee authorized the Transportation Research Board to undertake a continuing study. This study, TCRP Project J-7, "Synthesis of Information Related to Transit Problems," searches out and synthesizes useful knowledge from all available sources and prepares concise, documented reports on specific topics. Reports from this endeavor constitute a TCRP report series, *Synthesis of Transit Practice*.

The synthesis series reports on current knowledge and practice, in a compact format, without the detailed directions usually found in handbooks or design manuals. Each report in the series provides a compendium of the best knowledge available on those measures found to be the most successful in resolving specific problems.

PREFACE

This synthesis will be of interest to transit agency staff responsible for advertising sales in their agencies. They can use this report to learn from the experiences of other transit agencies and to compare their experiences with those of others. The report documents and summarizes transit agency experiences with advertising sales and synthesizes current practices for advertising sales, contracting, and display.

This report from the Transportation Research Board integrates information from several sources. It is based on data collected from a review of the relevant literature and a survey of transit agencies. Information was provided by 53 transit agencies, including 45 that completed a written questionnaire. Other information provided included advertising sales policies and rate cards, contracts with advertising sales companies, requests for proposals, as well as photographs and illustrations of transit advertising.

A panel of experts in the subject area guided the work of organizing and evaluating the collected data and reviewed the final synthesis report. A consultant was engaged to collect and synthesize the information and to write the report. Both the consultant and the members of the oversight panel are acknowledged on the title page. This synthesis is an immediately useful document that records the practices that were acceptable within the limitations of the knowledge available at the time of its preparation. As progress in research and practice continues, new knowledge will be added to that now at hand.

CONTENTS

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Valuable assistance in the preparation of this synthesis was provided by the Topic Panel, consisting of Joseph A. Caruso, Marketing Director, Milwaukee County Transit System; Tony Griffin, Manager, Business Development and Marketing, Metropolitan Atlanta Rapid Transit Authority; Kathleen Herrmann, Deputy General Counsel, General Law, Chicago Transit Authority; Dennis P. Hinebaugh, Transit Program Director, Center for Urban Transportation Research, University of South Florida; John McGee, Chief Officer, Revenue, Marketing, and Sales, Southeastern Pennsylvania Transit Authority; Lydia E. Mercado, Federal Transit Administration, U.S. Department of Transportation; Ronald Rydstrom, Assistant Manager, Market Development, Office of Marketing, Washington Metropolitan Area Transit Authority; Peter L. Shaw, Senior Program Officer, Transportation Research Board; Rose Sheridan, Vice President, Communications and Marketing, American Public Transportation Association; and Aaron Weinstein, Department Manager, BART Marketing and Research, San Francisco Bay Area Rapid Transit District.

This study was managed by Donna L. Vlasak, Senior Program Officer, who worked with the consultant, the Topic Panel, and the J-7 project committee in the development and review of the report. Assistance in project scope development was provided by Stephen F. Maher, P.E., and Jon Williams, Managers, Synthesis Studies and Amelia Mathis. Don Tippman was responsible for editing and production. Cheryl Keith assisted in meeting logistics and distribution of the questionnaire and draft reports.

Christopher W. Jenks, Manager, Transit Cooperative Research Program, assisted TCRP staff in project review.

Information on current practice was provided by many transit agencies. Their cooperation and assistance was most helpful.

TRANSIT ADVERTISING SALES AGREEMENTS

SUMMARY

With few exceptions, transit agencies in the United States accept and display advertising on their property and vehicles. Although the primary purpose is raising revenues, transit advertising serves other purposes as well, such as promoting transit services and providing advertising space for nonprofit agencies.

Advertising provides a relatively small amount of revenue to transit agencies. In the sample of transit agencies surveyed for this report, total revenues from advertising sales averaged 1.5% of total operating funds, with amounts ranging from 0.1% to 3.2%. Advertising revenues appear more significant if viewed in light of fare revenues; total advertising revenues for transit agencies surveyed were 4.4% of these agencies' total revenues from fares. In dollar terms, revenues can be quite significant, ranging from $3 million to $20 million in 2002 for a sample of large agencies in major cities, down to $50,000 annually for small agencies. Revenues averaged approximately 3.5 cents per passenger trip among large, multi-modal transit agencies and approximately $1,500 per bus at bus-only agencies.

Until the recent economic downturn, the revenue stream from advertising sales had been growing at a healthy rate for most agencies. One-half of the transit agencies surveyed experienced increases of 20% or more from 1999 to 2002, with a few seeing gains of more than 60%. Revenues have been spurred by the increasing attractiveness of outdoor advertising, a category that includes billboards, newsstands, and taxis, as well as transit. New technologies have improved the production and display of advertisements and attracted national brand-name companies. Consolidation of outdoor advertising sales among a few large media firms brought increased resources to expand and promote outdoor advertising.

Most transit agencies contract out the advertising sales function to private firms, whether large national media companies or local advertising sales contractors. Vigorous competition for transit contracts helped to increase agency revenues in the late 1990s. However, some transit agencies experienced large declines in revenue in 2002 and early 2003 because of the decline in the advertising market and the economic recession generally.

Whether revenue will return to a healthy growth rate when the advertising market rebounds remains to be seen. On the positive side, the advent of nontraditional forms of advertising may generate new revenue streams. Competing media such as television and radio continue to fragment, city populations continue to grow, and new audience measurement technologies promise to put outdoor advertising on a level playing field with radio and television by producing detailed audience demographic data. These factors could increase transit agency advertising revenues.

Other factors suggest pessimism. There was less competition for transit agency sales contracts in 2001 and 2002 than in previous years. One major media company holds a dominant position in contracting with large transit agencies, raising the question of whether competition will continue to spur increases in advertising sales revenues among this group. Competition in small and mid-size markets has been uneven, with a large variation in transit agency revenues between cities, even accounting for bus fleet size.

In mid to small media markets, 46% of transit agencies sold some or all of their advertising space using in-house staff. Creative and aggressive transit staffs at some of these agencies

have demonstrated that just as much, or more, revenue can be obtained through in-house sales as through contracted sales.

Transit agency staff responsible for the advertising program face a number of important decisions. Should they sell advertisements in-house or contract out the function? If contracted, what should be the contract terms and how should a request for proposals be structured? What types of displays should they sell? Should they pursue nontraditional forms of advertising such as bus and train wraps, station dominance, in-vehicle and in-station video screens, and electronic signs and in-tunnel advertising? Should they accept noncommercial and public service advertising? How can the agency avoid becoming enmeshed in controversy over advertisements that address emotionally charged issues such as abortion and other sexual topics or that portray graphic violence? How should staff strike a balance between maximizing revenues and using advertising space to promote the agency and help the community through public service advertisements?

This report documents and summarizes transit agencies’ experience with advertising sales and synthesizes current practices for advertising sales, contracting, and display. This information can help agency staff address these issues and implement effective advertising programs.

CHAPTER ONE

INTRODUCTION

The large majority of transit agencies accept advertisements on and/or inside buses, rail cars, and stations. Changing attitudes toward advertising and the need to find new revenue sources has led the few transit agencies that do not display advertising to reconsider their policies.

Bus exterior, rail car, and rail station advertising are the mainstays of transit advertising and account for most of the advertising space and revenue. These and other advertising displays have long been a visually prominent source of small but significant revenues for transit agencies in the United States.

Recent years have brought significant changes that affect the types of advertising on transit property and the amount of advertising revenue. Growth in the outdoor advertising industry, which includes billboards, newsstands, phone booths, taxis, and bus shelters, as well as buses, rail cars, and rail stations, has helped to significantly expand the amount of revenue that transit agencies derive from advertising sales. Mergers and acquisitions of advertising sales companies have brought new sales capabilities to transit agencies and the financial benefits of advertising from national brands. Nontraditional forms of advertising, including in-tunnel advertisements, in-vehicle television, station domination, and bus wraps, may provide increased revenues, although questions ranging from the magnitude of the revenue that can be generated to public acceptance still remain.

Advertising can bring not only revenues but also controversy to transit agencies. Acceptance of advertisements on emotionally charged issues such as abortion and those that show violence or scantily clad models can stir controversy. Rejecting such advertisements, however, can involve transit agencies in costly litigation. Therefore, transit agencies face a number of important issues about their advertising programs, including

- Should they accept and display advertisements?
- Should they accept noncommercial and public service advertising?
- Where should advertisements be displayed?
- How can agencies evaluate potential revenues from advertising sales?
- How can agencies maximize their revenues from advertising?
- Should transit agencies sell advertisements using their own staff or should sales be contracted to a company specializing in this area?
- If the agency chooses to contract advertising sales, what should be the length of the contract, how should revenue to the transit agency be determined, and what should other terms of the contract provide for?
- How should agencies evaluate competing proposals to handle advertising sales?
- In addition to generating revenue, how should agencies handle co-promotions, media trades, and the display of public service announcements (PSAs)? How much space should be set aside for these purposes?
- What nontraditional forms of advertising are worthwhile to pursue? What is the best way to pursue those opportunities? To what degree will nontraditional forms of advertising add to sales revenue versus shifting advertising revenue from traditional to nontraditional forms?

This report documents and summarizes transit agency experience with advertising sales and synthesizes current practices for advertising sales, contracting, and display. Transit agency staff responsible for advertising sales can use this report to learn from and compare their experiences with the experiences of other agencies.

METHODOLOGY

Findings in this report are based on a literature review, a survey of transit agencies, analysis of documentation submitted by transit agencies, and interviews with transit agency staff and other professionals involved in the sale of transit advertising.

Information for this report was provided by 53 transit agencies, including 45 that completed a written questionnaire (see Appendix A). Other information provided by transit agencies included

- Advertising sales policies,
- Advertising rate cards,
- Contracts with advertising sales companies,
- Requests for proposals (RFPs), and
- Photographs and illustrations of transit advertising.

Participating agencies represent a cross section of the transit industry in terms of agency size, location, and mode. Table 1 profiles key characteristics of participating agencies.

TABLE 1
CHARACTERISTICS OF TRANSIT AGENCIES RETURNING COMPLETED QUESTIONNAIRES*

Agency size (no. of buses and rail cars)	No.	Percent
Less than 100	13	30
100–499	17	40
500–999	7	16
1,000+	6	14
Total	43	100
In top 20 media market**		
Yes	21	49
No	22	51
Total	43	100
Mode		
Bus only	31	72
Rail and bus	11	26
Rail only	1	2
Total	43	100

*Excludes agencies that do not sell advertising.
**Top 20 media markets based on Arbitron classification (Arbitron 2003).
See Appendix B for list of survey respondents.

ORGANIZATION OF THE REPORT

This report is organized topically, synthesizing information from the literature review, survey, interviews, and documents submitted by transit agencies. Chapter two provides an overview of current practices in transit advertising, including the use of advertising space, the types of displays used, and the methods of selling advertising. Chapter three delves into the market for transit advertising, highlighting recent developments in outdoor advertising that affect the transit industry and profiling advertising sales contractors that serve transit agencies. Chapters four and five focus on dollars and contracts. Chapter four presents and analyzes the amount of revenue that transit agencies derive from advertising sales and the rates charged. Chapter five discusses a range of contracting issues confronting agencies that contract out the sales function. Chapter six addresses key issues related to advertising acceptance policies, reasons agencies sometimes reject advertisements, and how agency policies can prevent successful challenges to agency decisions. Chapter seven discusses several nontraditional forms of transit advertising, including bus wraps, station dominance, video screens, and electronic signs and in-tunnel advertisements that show promise for expanding advertising revenues. This chapter profiles transit agency experience with each of these new advertising venues. Finally, chapter eight presents conclusions from the research and further research needs.

CHAPTER TWO

CURRENT PRACTICES IN TRANSIT ADVERTISING

With few exceptions, transit agencies in the United States accept and display advertising on their property and vehicles, primarily for the purpose of raising revenues. Advertising revenues are generally channeled to transit agencies' general funds, although in some cases advertising is sold in exchange for the upkeep of bus shelters, repainting of buses, or media trades. For some agencies, an important reason to accept advertising is to provide a service to the community through the display of public service or co-promotional announcements.

ACCEPTING TRANSIT ADVERTISING

The large majority of U.S. transit agencies display advertising in or on buses, rail cars, and stations. In the survey of transit agencies conducted for this report, 96% of responding agencies reported accepting some form of advertising.

While accepting advertising, transit agencies may opt to limit the size or placement of advertisements. Bus wraps in particular generate varied reactions and are often limited in number, time, or place, or banned altogether. In restricting advertising sales, transit agencies may be motivated by aesthetic considerations, often driven by the preferences of the governing board. Agencies may also seek to create a clean and uncluttered appearance on their property and vehicles to maximize the prominence of agency logos and other branding. Cities such as Seattle limit advertising on the right-of-way, effectively precluding display of advertising on bus shelters.

When executed carefully and creatively transit advertising can be attractive and even create value for transit customers. Back-lit displays can brighten and add color to a dark station interior. Bus shelter advertising can bring color and light to streetscapes. On a practical level, participants in focus groups in New York City have said they welcome advertising in subway cars because the advertisements help them avoid uncomfortable eye contact with other riders and provide something to look at during trips.

The experiences of the few agencies that traditionally have not accepted any advertising provide interesting perspectives on these issues. The one large agency that has not displayed advertisements, Houston Metro, has prohibited advertising on bus exteriors to brand buses with the Metro name and make the vehicles visually clean and noticeable. However, Houston Metro may begin accepting advertising at bus stops, at stops on the new light rail line, and at transit centers, although no decision has been made. (Note that co-promotions are accepted for interior bus cards.)

The San Diego Trolley permitted no interior or exterior advertising on its vehicles or stations when the service opened in 1981. The trolley cars were painted a bright red that became a powerful brand. The branding and clean appearance of the trolley helped to differentiate it from bus service and attract customers who avoided taking the bus. In late 2002, however, the San Diego Trolley wrapped some of its trolley cars with advertising tied to the Super Bowl played in San Diego in January 2003. The wraps generated revenue that was used to repaint the trolley fleet. Very few complaints about the wraps were received. The public seemed to accept the wraps because they brought in the revenue needed for the repainting.

In Montgomery County, Maryland's Ride-On bus system has not accepted advertising since the early 1980s, when a controversy over abortion-related advertising prompted the county council to stop accepting advertising on the county's bus fleet. The issue arose again in 2002 when the county council voted to resume advertising on bus exteriors, although the county executive was opposed. County staff has been concerned about how advertising displays would affect bus aesthetics, particularly because the paint scheme is not designed for the display of ads and the addition of advertising would require a new paint scheme and the repainting of the entire fleet of 350 buses.

TYPES OF TRANSIT DISPLAYS

Bus Advertising

The most common type of transit advertising is the exterior bus display. Side displays come in three standard sizes: queen, king, and super king. King-size displays, measuring 30 in. by 144 in., are the most common. Queen-size displays are smaller at 30 in. by 88 in., with super king-size displays at 30 in. by 240 in. In addition, advertisements are commonly placed on the back, as tails (21 in. by 72 in.), super tails, and full backs (see Figures 1–7). These are the standard measurements. Transit agencies sometimes use other sizes for some vehicles, although doing so may reduce their revenue potential because advertisers find it necessary to reformat their displays.

FIGURE 1 Capital Metro (Austin, Texas) queen-size advertisement applied over the preexisting color scheme.

FIGURE 2 TARC king-size advertisement featuring a co-promotion.

FIGURE 3 San Francisco Muni king-size bus.

FIGURE 4 King County bus design for king-size advertisement integrates with advertising, recognizing transit advertising as a functional feature of the bus.

Various steps can be taken to enlarge and enhance the value of exterior bus advertising. "Headliners" include a strip above the windows that complements the main advertisement below the windows. Full or partial bus wraps use the windows as well as the side panels of the bus (Figure 8).

The survey of transit agencies found that exterior bus advertisements are carried by 95% of agencies that operate bus services and allow advertising (Table 2). Interior car cards are sold by 79%. Bus shelter advertising is often controlled by the local municipality rather than the transit agency; only 19% of agencies surveyed sell space at bus stops.

FIGURE 5 Golden Gate Bridge, Highway and Transportation District specialized tail integrates with the agency's color scheme.

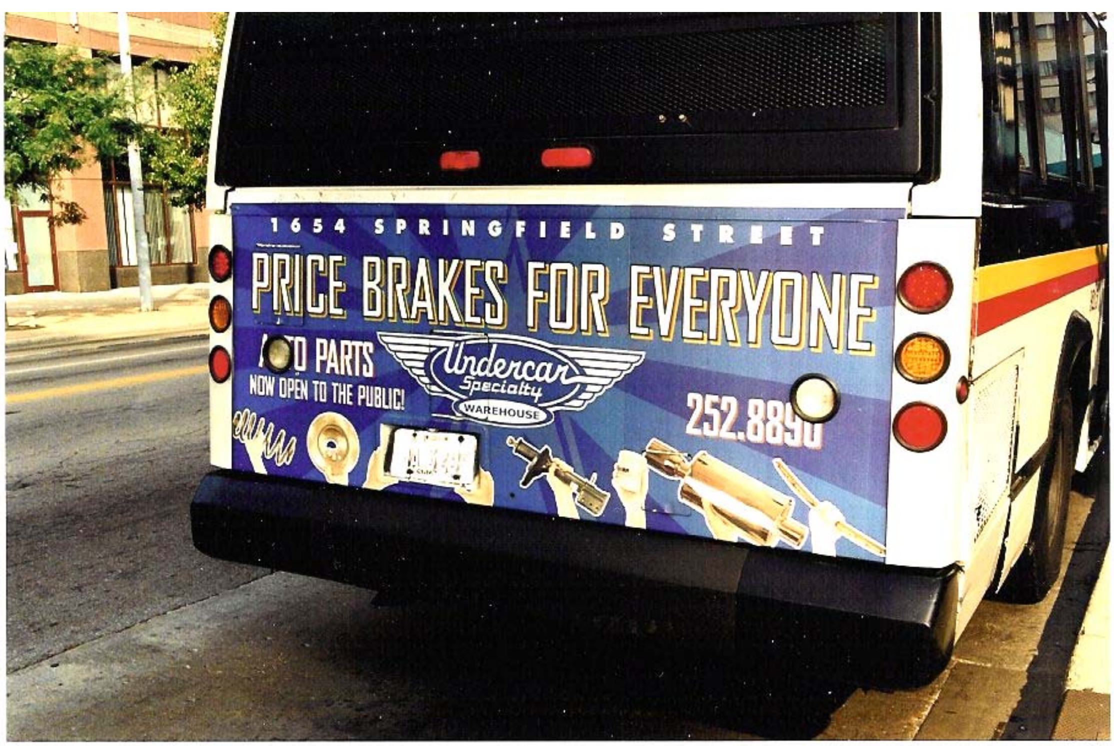

FIGURE 6 Greater Dayton RTA half back advertisement.

FIGURE 7 Community Transit full back advertisement.

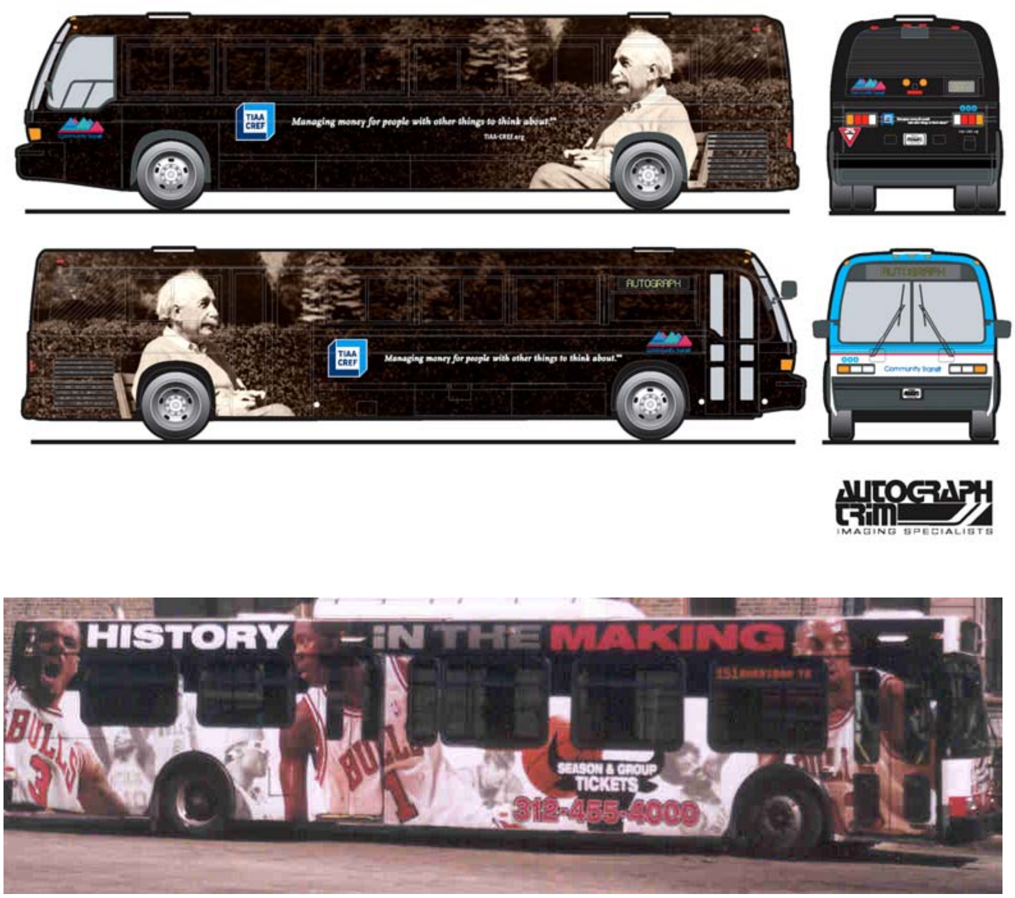

FIGURE 8 Full wrap (Community Transit) above and wrap leaving windows clear (Chicago Transit Authority) below.

TABLE 2
PERCENTAGE OF TRANSIT AGENCIES WITH VARIOUS TYPES OF ADVERTISING

Properties	Percent
Bus	
Exterior	95
Interior	79
Wraps	23
Stop	19
Passenger shelters other than bus stops	12
Rail	
Car interior	77
Platforms	69
Other parts of rail stations	54
Brand cars or stations	46
Dioramas	38
Car exterior	31
Car wraps	23
Digital displays	23
All properties	
Maps	18
Fare cards	14
Billboards on right-of-way	12
Tickets	7
Transfers	7
Trestles/bridge viaducts	2

Rail Advertising

Rail car interior and station advertising plays the dominant role in advertising on rail property. Station displays include one-sheet posters (46 in. high by 30 in. wide) and two-sheet posters (twice the width). Back-lit dioramas, which vary in size, add illumination. Inside rail cars, car cards may be posted just below the ceiling or above seats near car doors.

As shown in Table 2, among rail agencies responding to the survey, 77% carry rail car interior advertising, with 69% offering advertising on station platforms and 54% in other parts of stations.

One-third of the agencies carry advertising on the exterior of rail cars. Exterior rail car advertising is not necessarily attractive to advertisers because many rail lines operate in tunnels and outdoor rail lines often run through thinly populated areas.

Other Types of Advertising

Advertising may also be sold at transit centers; on fare cards, tickets, transfers, schedules, and maps; and on other property such as station clocks. Fewer than 20% of all agencies surveyed sell advertising on these media.

Advertising may also be displayed on paratransit vehicles (Figure 9) and on trestles and bridge viaducts or other parts of the right-of-way (Figure 10). New Jersey Transit (NJT) has displayed billboards on train viaducts going back to the 1930s, when the rail lines were privately owned. NJT has approximately 400 small billboards, measuring 6 ft by 8 ft or 12 ft by 25 ft, which are primarily bought by local advertisers. National advertisers buy space on approximately 70 large, 14 ft by 48 ft, billboards.

Nontraditional types of advertising include bus wraps, station dominance, video screens, and electronic signs and in-tunnel ads. These are discussed in detail in chapter seven.

FIGURE 9 Worcester (Massachusetts) Regional Transit Authority advertising on paratransit vans.

FIGURE 10 Billboard on transit property in New York City.

USE OF ADVERTISING SPACE

Paid advertising constitutes the main use of advertising space on transit property and generates the bulk of advertising revenues for transit agencies. Paid advertising includes both advertising displayed solely for the commercial purpose of selling a product or service and noncommercial advertising that conveys a social or political message. As discussed in chapter six, some transit agencies only accept commercial advertisements.

In addition to paid advertising, advertising space is also frequently used for transit agency promotions and unpaid PSAs. These are important uses of the space, even though they may consume only a fraction of the total advertising space.

Transit agencies typically reserve 10% of the total advertising space for their own communications, although the percentage among agencies surveyed varied from none to 15%. In addition to the space set aside for this purpose, transit agencies may sometimes also use unsold space. Three-quarters of the transit agencies surveyed use some or all of the unsold space for their own purposes. The in-house advertisements are removed, however, if the advertising sales contractor sells the space. Some agencies, such as CityLink in Peoria, Illinois, reserve all of their advertising space for paying customers and use only unsold space for in-house messages.

In-house space is used for a variety of purposes ranging from customer communications regarding service changes to efforts to engage the community in transit. As an example of the latter, the Transit Authority of River City (TARC) in Louisville, Kentucky, has wrapped two buses using winning designs chosen from a children's contest.

Co-Promotions

A common use of in-house space is for co-promotions with local attractions, such as museums, zoos, sports teams, and special events. The co-promotions often encourage riders to take public transportation to an event or attraction. The transit agency thus promotes use of its services during off-peak hours when there is ample capacity. The co-promotions may attract nonriders, particularly to events where the parking is limited, expensive, or at a distance from the event site. Attracting nonriders not only increases ridership but also builds public support for the transit agency and increases awareness of its services.

Transit agencies sometimes place limitations on the manner or type of co-promotions. One objective can be to highlight the transit message. The San Francisco Bay Area Rapid Transit District (BART), for example, limits co-promotions to a primary BART message such as "Take BART to" such-and-such event, or "Save on your BART fare," with a discounted admission price to an event or museum. The Washington Metropolitan Area Transit Authority (WMATA) aims at building ridership, focusing co-promotions on races and sports events that take place at downtown locations with good MetroRail access.

Several examples show how co-promotions benefit both the transit agency and other participants. One outstanding illustration is from Philadelphia. The Southeastern Pennsylvania Transportation Authority (SEPTA) and a local bank, Citizens Bank of Pennsylvania, ran a very successful co-promotion in early December 2001, tied to the bank's opening of several hundred new branch offices that were purchased from Mellon Bank. Citizens Bank underwrote free rides for more than 350,000 area commuters on SEPTA's trolleys, subways, and buses in the Philadelphia region during the morning rush hour. The bank also distributed free coffee and donuts at major SEPTA stations. The bank provided sleeves that fit over fareboxes and turnstiles announcing "Ride Courtesy of Citizens Bank." The bank advertised the promotion and produced posters for transit stations. SEPTA installed and removed station postings and farebox sleeves and up to 1,000 informational car-cards on SEPTA vehicles on a space-available basis, and publicized the event on the SEPTA website, a metropolitan newspaper, and other unpaid venues.

Citizens Bank paid SEPTA $355,000 for the promotion. In addition, SEPTA realized an 8% gain in ridership for the day, representing approximately 60,000 trips. The bank felt that this promotion was the most successful banking promotion in memory.

As a result of the promotion's success on the bank's opening day the bank later joined with SEPTA for a follow-up promotion. On the first anniversary of the opening, the bank distributed 15,000 free bag lunches at downtown SEPTA stations. Included with the lunches were coupons good for free weekend rides. Ridership increased on the designated weekend.

A popular type of co-promotion involves transit agencies and sports teams. The team does not even need to be in the same city. Madison (Wisconsin) Metro Transit combined with its advertising sales contractor and a local radio station in a co-promotion for Milwaukee Brewers baseball tickets. The advertising sales contractor provided the baseball tickets to Metro Transit, which worked with the radio station. The radio station gave away tickets to listeners who called in and a station disk jockey accompanied the group to the game.

Knoxville (Tennessee) Area Transit (KAT) has run effective co-promotions with a local television station and a museum. Because, unlike billboards, buses are not stationary, one local television station co-promotion wrapped two KAT buses and then ran "Live at Five Bus" segments on each bus highlighting the route on which the buses would operate the next day. KAT provided free rides on these buses. News anchors from the television station rode these buses and covered the event. The co-promotion provided good exposure for KAT and publicized the route of each bus line.

KAT also ran a co-promotion involving art, buses, and a local museum that reached an upscale audience. The Knoxville Museum of Art exhibited the work of a Tennessee artist, Red Grooms, who has become internationally known for "sculpto-pictoramas," life-size constructions of buses and other urban scenes. The museum wrapped a KAT bus in solid red with Grooms' signature on the side. On opening night the bus gave KAT good exposure to museum patrons, most of whom who would not ordinarily ride buses, thus helping to enhance the agency's visibility and image.

A concern with co-promotions is whether the partner would otherwise buy advertising space through the advertising sales contractor. To prevent co-promotions from reducing the amount of paid advertising, some transit agencies limit co-promotions to organizations that have not advertised recently or require that organizations continue their previous level of advertising. A variety of limits are used. BART, for example, does not engage in co-promotions if the partner has paid for advertising on BART during the previous 12 months. WMATA "bonuses" an advertiser with free co-promotional space if they continue their previous level of paid advertising. The Chicago Transit Authority (CTA) enters into co-promotions only with public, nonprofit, and civic organizations; for special events; and with sports teams. These limitations prevent co-promotions from diverting revenues from the advertising sales contractor.

Public Service Announcements

Advertising space may also be made available for unpaid PSAs. Madison Metro Transit, for example, provides space free on an as-available basis to nonprofit organizations. Madison's advertising policy recognizes that "many public service ads support worthy causes that improve life in the community." Metro Transit also provides space for elementary school students as part of safe-riding campaigns.

Of those agencies surveyed, 30% set aside advertising space for PSAs, most commonly 10% to 15% of the total space. An additional 12% of agencies surveyed make unsold inventory available for such announcements. As with in-house advertisements, however, the PSAs are removed if the advertising sales contractor sells the space.

Opening up advertising space for PSAs can create goodwill for the transit agency and the advertising sales contractor as well. TARC staff, for example, report that the agency offers space to nonprofits as a community service, which in turn helps build community support and goodwill for TARC.

On the other hand, accepting any such announcements can preclude agencies from rejecting controversial PSAs.

(See chapter six for further discussion of the public forum issue.)

METHODS OF SELLING TRANSIT ADVERTISING SPACE

The large majority of transit agencies surveyed (84%) use outside advertising sales contractors. The contractors sell advertising space and post and remove the advertising. A few of these agencies sell some of their space through the advertising sales contractor and some internally; however, 72% of agencies surveyed use an outside advertising sales contractor exclusively (Table 3). By contracting the sales function, transit agencies obtain the benefit of the advertising sales contractor's expertise, promotional capacity, clientele of advertisers, and ability to package transit advertising with other advertising venues.

The ability of advertising sales contractors to bring in national advertisers is essential to transit agencies in major U.S. metropolitan areas, all of which contract with one or more firms. National advertising is an important source of revenue for these agencies. Most of the transit agencies in the top 20 U.S. media markets that responded to the survey reported that national advertisers account for 35% to 75% of their advertising (Table 4).

In practice, only transit agencies in small- and medium-size media markets, which attract primarily local advertisers, sell advertising using in-house staff. Of agencies surveyed that are in small- and medium-size markets, one-third sell advertisements exclusively with in-house staff. An additional 14% sell by means of both in-house staff and advertising sales contractors (see Table 3).

Of the 14 surveyed agencies that sell advertising in-house, only 4 pay commissions to staff for the sales. In two cases, the commission paid is 15%, and in the other two cases, 5%.

Several agencies quite successfully use in-house staff to sell advertising. CityLink and Metro (Akron, Ohio), for example, achieve above-average revenues from in-house advertising sales (see chapter four for revenue figures). CityLink staff credit their success to hard work and a sharp eye for identifying advertisers. Staff looks for businesses that would benefit from the combination of advertising venues that CityLink can offer—for example, pizza parlors that will advertise on buses and run coupons in CityLink's newsletter. CityLink encourages advertisers to buy in

TABLE 3
HOW ADVERTISING IS SOLD

Type of Advertising	Top 20 Media Market, Large Agency	Other Transit Agencies in Top 20 Media Markets	Mid to Small Media Market	Total
Contracted	93%	86%	55%	72%
In-house	0%	0%	32%	16%
Both	7%	14%	14%	12%
Total	100%	100%	100%	100%
No. of respondents	14	7	22	43

TABLE 4
PERCENTAGE OF ADVERTISING FROM NATIONAL BRANDS

Percent of National Advertising	Top 20 Media Market, Large Agency	Other Transit Agencies in Top 20 Media Markets	Mid to Small Media Market	Total
0	8%	20%	31%	20%
5	8%	20%	15%	13%
10	—	—	23%	10%
15	—	—	8%	3%
20	8%	20%	—	3%
25	—	—	23%	10%
30	—	20%	—	3%
35	17%	—	—	7%
40	8%	—	—	3%
50	8%	—	—	3%
55	8%	—	—	3%
60	8%	20%	—	7%
70	8%	—	—	3%
75	17%	—	—	7%
Total	100%	100%	100%	97%
No. responding	12	5	13	30

Note: Percentages may not add to exactly 100% because of rounding.

volume by offering free advertisements on interior car cards and publications such as a rider's guide and customer newsletter. CityLink also sells advertising on the rider's guide, newsletter, and a historical calendar.

MEDIA TRADES

Media trades offer a way for transit marketing departments to advertise on radio, television, and in print without incurring regular budgeted costs. The transit agency provides space on its property to the radio or television station or newspaper in exchange for space (or time) on radio or television, or in the newspaper.

Media trades are often arranged by the advertising sales contractor as part of the vendor's contract. Madison Metro's advertising sales contract, for example, provides for $50,000 in media trades on radio, television, and some print. The value of the trade is calculated at rate card prices.

One advantage of media trades is that they occur outside the transit agency's budgeting process and thus remain under the control of the marketing department. Agencies may shy away from media trades, however, for a variety of reasons. Some agencies prefer to obtain maximum revenue from the advertising sales contract. Also, the real value of media trades can be difficult to evaluate. Will the transit agency be able to obtain priority for the space and timing of the advertisements? Can the advertising obtained from trades be integrated with the agency's media planning? If trades are made on the basis of rate card rates, given discounting and placement issues, do these rates reflect the true value of the advertisements? If rates are negotiated, how does the transit agency know it is receiving fair value for its space?

CHAPTER THREE

MARKET FOR TRANSIT ADVERTISING

Transit advertising is one form of outdoor advertising, a category that also includes billboards, newsstands, phone booths, and taxis. Changes in the market for outdoor advertising and the evolution of the advertising sales industry have and will continue to affect transit agencies and transit advertising in significant ways. This chapter highlights key developments in the outdoor advertising industry.

RECENT DEVELOPMENTS IN OUTDOOR ADVERTISING

Outdoor advertising has traditionally been a stepchild to television, radio, and print mediums, with media buyers traditionally reluctant to spend advertising dollars on billboards, transit advertising, and other outdoor venues.

In recent years, however, outdoor advertising has become more attractive to advertisers. This newfound interest is partly the result of changes in other media, such as the fragmentation of the television audience with the spread of cable channels. In addition, the audience for outdoor advertising is growing as Americans spend more time in their cars. Advertisers have increasingly recognized that outdoor advertisements deliver a mass audience and reach consumers who are not exposed to newspapers or television news. At the same time, outdoor advertisements can target consumers based on their location and deliver advertisements close to the point of sale, whether that be a downtown shopping district or a suburban mall (Cimine 2002).

Since the mid-1990s, outdoor advertising has also benefited from the consolidation of advertising sales contractors, a field now dominated by three major companies. These companies have brought increased resources to expanding and promoting the outdoor advertising market.

Outdoor advertising has also benefited from improved printing technologies and high-technology digital and light-emitting diode displays. The creativity and quality of billboard and other outdoor advertising has improved dramatically with the introduction of these technologies. New technologies also mean that advertisements can be produced and mounted more quickly, increasing the timeliness and responsiveness of the medium.

The profile of advertisers has also changed. All tobacco advertising was removed from outdoor advertising pursuant to a 1998 court settlement. Replacement of tobacco advertisements with national brand campaigns, combined with the improved technology for producing the advertising, has made outdoor advertisements more visually appealing.

Of potentially great future significance is improved audience measurement and validation, because the value of outdoor advertising has been held back by the absence of detailed data on audience demographics. Demographic data are key information for advertisers, enabling them to target particular groups, and are the stock in trade of radio, television, newspapers, and magazines. In 2002, Arbitron Inc., a major media and marketing research firm, tested a consumer-oriented audience measurement system in Atlanta, Georgia. The new system uses global positioning system (GPS) technologies to track consumers' movements, while also collecting information about income, age, and other variables. Arbitron and Neilson plan to install new measurement systems in Chicago in the fall of 2003 and then throughout the country over several years. Advocates of outdoor advertising hope that the demographic data to be provided by these systems will put such advertising on a level playing field with radio and television and thus increase the outdoor share of national advertising spending, currently about 4% (OAAA 2003b).

Another argument for the outdoor category comes from advocates of a "media mix" advertising strategy. These advocates believe that outdoor advertisements are able to generate a more cost-effective return on the marginal advertising dollar than traditional media. Media consultant Erwin Ephron comments, "Research shows that the next dollar added to a medium produces less response than the one before. So, although a medium [such as television or radio] may start out being more cost-effective [for reaching a given audience], there will come a point where the next dollar should be spent elsewhere" (Ephron 2002).

Outdoor advertising experienced growth of 8% to 9% annually during the 1990s, a substantially higher growth rate than for total advertising revenues (S. Freitas, personal communication, May 15, 2003). Although growth ceased with the recession, outdoor revenues were less volatile than the overall advertising market. Outdoor revenues dropped by 0.8% in 2001 and regained that ground in 2002 (OAAA 2002, 2003a). By contrast, total advertising spending was down 10% in 2001 and then increased by 4% in 2002 (TNS Media Intelligence 2002, 2003).

Transit advertising represents approximately 17% of the $5.2 billion outdoor advertising market. Transit's share has held stable over the past several years, according to the Outdoor Advertising Association of America (S. Freitas, personal communication, May 15, 2003).

TRANSIT ADVERTISING SALES CONTRACTORS

A few national advertising sales firms account for the bulk of transit advertising sales, particularly in large media markets. Regional and local firms serve mid-size and smaller media markets that primarily appeal to local advertisers and thus do not need the connections to national advertisers that the large firms offer.

In major U.S. media markets, Viacom Outdoor is now the leading company for sales of transit advertising. Viacom Outdoor sells bus advertising in 9 of the 10 largest U.S. markets; New York, Los Angeles, Chicago, San Francisco, Dallas–Fort Worth, Philadelphia, Washington, Boston, and Detroit. (The other transit agency in the top 10 market, Houston Metro, does not display bus advertising.) Viacom Outdoor sells rail advertising in 6 and bus shelter advertising in 5 of the top 10 markets. In addition, Viacom sells transit advertising in 6 of the next 10 largest metropolitan areas. According to the company's filings with the Securities and Exchange Commission, the company's growth strategy is to acquire out-of-home media properties in the largest markets (Viacom 2003). This strategy has clearly been evident in Viacom's acquisitions and recent bidding for transit contracts.

Viacom Outdoor is part of Viacom Inc., a diversified worldwide entertainment company that owns CBS, UPN, Nickelodeon, MTV, and other cable networks, and Blockbuster. Viacom's subsidiary Infinity owns and operates 185 radio stations and outdoor advertising properties through Viacom Outdoor. Infinity is thus able to offer both radio and outdoor advertising venues in the largest markets (Viacom 2003).

Viacom Outdoor was formed through mergers between several media companies. Most notably, in 1999, Outdoor Systems Inc., merged with Infinity Broadcasting Corp., which in 1996 had acquired TDI Worldwide, Inc. TDI was a major outdoor advertising sales contractor and sold advertising space for large transit agencies in New York, Los Angeles, Chicago, New Jersey, Washington, Philadelphia, San Francisco, Atlanta, and several smaller cities (Silverberg 1998). The acquisition of TDI thus made Viacom the leading advertising sales contractor serving the transit industry.

Viacom Outdoor has competed in some medium-sized as well as most large media markets. Viacom Outdoor made a successful bid to TARC for exterior transit advertising and can now offer a package of billboards, bus wraps, and other bus advertisements and bus shelters (the latter through a separate contract). According to TARC staff, Viacom has brought new national and corporate advertisers to TARC.

Two other companies with a major presence in the transit advertising market are Obie Media and Clear Channel Communications. In recent years, both of these companies used acquisitions to expand their presence in transit advertising. In 1998, Obie Media acquired P&C Media, which had agreements with 19 transit districts. Clear Channel acquired Eller Media in 1997.

Obie Media is an out-of-home advertising company that markets advertising space primarily on transit vehicles and outdoor advertising displays such as billboards and wallscapes. As of the end of 2002, Obie Media had 35 transit contracts, 9 of which were in the 30 largest U.S. markets; Dallas, Portland (Oregon), Sacramento, Hartford, Ft. Lauderdale, St. Louis, Tampa, Indianapolis, and Kansas City. Obie Media also had a contract in the third largest Canadian market, Vancouver, British Columbia (Obie Media Corporation 2003).

Clear Channel is a diversified media company that is best known for owning more than 1,200 radio stations in the United States. Clear Channel primarily sells bus shelter advertising. Shelters are often owned and controlled by the local municipality rather than the transit agency (where the two are separate). According to its website, Clear Channel has shelter contracts in the Los Angeles, Philadelphia, San Francisco, Washington, Miami–Ft. Lauderdale, Pittsburgh, and Milwaukee metropolitan areas. Clear Channel has been minimally involved in transit bus and rail advertising contracts.

Another company with a market presence in transit has been Gateway Outdoor Advertising, which has 12 transit, bench, and bus shelter contracts in the United States (Gateway Outdoor Advertising 2003).

Lamar Outdoor is one of the largest and oldest outdoor advertising companies in the United States. Lamar has advertising in 41 transit markets, with displays on buses, trains, commuter rail, subways, platforms, and terminals (Lamar Outdoor 2003). The survey indicated that most of these contracts are in relatively small markets. One transit agency in the survey, York County (Pennsylvania) Transportation Authority, contracts with Lamar.

Other companies with transit contracts include Adams Outdoor; American Transit Displays; Attention Transit Advertising; Burkhart Advertising; Freeway Advertising; Houck Motor Coach Advertising, Inc.; Michael Allen Associates; National Transit Advertising; Orion Outdoor Media; Park Transit Displays; Princeton Media; Transit Advertising Group; Vista Media Group; and Washington Transit Advertising in addition to various local advertising sales contractors. This listing is based on survey responses; other firms undoubtedly provide advertising sales services to transit agencies not covered by the survey. (Note that mention of these firms does not constitute an endorsement of any firm, and omission of any firm is inadvertent.)

There is some evidence that consolidation among vendors over the past 6 years has reduced the number of advertising sales contractors serving transit agencies. In a 1997 survey, 19 U.S. transit agencies that contract advertising sales used 13 different advertising sales contractors (Silverberg 1998). By contrast, in the survey conducted for this report, a much larger sample (37 transit agencies) that contract for advertising sales also used 13 different advertising sales contractors.

Transit managers should also be aware that financial stability and the ability to fulfill contract obligations have been an issue for some advertising sales contractors. Several transit agencies, including agencies in Chicago, San Antonio, Cincinnati, Louisville, and Knoxville have terminated contracts as a result of the inability of the contractors to meet contractual obligations. Previous track record and current financial health should be reviewed in the contracting process. Useful financial and contracting information is found in public companies' Securities and Exchange Commission filings, particularly the annual Form 10-K reports, which are available at www.sec.gov.

COMPETITION FOR TRANSIT ADVERTISING SALES CONTRACTS

The small number of advertising sales contractors that operate nationally raises the issue of competition for advertising sales contracts, particularly for large transit agencies in top 20 media markets. One argument is that consolidation of firms in the outdoor segment has been beneficial to clients. Larger advertising sales contractors are able to bring resources and sophistication, as well as national advertisers, to generate higher sales levels. One executive has said that consolidation is attracting more new advertisers in the outdoor sector. The executive states that "The ownership by very large companies has created a situation in which you have a much more professional approach to the business, so a lot of advertisers who didn't use the media are now doing so" (MediaWeek Online 2000). Indeed, a number of large transit agencies saw significant increases in revenues from advertising sales in the late 1990s and into early 2002 as a result of consolidation and aggressive bids for transit accounts. (For a discussion of revenue trends see chapter four.)

However, revenues at many agencies have been hurt by the recession. Some agencies, such as WMATA, do have long-term contracts with revenue guarantee levels that were set before the recession. Some transit agencies that have had to renegotiate their contracts, however, have experienced sharp declines in revenues. For example, in 2003, advertising revenues for the Santa Clara Valley Transportation Authority (VTA) in San Jose and King County's Metro Transit in Seattle, were less than half the revenues received in 2002. One notable exception, however, is BART, which in 2003 negotiated a 43% increase in their revenue guarantee over a 5-year extension of their contract.

Looking ahead, consolidation among advertising sales contractors has raised concerns among transit agency staff about the level of competition for advertising sales contracts. The number of firms responding to requests for proposals (RFPs) lends credence to this concern. In the survey, 36% of RFPs issued in 2001 or 2002 garnered only one bid, and only 18% produced three or more bids. By contrast, none of the RFPs issued between 1997 and 2000 received only one bid and at least three bids were received in 63% of the procurements (see Table 5).

TABLE 5
NUMBER OF PROPOSALS SUBMITTED FOR ADVERTISING SALES CONTRACTS

No. of Proposals Received	Year of Solicitation	
	1997 to 2000	2001 to 2002
1	0%	36%
2	38%	45%
3+	63%	18%
Total	100%	100%
No. of respondents	16	11

One firm has consistently won out over its competitors in bidding for large agency contracts. Twelve survey respondents reported that other firms bid on their most recent RFP. However, one firm emerged with the contract award in 10 procurements and other companies in only two.

It remains to be seen how transit agencies will fare as the advertising market emerges from the recession and current contracts come up for bid again.

CHAPTER FOUR

ADVERTISING RATES AND REVENUES

The primary reason for accepting advertising is to raise revenue for the transit agency. This chapter reviews current advertising rates and revenues derived from advertising.

Key aspects to this discussion include the critical impact of the size of the metropolitan market on advertising rates and revenues; differences between large, medium, and small transit agencies; and differences between bus and rail advertising. Each of these factors needs to be considered to understand the revenue potential from the sale of advertising space.

ADVERTISING RATES

Advertising rates are one determinant of transit agency revenues from advertising sales. Rates vary depending on the market, with larger metropolitan areas commanding higher rates. Size and placement of advertisements also critically affect advertising rates. In many cases, the amount actually charged is lower than the rate card (published) rate because advertising sales contractors can negotiate lower rates with advertisers on a contract-by-contract basis.

Bus Advertising Rates

Most bus advertising is likely derived from advertisements on the sides of buses, most commonly exterior king advertisements. These displays command the highest rates in large metropolitan areas. Among large transit agencies in the top 20 media markets, exterior king bus advertisements sell in the range of $520 to $735 for a 4-week posting, based on rate cards from SEPTA, WMATA, CTA, and the San Francisco Municipal Railway (Muni). Tails sell for somewhat less, in the range of $400 to $500 for a 4-week posting.

Interior advertising generates far less revenue because of the smaller audience of on-board customers as opposed to drivers and pedestrians outside the bus. Interior car cards are priced at $16 to $24 per 4 weeks at large agencies.

Advertising rates are considerably lower for advertising in small- and medium-size metropolitan areas. Exterior king advertisements generally sell for $300 to $450 per month per advertisment in medium-size markets such as Madison (Wisconsin), Fresno (California), Milwaukee, Kansas City, and Louisville (Kentucky).

In small markets such as Akron (Ohio), Grand Rapids (Michigan), Peoria (Illinois), Worcester (Massachusetts), Des Moines (Iowa), and Chattanooga (Tennessee), king advertisements sell for $100 to $300 each.

As with the large transit agencies, tails in smaller and mid-size agencies generally sell for 75% to 85% the price of kings. Interior car cards offer much lower prices, less than one-tenth the cost of kings, which benefit from a broader and larger audience outside the bus. Even at those prices, interior cards are less likely to sell out than the exterior space.

Notably, the range of advertising rates is relatively narrow in major media markets and wider in other markets. As will be discussed later, this pattern carries through to total revenues from advertising realized by transit agencies. The narrow range in pricing and revenues in large markets suggests that these are well-developed, mature markets and sales processes. The larger range outside the major markets suggests greater variation in the level of competition and competence in advertising sales.

Advertising rates are lower on a per-month basis for longer postings; for example, the price for a 26-week posting is less on a per-month basis than for a 4-week posting, and a 52-week posting costs less per month than a 26-week posting. For example, exterior king advertisements at large agencies are $60 to $150 less per 4 weeks for a 52-week posting than for a 4-week posting. The difference reflects quantity discounts and the labor costs of posting the actual advertisements.

Larger advertising displays on bus exteriors command premium rates. The most lucrative displays are full bus wraps. At large agencies that offer bus wraps and submitted rate cards, full bus wraps are priced at $5,300 to $7,700 per month. Long-term commitments of 12 weeks or more may be required for bus wraps because of the cost of wrapping a bus.

Bus wraps can generate far more revenue overall than conventional-size advertising sold for each side of the bus. At large agencies, for example, the individual rates for a king-size advertisement on each side of the bus and a tail and headlight advertisement total $1,400 to $1,800, approximately one-quarter the price for a full bus wrap.

At medium and small transit agencies, full bus wraps sell for 5 to 10 times more than kings and half sides sell for about twice the price of kings.

Premium advertising displays for each side of the bus go part of the way toward the value of bus wraps. Super king exterior bus advertisements are priced at $650 at SEPTA and $2,000 at Muni and other San Francisco-area transit agencies. Full back advertisements are priced in the range of $1,200 to $2,500 in Chicago, Washington, and the San Francisco Bay Area. Headlight domination advertisements (requiring the advertiser to buy the entire fleet), are priced at $85 to $105 per bus in Chicago and San Francisco.

Financially, it is in the advertising sales contractor's interest to wrap as many buses as possible, or at least to use the larger displays, even considering the higher cost of wrapping a bus. However, this is not always possible or even desirable. Transit agencies sometimes limit the number of larger displays for aesthetic reasons. More fundamentally, the number of advertisers who want to buy bus wraps and other large displays is limited. Wraps are attractive for product roll-outs and major branding campaigns, where their greater impact is desired. However, for day-to-day advertising, advertising dollars can be spent with greater effect on a larger number of kings than a smaller number of wraps.

Rail Advertising Rates

Although the value of bus advertising flows primarily from its ability to reach people outside the bus, the value of subway, light rail, and commuter rail advertising is based on its ability to reach transit riders in stations and on trains. The mainstays of this advertising are station posters and interior car cards.

Both types of rail advertising show more variation in rates than do exterior bus advertisements among large agencies that submitted rate cards. The rate for a 4-week display of two-sheet station posters ranges from $250 (SEPTA) to $495 (WMATA), with CTA and BART/Muni priced at $270 and $300, respectively. The rate for interior 22-in. by 21-in. car cards (typically placed next to doors) ranged from $45 at CTA to $105 at BART and Muni. Interior car cards above the windows, measuring 11 in. by 28 in., cost $24 at CTA and $100 at VTA. Rates quoted here are for a 4-week posting and are somewhat less on a per-month basis for longer postings.

Various premium advertising displays generate substantially higher prices. Station dioramas are priced at $650 at CTA and $1,260 at WMATA for a 4-week showing. Station clock advertisements cost $350 and brand trains $333 in Chicago. A wrapped CTA train costs $15,000 per 4 weeks for a 3- to 6-month term and $11,500 per 4 weeks for a year-long run.

REVENUES DERIVED FROM ADVERTISING

There is a significant range in revenues derived from advertising sales. Small transit agencies such as Ben Franklin Transit (Richland, Washington) and Star Tran (Lincoln, Nebraska) reported approximately $50,000 in 2002 revenues. In the middle range, Fresno (California) Area Express, Kansas City Area Transportation Authority, and Metro Regional Transit Authority in Akron brought in $150,000 to $300,000 in revenue from advertising in 2002. Somewhat larger agencies in San Antonio, Milwaukee, Connecticut, and Maryland had revenues of $500,000 to $1 million in 2002. Large transit agencies in top 20 media markets such as BART, VTA, SEPTA, NJ Transit, and the Massachusetts Bay Transportation Authority (MBTA) in Boston reported revenues ranging from $3.5 million to $20 million in 2002 (Table 6).

Many factors affect revenue levels from advertising sales, the most obvious being agency size. Transit agencies with a large number of buses can generate more advertising revenue than agencies with smaller bus fleets. Likewise, multi-modal agencies with both bus and rail operations can generate higher revenues than bus-only or rail-only agencies. Another important factor is the size of the metropolitan area; larger metropolitan markets offer greater opportunities for higher revenues. One additional factor that has proven particularly important in recent years is the timing of bidding for advertising sales contractors. Some agencies that bid out their sales contracts during the boom years (through approximately 2001) have relatively high revenues from these contracts.

Although they can be substantial in dollar terms, advertising revenues are quite small as a proportion of total transit agency revenues. Among the agencies surveyed, total revenues from advertising sales were 1.5% of total operating funds, with agency revenue levels ranging from 0.1% to 3.2%. (These figures are based on National Transit Database expenditures for fiscal year 2001 and 2002 advertising revenues as reported in the survey.)

However, advertising revenues appear more significant if viewed in light of fare revenues. Total advertising revenues for those transit agencies surveyed were 4.4% of these agencies' total revenues from fares. Advertising revenues constitute between 10% and 21% of fare revenues at the San Mateo County (California) Transit District (SamTrans), Community Transit (Everett, Washington), Utah Transit Authority (Salt Lake City), CityLink, and VTA.

Many transit agencies experienced rapid growth in advertising revenues in the late 1990s. Of the agencies surveyed, 32% saw advertising revenues grow by at least 40%

TABLE 6
SUMMARY OF ADVERTISING REVENUE

Agency Name	City/State	Ad Sales Revenue, 2002 ($thousands)	Unlinked Passenger Trips, 2001 (millions)	Who Sells Advertising	Vehicles in Peak-Hour Service			
					Buses	Heavy Rail Cars	Light Rail Cars	Commuter Rail Cars
Top 20 Media Market, Large Agency								
Washington Metropolitan Area Transit Authority (WMATA)	Washington, DC	20,000.0	378.9	Viacom	1,212	628		
Chicago Transit Authority (CTA)	Chicago, IL	18,500.0	484.8	Viacom	1,627	988		
Massachusetts Bay Transportation Authority (MBTA)	Boston, MA	15,000.0	364.3	Viacom (some in-house)	884	320	155	376
Los Angeles County Metropolitan Transportation Authority (LACMTA)	Los Angeles, CA	14,200.0	398.1	Viacom	2,026	70	51	
Southeastern Pennsylvania Transportation Authority (SEPTA)	Philadelphia, PA	11,600.0	318.1	Viacom	1,106	308	108	291
New Jersey Transit Corporation (NJ Transit)	(Statewide), NJ	8,300.0	225.9	Viacom	1,838		31	733
King County Department of Transportation—Metro Transit Division	Seattle, WA	7,250.0	101.0	Viacom	976		3	
Metropolitan Atlanta Rapid Transit Authority (MARTA)	Atlanta, GA	6,000.0	164.1	Viacom	603	186		
Santa Clara Valley Transportation Authority (VTA)	San Jose, CA	4,241.5	57.3	Viacom	452		41	
San Francisco Bay Area Rapid Transit District (BART)	Oakland, CA	3,464.5	103.9	Viacom		507		
Metro Transit	Minneapolis, MN	1,700.0	73.3	Viacom	792			
City of Phoenix Public Transit Department	Phoenix, AZ	1,560.0	31.6	Transit Advertising Group	338			
San Diego Transit Corporation	San Diego, CA	1,006.3	41.8	Michael Allen Associates	258			
Maryland Transit Administration	(Statewide), MD	1,000.0	111.0	Gateway; Viacom (bus shelters)	773	66	49	110
Other Transit Agencies in Top 20 Media Markets								
San Mateo County Transit District (SamTrans)	San Carlos, CA	2,100.0	18.1	Viacom	278			
Golden Gate Bridge, Highway and Transportation District	San Francisco, CA	950.0	11.6	Viacom (some in-house)	233			
Snohomish County Transportation Benefit Area Corporation (Community Transit)	Everett, WA	750.0	9.1	Viacom	217			
Pierce County Public Benefit Authority	Tacoma, WA	700.0	14.5	Viacom	172			
Potomac and Rappahannock Transportation Commission	Woodbridge, VA	294.7	1.3	Viacom	65			
Livermore Amador Valley Transit Authority	Livermore, CA	150.0	2.2	Orion Outdoor	50			
Tri Delta Transit	Antioch, CA	42.5	2.2	Orion Outdoor	45			

TABLE 6 (*Continued*)

Agency Name	City/State	Ad Sales Revenue, 2002 ($thousands)	Unlinked Passenger Trips, 2001 (millions)	Who Sells Advertising	Vehicles in Peak-Hour Service			
					Buses	Heavy Rail Cars	Light Rail Cars	Commuter Rail Cars
Mid/Small Media Market								
Utah Transit Authority (UTA)	Salt Lake City, UT	2,140.1	25.9	Freeway Advertising	529		33	
Port Authority of Allegheny County	Pittsburgh, PA	1,800.0	74.8	Viacom	848		47	
Connecticut Transit	Hartford, New Haven, Stamford, CT	839.5	27.3	Obie Media	309			
Milwaukee County Transit System (MCTS)	Milwaukee, WI	587.9	71.2	Obie Media (buses), Clear Channel (shelters), Transit Television Network (transit TV)	453			
VIA Metropolitan Transit	San Antonio, TX	574.0	47.0	Gateway	402			
Transit Authority of River City (TARC)	Louisville, KY	350.0	16.6	Viacom	208			
Madison Metro Transit	Madison, WI	300.0	10.5	Obie Media	166			
Metro Regional Transit Authority	Akron, OH	298.0	6.4	In-house staff	145			
Greater Dayton RTA	Dayton, OH	271.8	14.9	In-house staff	174			
Kansas City Area Transportation Authority (KCATA)	Kansas City, MO	271.0	15.6	Obie Media	235			
Greater Peoria Mass Transit District	Peoria, IL	155.0	1.9	In-house staff	42			
Fresno Area Express	Fresno, CA	150.0	13.3	Vista Media Group	84			
Interurban Transit Partnership (The Rapid)	Grand Rapids, MI	85.2	5.2	Princeton Media	92			
Duluth Transit Authority	Duluth, MN	77.0	3.2	Houck Motor Coach Advertising	63			
CityBus of Greater Lafayette	Lafayette, IN	74.4	3.1	In-house staff	48			
StarTran	Lincoln, NE	56.0	1.6	Houck Motor Coach Advertising (some in-house)	47			
Sun Tran	Tucson, AZ	54.0	15.9	Attention Transit Advertising (bus wraps in-house)	159			
Ben Franklin Transit	Richland, WA	53.0	3.8	Obie Media	61			
Lake Erie Transit	Monroe, MI	3.1		In-house staff				
Muncie Indiana Transit System	Muncie, IN	1.9	1.4	Burkhart Advertising (some in-house)	25			
Worcester Regional Transit Authority	Worcester, MA	na	4.8	In-house staff				
Transportation District Commission of Hampton Roads	Hampton, VA	na	16.6	In-house staff	280			

Notes: na = not available. (*Sources*: Survey of transit agencies; National Transit Database.)

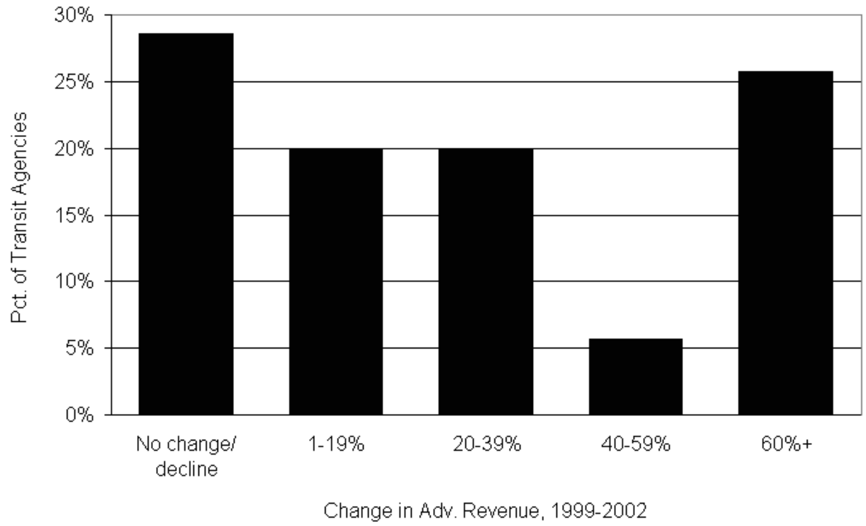

FIGURE 11 Change in advertising revenue, 1999–2002. (Total agencies responding: 35.)

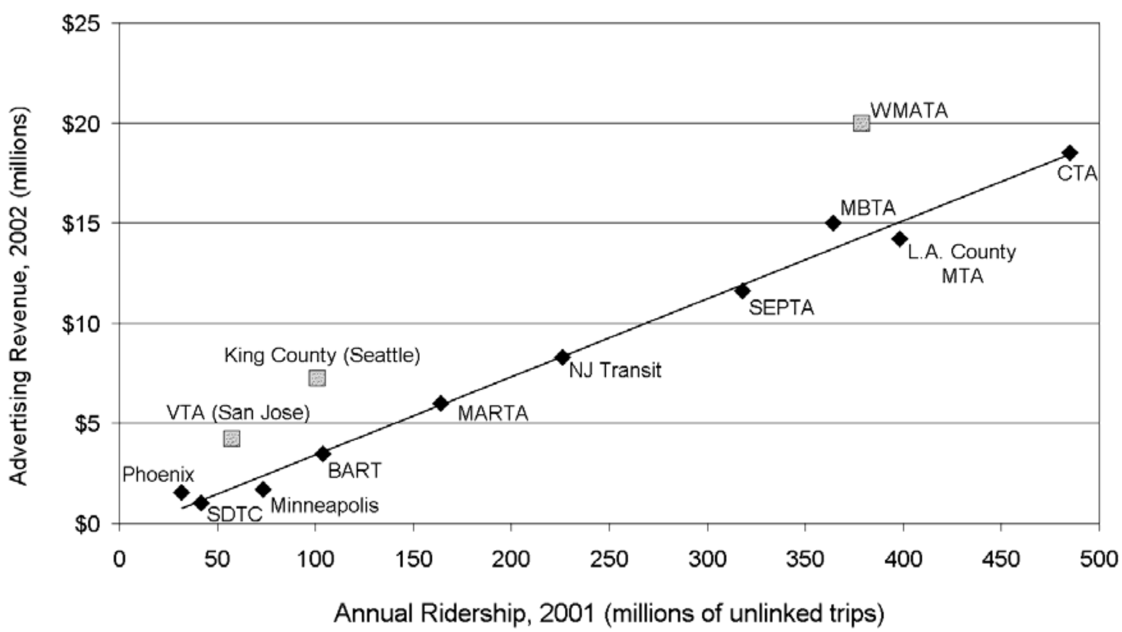

FIGURE 12 Advertising revenue and ridership, large agencies in top 20 media markets. Note: Line is drawn to best fit observations indicated as diamonds. *R*-squared is 0.99. Note that advertising revenues are gross revenues to the transit agency. In-house costs are not subtracted from the gross revenue figures.

and an additional 20% of the agencies experienced revenue growth of 20% to 39% (Figure 11).

Revenue growth was particularly rapid among the 14 large transit agencies in the top 20 media markets; 64% experienced growth of at least 20% compared with 43% of other agencies. Several large agencies saw their revenues climb rapidly when two large companies bid aggressively for the contracts.

Revenues at Large Transit Agencies

As would be expected, advertising revenues are greatest for the nation's largest transit agencies. These agencies benefit from the size of their transit operations and ridership and from the attractiveness to advertisers of the nation's top markets. Figure 12 illustrates the relationship between agency size and advertising revenues for large transit agencies in top 20 media markets. Agency size is measured by ridership (annual unlinked trips). Ridership captures in at least an approximate way the amount of available advertising space for sale (the more riders, the greater number of buses, rail stations, and rail cars). Ridership also tends to correlate with the number of motorists and pedestrians exposed to exterior bus advertisements. Therefore, ridership would be expected to reflect the overall size of the audience, both riders and nonriders.

The 13 large transit agencies in this analysis showed a strong linear relationship between 2002 revenues and ridership. In 2002, revenues were between 3.3 and 3.9 cents per trip for most of this group. Notably, the agencies on this list are quite diverse, ranging from BART, which operates only rail service, to the Los Angeles County Metropolitan Transportation Authority, where bus ridership substantially exceeds rail ridership.

Three agencies showed 2002 revenues that were well above average: WMATA (5.3 cents per passenger trip), King County Metro (7.2 cents per trip), and VTA (7.4 cents per trip).

These three agencies benefited from a vibrant advertising market and strong competition for their contracts when they bid out their advertising sales contracts between 1997 and 2000. The bursting of the Internet bubble and the overall decline in the advertising market changed the picture, as shown by new contract terms for VTA and King County Metro. VTA rebid its contract for 2003 for bus and light rail advertising and obtained a guarantee of $1.5 million; the contract will bring in about 2.6 cents per passenger trip. King County Metro extended its advertising contract for 2003 with a $3.5 million guarantee, or 3.5 cents per passenger trip. Advertising sales revenues at WMATA, which began a 10-year contract in 2000, have not been affected by the changed economy.

Even accounting for agency size, large transit agencies showed higher revenues than smaller transit agencies. The large agency average of 3.5 cents per passenger trip compares favorably with an average of 2.2 cents per trip for transit agencies not in the top 20 media markets. The latter group is primarily bus-only agencies, which will be discussed next.

Revenues at Bus-Only Agencies

Revenues from advertising sales at transit agencies that operate bus service but not rail service correlate strongly with the size of their bus fleets. This is not surprising, because the revenue from advertisements on the outside of the buses provides the bulk of the revenue. Counting buses is akin to counting billboards.

Figure 13 shows 2002 revenues from advertising sales and ridership (unlinked trips) for the 14 bus-only agencies that responded to the survey. Revenues for most agencies

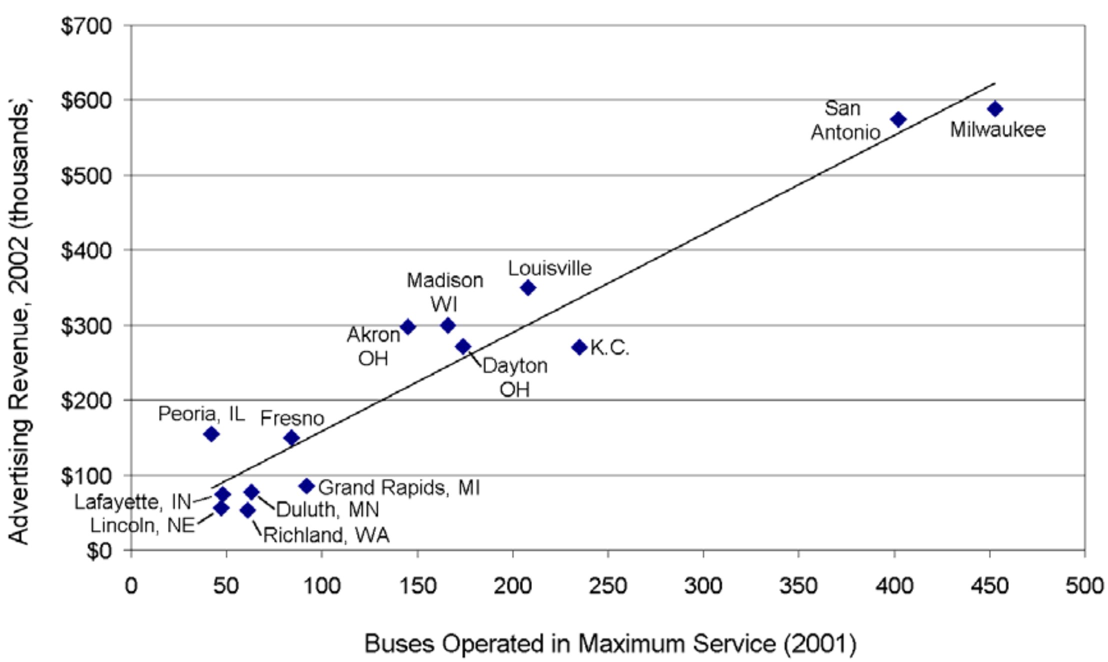

FIGURE 13 Advertising revenues and fleet size, transit agencies in medium and small media markets. Note: Line is drawn to best fit observations. *R*-squared is 0.92. Note that advertising revenues are gross revenues to the transit agency. In-house costs are not subtracted from the gross revenue figures.

were between $1,100 and $1,800 per bus, with an overall range of from $870 to $3,700. Excluding the highest and lowest values, the average was $1,472 per bus.

Two factors explain why five agencies shown in the figure have relatively high revenues per bus. First, three of these agencies benefited from bidding out their current contracts during the peak of the late 1990s economic boom. These three agencies are in Madison, Fresno, and Louisville, which caught the tail end of the boom in 2001.

Second, two agencies with relatively high revenues per bus (Akron and Peoria) sell their advertising in-house. Both have sold a high percentage of their inventory and appear to have aggressive and effective sales personnel.

Smaller Transit Agencies in Large Metropolitan Areas

The final group is made up of small- and medium-size agencies located in major metropolitan areas. This group tends to show relatively high advertising revenues considering the size of the agency and includes agencies that operate suburban bus routes with substantial commuter service into the central city or between suburbs, or both, such as the Golden Gate Bridge, Highway and Transportation District; SamTrans; Potomac and Rappahannock Transportation Commission (Woodbridge, Virginia); and Community Transit. In 2002, revenue for these agencies averaged $4,900 per bus and 12.8 cents per passenger trip. The agencies benefit from the attractive demographics of both their own ridership and surrounding automobile drivers, which attract a higher-end mix of advertisers than central city bus systems. Some, such as SamTrans, also benefit from restrictions on billboards in their service areas, which drives up the value of bus advertising.

Other small agencies in large metropolitan areas include agencies in secondary cities such as Tacoma, Washington, and suburban agencies such as in Livermore and Antioch, California. No clear patterns emerged from analyzing revenues among this small sample.

CHAPTER FIVE

CONTRACTING ISSUES

Transit agencies that contract with an advertising sales contractor must address a litany of contract-related issues ranging from how to structure the contracts to contract length to calculation of revenues. These decisions potentially affect transit agency revenues, although it is often difficult to predict which course of action will produce greater revenues. Industry practice and experience can help agency staff make informed decisions about contracting issues.

MULTIPLE VERSUS SINGLE CONTRACT

Most transit agencies enter into one contract with one advertising sales contractor to handle all of their advertising space. A single contract provides simplicity of administration and oversight for both the transit agency and the advertising sales contractor, and clarity for advertisers.

Occasionally, however, agencies may split contracts for different types of advertising space or may administer some types of advertising space in-house while contracting for other types. Examples include

- VTA (San Jose) contracts with one company for bus and light rail interior and exterior advertising. A much smaller contract (in dollar terms) is with a second company for bus shelter advertising.
- The Golden Gate Bridge, Highway and Transportation District (San Francisco) contracts with one large advertising sales contractor for bus sides while selling bus tail advertising in-house. The bus tail advertising is sold primarily to local businesses, whereas the contractor's advertising sales are more national in scope.
- MBTA contracts with a firm for vehicle and station advertising while selling advertising on maps, schedules, and passes in-house. MBTA also sells the right to distribute product samples at specific stations for periods of 4 hours or less.
- Muncie Indiana Transit System and Star Tran (Tucson, Arizona) contract with advertising sales contractors for bench and shelter advertising while selling bus interior and/or exterior advertising in-house.

Although it may be desirable to do so, there are important reasons to be cautious about splitting contracts. Issues that agency staff should consider include

- Will the presence of multiple advertising sales contractors cause confusion among advertisers who are alerted to the availability of advertising space in the transit system from two different sales representatives?
- Will additional advertising space on transit property dilute the market for transit advertising space and thus depress the rates that a given advertising sales contractor can charge?
- Do the advertising venues offered by different sales contractors appeal to different segments of the advertising market? For example, video or electronic signs that can display time-sensitive advertisements appeal to advertisers who are not served with static billboard-type advertising. Or, will there be competition between the advertising sales contractors that result in lower rates for transit space?
- Will multiple sales channels divert advertising sales revenue from one contractor to another? If this may occur, what is the impact on transit agency revenues? Does the new advertising space command premium rates and will the transit agency benefit from them? Or, does the diversion move advertising sales from a contractor who shares a relatively large percentage of revenue with the transit agency to one who shares a smaller percentage? This situation could result in a loss of revenue to the transit agency.

These issues are particularly acute when the advertising market is depressed. When demand for advertising space is low, adding to the inventory may not increase overall revenues from advertising. Conversely, a robust market for advertising space is more likely to attract new advertisers and new advertising revenue.

Although these issues are a topic of discussion among transit agency staff, there has not been sufficient experience to draw conclusions on the effects of multiple versus single contracts. Nevertheless, transit agency staff believes that these issues should be considered in deciding whether to engage in multiple contracts.

Issues related to multiple contracts almost unavoidably arise when transit agencies venture into nontraditional forms of advertising. Video screens and in-tunnel advertising have been developed by relatively small and new companies rather than the large, established advertising sales contractors that normally serve transit agencies. Contracts that give the main advertising sales contractor exclusive rights to all advertising in the transit system preclude introduction of nontraditional forms of advertising from these smaller companies. Agencies wishing to pursue these opportunities must keep the door open to multiple contracts. For example, the Metropolitan Atlanta Rapid Transit Authority (MARTA) inserted into its most recent contract a provision that reserved the opportunity to sell advertisements on electronic signs and trash receptacles in MARTA stations. In-tunnel advertising is also excluded from the contract. Others, such as BART, reserve the right to implement new forms of advertising, but grant a right of first refusal to the advertising sales agency already under contract.

REQUEST FOR PROPOSAL PROCESS

Transit agencies almost universally use an RFP process to procure the services of an advertising sales contractor. Unlike a low-bid procurement, an RFP allows transit agencies to consider both the quality of the proposal as well as the price.

The typical process involves releasing an RFP with a detailed scope of work and other contracting requirements, holding a pre-bid conference to answer questions from prospective proposers, and reviewing extensive written proposals. Proposals typically include a description of the company's experience and the experience of individuals who will be assigned to the contract, demonstration of the agency's ability to perform, information about other current and completed contracts, financial statements, references, and the financial bid. It can be useful to require a listing of past markets no longer served, bankruptcies, lawsuits, and names under which the proposers have done business in the past to fully evaluate each firm's ability to perform under the contract.

Evaluation criteria typically include experience, organization, staffing, revenue, ability to perform, and the quality of the marketing plan. Evaluation of proposed revenues must balance the guaranteed annual revenue and likely revenue under proposed revenue sharing.

Transit agencies may select a winning firm after evaluating the written proposals and interviewing firms. Many agencies, however, treat the procurement as a negotiated RFP process and negotiate with one or more firms for the best possible terms before making a selection. See Appendix C for examples of recent RFPs.

CONTRACT TERMS

Length of Contract

One critical decision in formulating an RFP is determining the length of the contract. Until June 2001, FTA regulations prohibited transit agencies from entering into contracts of greater than 5 years, inclusive of options, without a waiver. The new ruling permits revenue contracts of greater than 5 years provided certain requirements are met, such as awarding exclusive contracts through a competitive process (FTA 2001).

Notwithstanding this new ruling, most new contracts reported in the survey were for 5 years or less, both before and after the ruling was issued. Of agencies surveyed, 35% contracted for 3 years and 38% for 5 years (Table 7).

Contracts most commonly provide for a 3-year term with two 1-year options. Some contracts provide for options for 1, 3, or 5 years, usually in 1-year increments.

Agencies with relatively long contract terms include WMATA, Sun Tran, and the Potomac and Rappahannock Transportation Commission, all with 10-year contract terms. VTA and the Muncie Indiana Transit System have entered into 15-year contract agreements. VTA's 15-year contract is for bus shelter advertisements; the contract term for advertising on buses and light rail has not exceeded 5 years.

WMATA asked proposers to bid on both 5- and 10-year contract terms, with the intent of awarding for the 10-year

TABLE 7
LENGTH OF CURRENT CONTRACT (excluding option years)

No. of years	Top 20 Media Market, Large Agency	Other Transit Agencies in Top 20 Media Markets	Mid to Small Media Market	Total
1	7%	0%	0%	3%
2	7%	14%	7%	8%
3	29%	14%	53%	35%
5	43%	57%	27%	38%
6	7%	0%	0%	3%
10	7%	14%	7%	8%
15	0%	0%	7%	5%
Total	100%	100%	100%	100%
No. responding	14	7	15	36

term if revenues produced would be more than for the 5-year bids, which turned out to be the case.

The best length of the contract depends in large part on timing. A long contract term can be beneficial to transit agencies when the advertising market is highly competitive. This was illustrated by the experiences of WMATA and VTA, both of which benefited from revenue guarantees set in the late 1990s. As of mid-2003, transit agencies had avoided long contract terms, awaiting advertising market improvements.

Option years can provide flexibility in deciding when to issue an RFP. King County Metro Transit, for example, will pick up both option years on its current contract, which will extend the contract through December 2004. King County Metro staff hoped that by the time a new RFP is issued in 2004 the advertising market will provide a favorable climate for bidding on the contract. Similarly, VTA extended its contract with its existing firm through December 2003 (at a much lower guarantee level than previously) and can extend the contract through 2004.

Revenue Guarantee and Revenue Share

Advertising sales contractor payments to transit agencies are usually computed by taking the greater of the revenue guarantee and a stated percentage of advertising sales contractor revenues.

Contracts generally include a minimum guarantee. Of agencies surveyed, 92% reported that their contract includes a guarantee. The guarantee amount often escalates each year of the contract, with 88% reporting this to be the case.

The guarantee is usually set in bidding on the contract. Transit agencies may require a certain guarantee level in the RFP; 39% of agencies surveyed reported that they set a required guarantee in the RFP and then allowed advertising sales contractors to bid that guarantee level or higher.

As would be expected, the size of the guarantee is dependent on the size of the transit agency and its market. In 2002

- Guarantees varied from $50,000 to more than $600,000 for transit agencies in small- and mid-size markets that operate bus service but not rail service.
- For large transit agencies in top 20 media markets, the guarantee varied from $1.7 million to $20 million.
- For small- to medium-size agencies in top 20 media markets, the guarantee ranged from $17,000 to $2.1 million.

In addition to computing revenues based on a guaranteed revenue level, contracts typically provide for the advertising sales contractor to pay a percentage of annual billings. Of agencies surveyed, 92% reported that their contracts included a revenue share.

The guarantee is usually paid monthly, with a subsequent reconciliation at year's end if the revenue share calculation exceeds the guarantee. The definition of "net billings" is not completely uniform. Some agencies exclude the cost of production services provided to advertisers and some do not. Most agencies exclude commissions paid to advertising agencies that buy advertising space on behalf of advertisers. In some cases, agencies exclude bad debt, although they may cap the amount of bad debt allowed at a specified level. However, agencies usually base the revenue share on billings and not collections. It is important to be sure that in the calculation of net billings other expenses not be deducted, because if this occurs it may reduce the amount of revenue to the transit agency.

The revenue share ranges from 10% to 80% in agencies surveyed (Table 8). As with the guarantee level, the size of the metropolitan area influences the revenue share.

- For transit agencies in small- and mid-size media markets, the revenue share ranges from 10% to 62% with 50% to 60% being typical.
- Revenue sharing for large transit agencies in the top 20 media markets ranges from 55% to 80%; 65% is typical.
- Small- to medium-size agencies in top 20 media markets reported revenue shares of 25% to 65%.

A critical aspect of evaluating advertising sales contractor proposals is weighing the relative importance of the guarantee level and the revenue share. Clearly, relatively high guarantees are attractive as providing a predictable level of revenues to the transit agency and guarding against downturns in the advertising market. Recent experience has underscored this point. On the other hand, the revenue share can provide a greater upside. This is particularly attractive when guarantee levels are depressed and economic conditions may improve over the term of the contract.

In practice, the revenue share was less than the guarantee in 2002 for two-thirds of the agencies providing revenue data. As a result, payments for most agencies were based on the guarantee rather than the revenue share, which is not surprising given the depressed state of the advertising market in 2002.

Some RFPs specify the revenue share and then evaluate proposals based on guarantee levels. For example, WMATA fixed a 65% revenue share, thus narrowing the evaluation to the proposers' different guarantee levels.

TABLE 8
REVENUE SHARE IN ADVERTISING CONTRACTS

Revenue Share	Top 20 Media Market, Large Agency	Other Transit Agencies in Top 20 Media Markets	Mid to Small Media Market	Total
10%	—	—	7%	3%
12%	—	—	7%	3%
18%	—	—	—	3%
25%	—	20%	7%	6%
45%	—	—	7%	3%
50%	—	—	21%	10%
51%	—	—	7%	3%
52%	—	—	7%	3%
55%	17%	20%	14%	13%
58%	—	—	7%	3%
60%	17%	40%	7%	16%
62%	—	—	7%	3%
64%	8%	—	—	3%
65%	50%	20%	—	23%
80%	8%	—	—	3%
Total	100%	100%	100%	100%
No. responding	12	5	14	31

Note: Percentages may not add to exactly 100% because of rounding.

Conversely, the Milwaukee County Transit System (MCTS) sets the guarantee level in the RFP and allows firms to bid on the revenue share, believing that when advertising sales contractors overreach on a guarantee bid, they cut corners on the quality of service. Other agencies, such as the CTA, set both a minimum guarantee and a minimum revenue share and let bidders bid to those levels or higher.

Note that although direct payments from the advertising sales contractor constitute most of the value of the contracts, agencies may also include other types of compensation such as credits for purchase of advertising in other media.

Performance Bonds and Letters of Credit

Contracts often require a performance bond, letter of credit, or provisions for liquidated damages to protect the transit agency from contractor nonperformance. The most reliable form of protection is a letter of credit. To obtain a letter of credit, the contractor puts aside a sum of money with a bank or other financial institution. The transit agency can draw on this money in the event of contractor nonpayment.

A performance bond is similar to an insurance policy. If the contractor fails to perform, the agency makes a claim. Because the contractor can make defenses against the claim, a performance bond can be less attractive than a letter of credit.

Among surveyed agencies, 69% reported requiring a performance bond, letter of credit, or provisions for liquidated damages. Large agencies in top 20 media markets are very likely to include these provisions (85% reported doing so). By contrast, just 44% of agencies in small- or medium-size markets required one or more of these provisions.

Somewhat more agencies require a performance bond than a letter of credit; some agencies accept either one.

The dollar figure required for a performance bond or letter of credit varies somewhat. One common requirement is 25% of the annual guaranteed revenue, which is required by CT Transit (Connecticut), BART, and SEPTA. Other requirements were 50% of the total contract (Port Authority of Allegheny County in Pittsburgh), the annual amount due (Big Blue Bus, Santa Monica, California), a $1 million bond (Maryland Transit Administration), and $20,000 in escrow (Sun Tran).

One large agency, WMATA, chose not to require a performance bond out of the expectation that a bond requirement would reduce revenues from the contract.

Ownership of Advertising Equipment

If the advertising sales contractor owns advertising frames, electronic signs, bus shelters, and other infrastructure, the question arises about the disposition of the property at the end of the contract. Does the transit agency need to purchase the property if it changes advertising sales contractors? Is the property transferred to the new contractor and, if so, does the new contractor pay for it?

Most transit agencies appear to avoid this set of issues by retaining ownership of advertising frames and other equipment. In the survey, 61% of responding agencies reported that equipment is owned by the transit agency. In these cases, bringing in a new contractor does not raise equipment ownership issues.

An additional 15% of transit agencies retain ownership of some equipment, whereas the advertising sales contractor owns some of the equipment. For example, MCTS owns advertising frames, whereas the advertising sales contractors or other vendors own bus shelters and televisions inside buses. NJ Transit owns equipment on bus and rail exteriors and interiors, whereas their advertising sales contractor owns commuter rail station poster frames.

Of transit agencies surveyed, 23% reported that the advertising sales contractor owns advertising equipment. Several arrangements were cited for disposition of the property when the advertising sales contractor is replaced. MARTA purchases equipment from the out-going vendor using the depreciated value. VTA bus shelters are turned over to VTA, with the cost of the shelters depreciated over the life of the contract. In Tucson, the advertising sales contractor would sell equipment to the new vendor or to the city of Tucson. BART retains an option to buy equipment based on the capital account balance, or equipment would be sold to the new advertising sales contractor at a negotiated price. NJ Transit intends to purchase rail station poster infrastructure at the end of the current contract as part of a migration toward self-ownership.

Audits

Three-quarters of transit agencies responding to the survey reported that they perform audits of advertising sales contractors. Asked for the frequency of the audits, the majority reported that they are conducted on a spot check basis rather than on a regular basis, although 19% said that they audit on an annual, semi-annual, or monthly basis.

Within the group of agencies that reported conducting audits, 41% conducted some type of formal audit. The most common auditing methodology is comparison of the advertising on buses with the advertising sales contractor’s reports. These reports may also be compared with individual advertising contracts. A third approach, used by a few agencies, is to call on the services of an independent auditing firm or the city’s internal audit division.

By contrast to these relatively rigorous approaches, a number of agencies simply review advertising sales contractor financial reports without any outside verification of revenues.

Sales contractors are sometimes required to submit to the transit agency a copy of each sales contract. SEPTA, MCTS, and WMATA are examples. MARTA approves each contract and therefore also receives a copy of each contract before its execution. Agency staff believes that seeing the contracts gives them a better understanding of the market for advertising sales and provides useful information for audits. (See Appendix D for two examples of revenue reports.)

Renegotiating Contract Terms

The economic downturn at the time of the survey raised the question of how often transit agencies were asked by their advertising sales contractor to renegotiate contract terms. One-third of the agencies surveyed reported that a contract renegotiation had been requested; however, only three agencies reported changing the financial terms. Revisions involved reductions in guaranteed revenues, substitution of media trades for revenues, and switching from guarantees to revenue sharing.

CHAPTER SIX

ADVERTISING ACCEPTANCE POLICIES

Most transit agencies have needed to decide what types of advertising to accept and what not to accept. Advertisements that may be rejected include those that are offensive or embarrassing to the public, that generate controversy, or that imply agency endorsement of a product or service. Rejecting advertisements may create controversy, however, and may also raise serious First Amendment issues. Although relatively few rejected advertisements draw lawsuits, agencies are often unsuccessful when they defend their decisions in court.

This chapter describes transit industry practices and experiences with advertising policies and provides an overview of the legal issues. This overview is merely intended to introduce agency staff to these issues; transit staff should consult with their legal counsel in the course of developing and applying an advertising policy.

ADVERTISING POLICIES

Transit agencies are not legally required to accept advertising on their property and, as discussed earlier, some do not. Once agencies decide to accept advertising, however, well-developed case law applies to their decisions respecting what advertisements to accept or reject. Most transit agencies have a written advertising policy to guide staff in making these decisions. In the survey conducted for this study, 86% of the agencies reported that they have a written policy. Consistent application of a carefully developed policy can help agencies defend their actions in the event of a challenge.

Agencies without a written policy usually follow unwritten guidelines. In some cases, agencies have deliberately decided not to adopt a written policy. BART allows its advertising sales contractor to take the lead in deciding which advertisements to accept or reject and to defend against any lawsuits. In the view of BART staff, the advantage of this approach is that the sales contractor has greater expertise and resources to address any issues that arise. BART staff must refrain, however, from directing the sales contractor to either accept or reject any advertisements.

Written advertising policies generally include a statement of purpose, itemization of prohibited or restricted advertising, and a review process for individual advertisements (see examples in Appendix E).

Statement of Purpose

Statements of purpose articulate the basis for advertising restrictions. In setting an advertising acceptance policy, transit agencies are faced with a fundamental choice as to whether to accept advertising strictly for commercial purposes or to create a public forum for ideas. This choice has important implications for what advertising can and cannot be accepted.

Commercial advertising has been defined as advertising "the sole purpose of which is to sell or rent real estate or personal property for profit, or to sell services for profit" (Santa Cruz Metropolitan Transit District advertising policy). As noted by a free on-line legal site, FindLaw.com, the Supreme Court has held that the First Amendment "does not guarantee access to property simply because it is owned or controlled by the government" (FindLaw for Legal Professionals). In adopting a policy to permit only commercial advertising, transit governing boards can avoid establishing a public forum for ideas. The advantage to such a policy is that transit agencies can reject all viewpoint advertising. This approach is sometimes adopted after court decisions force an agency to post advertising that it had rejected.

Commentators have noted that if this approach is chosen, it is important that "the advertising space should formally be declared to be a nonpublic forum" (Boga 2001). The Greater Dayton Regional Transit Authority's (RTA) advertising policy, for example, states that

> It is not RTA's intent by permitting advertising on RTA facilities to provide a forum for all types of advertisements or for all types of expressive ideas. Rather, RTA is acting as a commercial enterprise seeking to derive revenue from the sale of advertising space while minimizing interference with, or disruption of, RTA's commercial function.

Similarly, a draft policy presented to the Santa Cruz Metropolitan Transit District stated its purpose as the following:

> Santa Cruz Metro sells space inside and upon its buses for the display of commercial advertising. The purpose is to raise revenues, supplementary to those from fares and from tax proceeds, to be used to finance Santa Cruz Metro's operations. The display of advertising is solely for this purpose. It is not intended to provide a general public forum for purposes of communication, but rather to make use of property held in a proprietary capacity in order to generate revenue.

Policy reasons for excluding noncommercial speech, provided in various agency advertising policies, include

- Maximizing revenues from advertising. Agencies may seek to prevent a reduction in income because commercial advertisers may be dissuaded from applying a forum commonly used for political, religious, or controversial messages. More generally, agencies may seek to establish a professional advertising atmosphere that is conducive to maximizing advertising revenues.
- Maintaining a position of neutrality on political, religious, environmental, and other public issues to promote the agency's commercial enterprise.
- Protecting passengers, employees, buses, terminals, and other equipment from physical harm that might result from reactionary conduct relating to the display of political or controversial material.

In addition to formally declaring the advertising space to be a nonpublic forum, an agency deciding to accept only commercial advertising should establish an eligibility policy. The agency should also consistently enforce the policy and never exclude an advertisement "from the program because of the viewpoint that it advocates" (Boga 2001).

Advertising policies that permit only commercial advertising may also, however, rule out accepting noncommercial advertisements, including PSAs, that some may find desirable and that may also generate revenue. Some agency boards may consider acceptance of viewpoint advertising to be a desirable public service, and some advertising policies explicitly state that offering a public forum for ideas is an agency goal.

Transit agencies that accept noncommercial advertising may take steps to ensure that the viewpoints expressed are not seen as representing the agency's views. The CTA, for example, requires that all political advertisements include a disclaimer to the effect that the advertisement is a paid political advertisement.

Once a transit agency creates a public forum by accepting noncommercial advertising, "it may not discriminate on the basis of content or viewpoint in according access" (FindLaw for Legal Professionals). Some successful suits against agencies have been based on viewpoint discrimination.

Whether or not agencies accept only advertisements that have a commercial purpose, transit agency advertising policies often articulate a variety of objectives that are designed to justify limitations on advertising. Typical stated purposes include

- Avoiding subjecting passengers to viewing material that may cause them embarrassment or discomfort. (This rationale applies particularly to sexual and reproductive material.)
- Maintaining a desirable level of professionalism and decorum.
- Avoiding displaying material that is not suitable for viewing by children.

Limitations on Advertisements

Advertising policies set standards for advertisements that can be accepted. These standards are typically expressed in terms of what is not acceptable and often include advertisements that

- Are false, misleading, or deceptive; this is sometimes put in the context of advertisements that propose a commercial transaction.
- Contain obscene material, or contain profane, obscene, or libelous language.
- Promote unlawful or illegal goods, services, or activities.
- Declare or imply an endorsement by the transit agency of any service, product, or point of view.
- Promote the sale of tobacco or tobacco-related products.
- Promote the sale of liquor or distilled spirits.
- Depict violence or antisocial behavior.
- Are related to products designed for use in connection with sexual activities.

In some cases, agency policies also address issues related to how certain groups are portrayed. For example, the Metro Transit (Minneapolis) advertising standards prohibit advertising that

> Portrays individuals on the basis of race, color, creed, sex, pregnancy, age, religion, ancestry, national origin, marital status, disability, including those related to pregnancy or child birth, affectional or sexual orientation, or any other characteristic protected under federal, state, or local law as inferior, evil, or contemptible as a result of the individual's protected characteristic(s).

Using fewer words on the same topic, a Bi-State Development Agency (St. Louis) policy prohibits advertisements that "foster sexual or racial stereotypes."

Policies may also prohibit attacks on individuals or organizations. The MCTS policy, for example, prohibits advertising that "is intended to be disreputable to a person, business, or organization."

Note that these are current practices among transit agencies and have not necessarily been tested in legal proceedings.

Review Process

Whether as a written policy or unwritten practice, nearly every transit agency surveyed has a process for the review of advertising. A standardized process ensures that reviews and decisions are made in an orderly and unbiased fashion and that decisions adhere to the advertising acceptance policy and can withstand legal challenges if necessary.

Transit agencies that contract to an advertising sales contractor usually have the contractor conduct the initial review of all advertising. The contractor may forward only questionable advertisements to the transit agency for its review. Alternatively, the transit agency may review all advertising before acceptance. A few agencies surveyed reported that they rely on the advertising sales contractor to review and approve advertisements, possibly with transit agency feedback. Transit agencies that sell advertising space in-house obviously review all advertisements themselves.

Initial review of possibly objectionable advertisements is generally done by the transit agency staff who manage the advertising contract or who sell advertising space directly. Staff may work with the advertising sales contractor and/or advertiser to resolve any issues, such as by modifying the art, copy, or both.

Although transit agency staff may make the final decision on accepting particular advertisements, there is more often further review by senior agency managers and perhaps the governing board. Several survey respondents reported that the governing board reviews all questionable advertisements or that the executive director has final approval over all advertisements. Legal counsel may also be consulted during this review. Senior managers and the governing board may play the role of an appeals panel. For example, under the Madison Metro Transit's advertising policy, a designated staff person decides whether to accept questionable advertisements. The advertising sales contractor can appeal that decision, first to the transit general manager and ultimately to the city's Transit and Parking Commission.

Another approach is to establish a review committee to decide appeals. The Greater Dayton RTA advertising policy specifies that an advertising appellate committee will review a decision to reject an advertisement upon written request by the appellant. The request must state why the appellant disagrees with RTA's decision in light of the agency's advertising policy. The committee reviews the basis for RTA's rejection of the advertisement and the appellant's reasons in support, reaches a decision, and notifies the appellant in writing.

NJ Transit follows a similar appeal procedure to a three-member committee, but with a twist. If factual issues are presented in the appeal, the committee is to transmit the case to the Office of Administrative Law for the development of a record and initial decision. The appeals committee then renders a final decision, which is appealable to the state court system.

REJECTING ADVERTISEMENTS

Although the vast majority of advertising is acceptable without question, most transit agencies have rejected advertisements at some time. In the survey, 79% of responding transit staffs reported rejecting advertising at least once. The types of advertisements turned down follow the same guidelines as the list of restrictions in advertising policies—lingerie advertisements in which the models were felt to be underclad; advertisements featuring gun violence; controversial advertisements dealing with family planning, abortion, or sex education; and advertisements attacking a national retail organization(s).

Some rejected advertisements were from advertisers that might not be expected to submit one that was controversial. For example, the graphic in an advertisement that made the bus appear to be damaged was rejected.

Interestingly, larger agencies are more likely than smaller agencies to have turned down advertisements. In the survey, 90% of larger- and medium-size transit agencies (5 million or more annual ridership) have rejected advertisements, compared with 45% of agencies with lower ridership levels. Whether this reflects greater heterogeneity of larger metropolitan areas or types of advertisers, or other factors, is not clear.

Most advertisers who are turned down appear to accept the rejection without taking legal recourse. Although 79% of survey respondents have turned down at least one advertisement, only 20% report that their agency has been sued. Advertisements that end up in court are predominantly about a narrow range of topics, primarily family planning, abortion, and, to some extent, graphic violence.

As with rejections, agencies that have been sued tend to be larger properties; five of the seven largest agencies that responded to the survey reported having been sued over a controversial advertisement. Some cases are settled before trial; however, of the others, most survey respondents reported that their agency lost the suit.

Court cases led several agencies, including those in Phoenix and Atlanta, to adopt policies to accept only advertising with a commercial purpose. Other agencies have gone in the other direction. For example, the CTA now accepts advertisements on topics such as family planning and abortion that it once rejected.

CHAPTER SEVEN

CASE STUDIES IN NONTRADITIONAL FORMS OF TRANSIT ADVERTISING

Nontraditional forms of advertising offer the opportunity to tap unused space and create exciting forums for advertising that can benefit transit riders and transit agencies. Several nontraditional forms of advertising have attracted the interest of a number of transit agencies and companies that build and operate advertising displays, including bus wraps; video screens and electronic signs in buses, trains, rail stations, and bus stops; in-tunnel advertising; and station dominance (the station equivalent of a wrapped bus).

Experience with each of these types of advertising displays demonstrates at least some potential to generate revenue for transit agencies. The full revenue potential has yet to be proven, however, for most of these nontraditional forms of advertising. Their revenue-generating potential may be circumscribed by limited demand from advertisers for certain types of advertising and technical issues that limit the number of installations. Some types of displays, such as silent television monitors and in-tunnel displays, require that advertisements be adapted specifically for the new medium. Customer response has been mostly positive, although some issues have arisen; for example, with the audio from television monitors.

Many of these types of advertising are provided by small and/or start-up companies. The limited capital and stability of some of these companies, combined with the pace of decision making at transit agencies and their need for competitive selection processes, can impede adoption of the new opportunities. Changes in the ownership of some companies have required transit agencies to re-start the procurement process, thus delaying selection of a vendor and installation of new technologies such as electronic signs. RFPs are sometimes revised as new companies appear or existing companies gain new capabilities, thus creating opportunities that make previous agency procurement plans obsolete. Despite these issues there have been notable positive experiences, as illustrated in the case studies discussed here.

BUS WRAPS

Of transit agencies surveyed, 23% use bus wraps. As noted in chapter four, bus wraps command premium advertising rates and can be a good revenue generator.

Several factors tend to limit the extent of bus wraps or may cause agencies to refrain from wrapping any buses. One set of issues concerns visibility and safety. Law enforcement agencies want to be able to see into the bus, and passengers may want to be seen. In addition, wraps can reduce visibility out of the bus and therefore impede passengers' ability to determine their location.

Aesthetic considerations may also play a role. Senior staff and/or agency board members sometimes simply decide that they prefer to limit the size of advertisements on the vehicles. Also, in some cases, transportation boards may decide to place a cap on the number of buses that are wrapped. For example, CityLink, at the direction of its board, limits bus wraps to 10 of the fleets 52 buses.

Coordination issues with the bus operations division can also limit the number of buses that can be feasibly wrapped. It can be difficult to coordinate application of the vinyl with the advertising sales contractor. In addition, issues can arise when buses are in an accident and the advertisement (bus) is not on the street.

Some transit agencies have found that depending on the quality of the original paint job buses may need to be repainted after the wrap is removed. This cost can also limit the use of wraps. KAT buses, for example, needed to be repainted after wraps were removed. KAT now limits the number of wrapped buses to 10 or 11. In their first advertising sales contract, KAT absorbed the repainting cost; in the subsequent contract, staff made the repainting cost the contractor's responsibility.

The number of advertisers willing to pay premium advertising rates for wrapped buses may also be limited. Advertisers tend to favor wraps for special circumstances, such as product rollout campaigns. For day-to-day advertising campaigns advertisers can make a greater impact by spending their dollars on a larger number of exterior advertisements than on a smaller number of wraps. The attractiveness of wraps is also limited by a transit agencies' potential inability to guarantee that the bus will run on a specific route or in a targeted area of town.

Some agencies have benefited by targeting wrapped vehicles to certain types of events, vehicles, or advertisers. Wraps are sometimes limited to buses used for special events, thus targeting a desirable audience and facilitating coordination with the bus operations division. CityLink has started to market the wrapping of 18-passenger paratransit vans, which are more economical to wrap than regular buses.

The advertising sales staff is targeting nonprofit organizations or businesses that sell to the disabled community.

STATION DOMINANCE

This category is the station equivalent of the wrapped bus. As with bus wraps, the attraction to advertisers is the greater impact created for the advertising message, which produces premium pricing for the advertising sales contractor and the transit agency. Station dominance appeals to national advertisers and, in some cases, local advertisers as well.

The CTA, MBTA, and BART have carried station dominance advertising, which is sometimes also called station blitz advertising or station saturation. In Chicago, a station blitz involves 1- and 2-sheet posters, backlit dioramas, and in some cases advertisements on step risers, thus including both traditional and nontraditional displays. Four or five stations, located primarily in the Loop (downtown) area, and at O'Hare International Airport, have been involved.

Station domination campaigns in Boston are comprised of 10 to 20 posters per station. Stations are located primarily in downtown Boston or in Harvard Square, which targets a college-age demographic. On average, one campaign is run each month.

VIDEO SCREENS AND ELECTRONIC SIGNS

Video screens and electronic signs can be placed on board buses or trains, in rail stations and transit centers, or at bus stops. The programming typically combines news, weather, and entertainment and often a significant amount of advertising. Service information, sometimes including real-time bus or train arrival information, may also be offered. (Where service information is included as part of a nontraditional advertising project, an exit strategy may be needed to continue providing essential service information in the event that the partner company ceases operations.) There may be audio all of the time, some of the time, or not at all, or only through a separate FM broadcast.

Several companies now offer video screen or electronic sign installation and operation in some or all of the possible locations—on-board and in-station. A number of installations have been completed or are in process. The following section reviews recent activity with video screens and electronic signs.

Port Authority Trans Hudson: In-Station Video Screens

Port Authority Trans Hudson (PATH) has one of the earliest of the currently active installations of in-station video screens. PATH's objective was to provide customer information to riders, including arrival times for the next train. The screens also offer news, weather, sports, and advertising (Figure 14).

The video system is installed in all 13 PATH stations in New York City and New Jersey and consists of 275 monitors installed on platforms and other locations that are generally within the fare control area. There is no audio, partly in deference to the PSAs that are broadcast regularly throughout each station.

This system was called MetroVision when it was installed in about 1996. After several years, PATH operated the system by itself, without advertising, using the CNBC news feed. A new vendor started operating the system in June 2003, after a competitive selection process. The contract provides for a revenue guarantee to PATH of $10,000 per month, plus a 15% revenue share. PATH staff believes that advertising revenue would be higher if audio were added, at least for the advertisements, because audio enhances the quality of communication and would eliminate the added cost of modifying television advertisements to run on the PATH system.

MCTS: In-Bus Video Screens

As of mid-2003, the MCTS was in the process of installing video screens on 400 of the agency's 500 buses, with completion scheduled by the end of 2003. These screens were installed in all buses except for 100 buses that will be retired within the 5-year life of the system.

MCTS's objectives are to comply with American's with Disabilities Act stop announcement requirements, while also providing information and entertainment to customers and generating revenue for the agency. Programming includes news, weather, sports, trivia, and next-stop information. The video is updated each morning before the buses leave the garage, with the intent to update the video at least twice a day by updating some buses at the garage and then spreading the new video among buses by means of proximity feeds. Information for automated next-stop announcements is generated by means of GPS devices on each bus.

Each bus is equipped with three flat screen television monitors and a central processing unit (Figure 15). The system runs 18 minutes of advertising per hour in 30-second advertisements. Audio is provided only for the advertisements and next-stop announcements; other content is silent.

The contractor's installation and equipment costs in Milwaukee total approximately $11,000 per bus. The con-

FIGURE 14 PATH in-station video screen.

FIGURE 15 Video screen installed in MCTS bus.

tract provides for payment to MCTS of a 10% revenue share after advertising agency commissions. It remains to be seen how much money this revenue share will generate. There is no guaranteed revenue amount.

Much of the initial customer reaction was positive as customers feel that the video enhances their ride. Some riders objected to the presence of advertising, however, and initially there were problems in getting the sound adjusted properly. Part of the system involves off-board audio announcements for customers at bus stops. Drivers boosted the sound to a level where they could hear the exterior announcements, which produced overly loud internal audio. Training of drivers and additional technical support has all but eliminated this problem. MCTS aims for a controlled volume that is appropriate to the level of ambient noise.

A MCTS telephone survey of bus riders in the fall of 2003 showed very favorable customer response to the video screens. Seventy-six percent of bus riders had ridden a bus with the video screens in the past month. Of those exposed to the screens, 86% were very or somewhat satisfied, 6% were neither satisfied nor dissatisfied, and only 7% were somewhat or very dissatisfied. Two-thirds of the customers reported that they preferred to ride in a bus with the video screens. In terms of content, the highest levels of interest were in weather reports and stop announcements, followed by news and sports headlines.

Greater Cleveland Regional Transit Authority: In-Station Electronic Signs

The Greater Cleveland Regional Transit Authority (GCRTA) is taking a two-prong approach to providing real-time customer information at rail stations and transfer points. One system is being installed by a commercial vendor and will generate modest revenues to the GCRTA. The other system will be installed at locations that are not attractive to advertisers—and thus not feasible for the commercial vendor—and will be paid for by the GCRTA.

By the end of 2003, 25 stations in the GCRTA system will have electronic signs displaying news, weather, sports, and advertising. The signs will also display real-time service information supplied from GCRTA's new bus and rail car vehicle locator system. Electronic signs will be installed at rapid stops and major transfer centers where advertising is attractive given ridership levels. The objective of the system is to provide customer information without incurring a cost to the GCRTA. Revenue will be computed based on a 10% revenue share.

The system, which features two-line scrolling text, complements a separate real-time information system planned for other rail stations and transfer points and park and ride lots—locations relatively unattractive to advertisers. This system is being paid for and will be operated directly by the GCRTA. (The same contractor is also installing equipment for automated stop calls on buses and trains.)

MARTA: Electronic Signs Throughout the Rail System

MARTA issued an RFP in the spring of 2003 for installation of electronic displays throughout the bus and rail system. The RFP covers rail stations, bus bays, and on-board rail cars, and vendors will be required to provide service to all stations and trains. In addition, MARTA reserved the option to bid rail cars through a separate procurement. In the RFP, MARTA requested guaranteed revenues of $120,000 annually and a share of revenues.

The electronic displays will integrate with existing light-emitting diode signs that convey real-time train arrival information. The new displays will include service information, news, weather, and advertising. The capability for displaying emergency messages is also included.

MARTA: Video Screens on Rail Cars and Buses

In 2003, MARTA issued an RFP on bus/rail car video screens, the primary intent being to take advantage of an emerging technology that can provide entertainment and improved communications to its riders along with generating additional revenue.

The RFP required revenue guarantees, along with a percent revenue share after advertising agency fees, with no transit agency equipment or installation cost. It was anticipated that this contract would be awarded in the fourth quarter of 2003.

As of mid-2003, two companies had responded to the RFP. The companies can provide MARTA with the capability to provide entertainment and stop announcements (using GPS devices) on buses, and entertainment, news, and information on rail cars. Both companies have proprietary methods of down loading video at multiple locations and times throughout the day and would be able to equip MARTA's entire fleet.

SEPTA: Electronic Displays

SEPTA planned to issue an RFP in 2003 requesting electronic displays, such as in-vehicle and in-station television monitors. The goals of this procurement are focused on bringing in new revenue to the agency and to addressing the need for real-time train and bus information. As with the MARTA RFP, SEPTA intends to provide vendors with the flexibility to submit a proposal for parts or all of the system, recognizing that some vendors have the capability to install video screens in some venues and not others; for example, in rail stations, but not on board buses.

IN-TUNNEL ADVERTISING

In-tunnel advertising moves advertising displays from trains and stations into tunnels. The technology currently used in the United States works on the same principal as the zoetrope, the 19th century optical toy, and as flip-book animation. Images are placed inside the lighted boxes mounted in a subway tunnel. Similar to frames in a movie film, the image in each box is slightly different from the previous one, creating the illusion of a moving picture as passengers move past the series of boxes. Technologies in

Europe and Asia use strobes that are coordinated with the speed of the train.

In-tunnel displays have been installed in New York and Atlanta, as well as in Canada, Europe, and Malaysia.

MARTA

The first in-tunnel advertisements in the United States were installed in 1,000 feet of tunnel in MARTA's North Line in September 2001. The location was selected based on ease of vendor access for a test installation. The displays consist of a series of 7-in.-deep metal boxes. Each box is about the height of a rail car window. The enclosed boxes contain florescent back-lighting. Several thin, vertical slits in the front of the box align with images on the advertising cards (Butziger et al. 2001) (Figure 16). The advertising lasts approximately 20 seconds as the train passes by. MARTA reports that the advertisements met immediately with positive public response. Advertisers have included national automobile, food, and retail companies.

MARTA revenues since installation (September 2001 to mid-2003) are more than $270,000. Current contract terms provide for a revenue guarantee of $5,700 per month or a 30% revenue share, whichever is greater. The vendor also reimburses MARTA approximately $1,800 per month for power consumption.

MARTA intends to issue a new RFP for additional installations in the subway system. Although initially envisioning as many as 16 displays, MARTA intends to allow vendors to propose the number and locations of installations and the amount of revenue that will go to MARTA.

PATH

In 2001, PATH agreed to test in-tunnel advertisements in two locations. Installation was delayed by the attacks on the World Trade Center and the destruction of the World Trade Center PATH station in September 2001. The first location, on Sixth Avenue in Manhattan, was installed in 2002. The second location is under the Hudson River, just outside the Exchange Place station in Jersey City.

Installation is relatively simple. Florescent boxes are mounted on the wall. The boxes contain plastic film with pictures, which are viewable through a narrow vertical slit. The boxes are bolted to I-beams in the middle of the tunnel between the tracks. Track workers must be mindful of the

FIGURE 16 In-tunnel advertising boxes at MARTA.

need to crouch under the units as trains pass the location. Because most PATH tunnels have very little clearance, only a few locations are considered to be candidates for installation.

PATH staff reported that both customers and advertisers had favorable reactions to the in-tunnel advertisements. Advertisers have been major national automobile, clothing, food, and entertainment companies. The advertisements run for one month.

The contractor reimburses PATH for installation-related labor costs, such as for the conductor and engineer who operated a flatbed train during installation. The contractor also agreed to pay a flat dollar sum for the test period. The original agreement was for a 1-year installation and payment of $50,000, an amount that may be renegotiated. PATH staff anticipates bidding out a larger contract for a longer period of time, but no schedule for doing so has been set.

CHAPTER EIGHT

CONCLUSIONS

A number of conclusions can be derived from the information collected in this study, with perhaps the most important for most transit agencies concerning revenue from the sale of advertising.

- *The display of advertising represents a small but significant source of revenue for transit agencies.* Among 43 transit agencies surveyed for this study, total revenues from advertising sales were 1.5% of total operating funds, with a range of 0.1% to 3.2%. However, advertising revenues appear more significant if compared with fare revenues. Advertising revenues for transit agencies surveyed totaled 4.4% of revenues from fares. At some agencies, advertising revenues are between 10% and 20% of fare revenues. Overall, advertising provides hundreds of millions of dollars in revenue to transit agencies in the United States.

- *Revenue potential is affected by the size of the transit agency* (*e.g., the number of buses, and rail and bus ridership*)*, presence in a top 20 media market, contractor capabilities, and the level of competition for the advertising sales contract.* Generally, advertising revenues are greater at larger agencies, which can offer more buses and trains and exposure to more consumers. Beyond simple size, however, lie several other important factors. Agencies in top 20 markets have greater potential advertising revenues because of the heavy amount of advertising by national companies in these markets. In 2002, large agencies in top 20 media markets averaged 3.5 cents per passenger trip compared with an average of 2.2 cents per trip for transit agencies not in the top 20 media markets. The level of competition for advertising sales contracts is also important. Until the economic downturn in 2001, vigorous competition for contracts also helped drive revenues significantly upward.

- *Other factors affecting advertising revenue include the timing of requests for proposals* (*RFPs*) *and restrictions on billboards.* Some agencies in the San Francisco area, for example, have benefited from billboard restrictions, which make exterior bus advertisements more valuable as a venue for outdoor advertising. Transit agencies issuing RFPs or negotiating contract extensions have realized much lower revenue levels since 2002, because of the downturn in the advertising market and, in general, the economy, compared with the preceding boom years. Agencies that signed contracts with record high revenue guarantees before the downturn continue to benefit from the timing, but only if the advertising sales contractor remains financially healthy.

- *More generally, transit agencies have benefited from the increasing attractiveness of outdoor advertising.* The outdoor advertising category includes billboards, newsstands, phone booths, and taxis, as well as transit. Outdoor advertising has benefited over the last decade from the fragmentation of the television audience; outdoors' ability to reach a mass audience, targeted by location; consolidation of outdoor advertising sales contractors that have brought increased resources to expand and promote the outdoor category; and new technologies for production and display of advertisements. New audience measurement technologies, which can produce detailed audience demographic data, promise to put outdoor advertising on a level playing field with radio and television.

- *Future revenues from advertising sales will be determined by a mix of factors, some positive and some negative.* Although transit agencies have generally benefited from the rising fortunes of outdoor advertising, a variety of other factors will also influence future advertising sales revenues. The overall economy is one major factor. A renewed economy will vitalize advertising sales generally and transit sales in particular. Another factor is the success and reach of nontraditional forms of advertising.

  Specific conditions in the transit market will also be important. For large agencies in major markets, the dominance of one advertising sales contractor raises the question of whether competition for these contracts will be as vigorous as it was in the mid- to late-1990s. In medium and small markets, there is substantial variation in advertising revenues, suggesting that the market is more competitive in some places than others. It should be noted that well-established contracting procedures in the transit industry, specifically high guaranteed revenue levels, are not the practice elsewhere in the outdoor market. It is possible that this limits the number of advertising contractors who may choose to bid on transit contracts.

- *Nontraditional forms of advertising have the potential to supplement the revenue of existing advertising* *displays; however, the scale of revenues remains to be seen.* The use of in-vehicle and in-station video and electronic advertisements and in-tunnel advertising has made considerable progress. Only after recent installations have time to prove their value, however, can the true revenue potential be evaluated. It should be noted that revenue may not be the sole or even primary objective of these new systems, which are often designed to provide customers with travel information and entertainment.

Other nontraditional forms of advertising such as bus wraps and station dominance are more proven. While generating substantial advertising rates, these forms of advertising are inherently limited because most advertisers benefit more from running a larger number of conventional advertisements than from running these more intensive types of advertising. For the foreseeable future, conventional bus exterior, station, and rail car advertisements will continue to generate the bulk of advertising sales revenue for transit agencies.

Other conclusions concern the acceptance of advertising, methods of selling advertising space, other uses of the space, and advertising acceptance policies.

- *The vast majority of transit agencies currently accept advertising on their property, and some of those that do not are reconsidering their policies.* The societal acceptance of advertising, the need for revenue, and the ability to integrate advertising with agency branding has encouraged agencies that do not accept advertising to reexamine their policies.

- *All large transit agencies in top 20 media markets contract out advertising sales, whereas agencies in small- to medium-size markets may elect to sell advertisements though in-house staff.* Contracting out in big media markets is virtually mandatory to tap national advertisers. Some large agencies do sell some advertisements internally, however, such as space on transit maps, schedules, and passes. Transit agencies in small- and medium-size markets can generate as much or in some cases more revenue (on a per-vehicle basis) through in-house sales as compared with contracting out. Actual experience depends on the skill and energy of the sales staff and agency support for entrepreneurial in-house activity.

- *Co-promotions, media trades, and public service announcements (PSAs) can be an effective means of raising the profile of transit agencies in their communities and of promoting ridership.* Although some transit agencies focus on maximizing revenues from advertising sales, others have found important value in promotional uses of the space, from co-promotions with local television and radio stations to building community support through offers of space for PSAs for community groups. Given this experience, the value of advertising space should not be assumed to be only its revenue-generating capacity. At the same time, agencies should consider whether accepting PSAs may establish their property as a public forum and eventually enmesh the agency in unwanted controversies over advertisements they choose to display or reject.

- *Transit agencies can avoid becoming enmeshed in controversy over advertisements that deal with such things as abortion, various sexual topics, and graphic violence by examining in advance their decision-making process for the acceptance of advertising.* It is critical to have a clear approach that is applied consistently to all advertising. A key decision is whether to restrict advertising to advertisements with a commercial purpose. Doing so eliminates most types that generate controversy, but also prevents agencies from accepting some PSAs and other viewpoint advertising that they may want to accept.

- *Few transit agencies conduct stringent audits of advertising sales contracts, and a number of agencies do not check information from advertising sales contractors against independent information sources.* Some transit agencies audit their contractors based on independent information such as the number of advertisements displayed on buses and contracts with advertisers. Many do not, however, checking only the financial reports submitted by the contractor. Whether stricter and more uniform auditing practices would affect agency revenues is open to question; however, the laxness of audits by some agencies makes this a potentially important issue. Improved and more detailed reporting by advertising sales contractors is needed to establish a viable audit trail.

The primary future research need is to continue to learn from transit agency experience with contracting issues and nontraditional forms of advertising. Agency experience is beginning to accumulate in two key areas:

- Nontraditional forms of advertising such as bus wraps, station dominance, video screens and electronic signs, and in-tunnel advertisements.
- Splitting contracts among several advertising sales contractors, particularly for traditional advertising displays and nontraditional forms of advertising.

Further research could follow-up these experiences and analyze their relevance to other agencies.

A second area for further research concerns the legal issues involving advertising acceptance policies. This report highlights the importance of the legal issues and several considerations, but a more detailed legal analysis of case law and agency policies could be valuable to transit agency staff.

A final area of research needs concerns in-house sales. This research should involve detailed case studies of transit agencies that sell advertisements in-house and provide a guide for agency staff on identification of advertisers, effective sales techniques, and fostering this type of entrepreneurial activity in a transit agency environment.

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APPENDIX A

Survey Questionnaire

TRANSIT COOPERATIVE RESEARCH PROGRAM

Project J-7, Topic SB-10

TRANSIT ADVERTISING SALES AGREEMENTS

Study Questionnaire

This questionnaire should be completed by the transit system manager responsible for managing your agency's advertising sales or advertising sales contract, concession, or franchise. Please forward this questionnaire to that person as necessary.

Note to Individual Filling Out This Questionnaire:

My sincere thanks for taking the time to fill out this questionnaire. We know you're busy. The information that you and others from different transit systems provide will offer all of us valuable insights into transit advertising sales agreements and help agencies develop new and innovative ways to use advertising opportunities. This study is on a fast track to bring you results and we will be happy to share our report with you and others as soon as our study is printed.

Please complete this questionnaire as quickly and completely as you can. If you don't have all the information available, please send what you do have now and forward any additional information when it becomes available. Thanks again for your time and effort.

Return by March 20, 2003, to:

Bruce Schaller
Schaller Consulting
94 Windsor Place
Brooklyn, NY 11215

Voice: (718) 768-3487
Fax: (718) 768-5985
schaller@schallerconsult.com

Name: ____

Title: ____

Department: ____

Transit Agency: ____

Street Address: ____

City, State, ZIP: ____

Phone: ______________________ Email: ______________________

This questionnaire can be downloaded in MS Word format from www.schallerconsult.com/adsales. You can fill out the questionnaire electronically and return it by email.

A. If your agency does not sell or lease advertising space, check here and return this page only. ___

I. Forms of Advertising

1. Please check the boxes for the equipment and facilities that you sell or lease advertising space on or in.

Buses:
___ Exterior
___ Interior
___ Bus stop
___ Passenger shelters other than bus stops

Rail cars:
___ Exterior
___ Interior

Rail stations:
___ Platforms
___ Other parts of rail stations
___ Billboards on right-of-way

Other Facilities:
___ Trestles/bridge viaducts
___ Billboards

Printed materials:
___ Fare cards
___ Tickets
___ Transfers
___ Schedules
___ Maps

Other equipment/facilities for which advertising is sold:

____

Types of displays:
___ Bus wraps
___ Rail car wraps
___ Brand cars or stations
___ Digital displays
___ Dioramas
___ Other upgraded displays: ____
___ Other (please specify) ____

2. What percentage of your inventory is currently sold, excluding space set aside for in-house advertising? (approximate if necessary) ____% ___ Don't know

3. List any other type of advertising that is sold (e.g., floor and wall graphics, banners at park & rides, brand cars, plasma screens, waste baskets, in-tunnel ads, naming rights).

____

____

II. Advertising Revenue

4. What was your annual revenue from advertising for each of the last four years? (approximate if necessary)

FY 1999 $__________
FY 2000 $__________
FY 2001 $__________
FY 2002 $__________

5. Please comment on factors affecting any increases/decreases in these revenue figures.

____

____

6. How many transit agency staff are engaged in ad sales, contract management, and related activity? ______ (approximate full-time equivalent)

7. How is the sale or lease of advertising handled?
   ___ In-house staff
   ___ Outside advertising sales agency

   If *outside advertising sales agency*, go to Question 9. If *in-house*, please answer Question 8.

III. In-House Advertising Sales

8. a. Who sells the advertising?
   ___Procurement
   ___Marketing
   ___Real Estate
   ___Other office (please specify) ____
   b. Is a commission paid? ___Yes ___No
   c. If yes, what percentage? _________ %
   d. Do you barter ad space? ___Yes ___No
   e. What percentage of your inventory do you use for in-house advertising? (approximate if necessary) ____%

Go to Question 24

IV. Contracted Sales Agreements

Note: "Sales agreements" include contracts, concessions, and franchises.

9. What firm (or firms) do you contract with?

____

If you contract with more than one advertising sales agency, please indicate answers separately for each firm for Questions 9–23.

10. Does your contract call for a minimum annual guarantee? ___Yes ___No
If yes: What was the guarantee amount in 2002? $______________
Does the guarantee escalate over the life of the contract? ___Yes ___No

11. Does your contract call for a percentage of annual net billings? ___Yes ___No
If yes: What is the percentage? _____%
Does "net billings" include or exclude production charges?
__Include __Exclude
Are any other costs subtracted to determine net billings? ___Yes ___No
If yes, what other costs are subtracted? _________________________

12. What is your percentage of national advertising? (approximate if needed) ____%

13. What percentage of your inventory is allowed for in-house advertising? (approximate if necessary) ____%

14. Do you have the right to use additional unsold space for in-house advertising?
___Yes ___No

15. Media trades:
a. Do you barter ad space that is set aside for transit agency use? ___Yes ___No
b. Do you permit external media trades by the advertising sales agency to the transit agency? (e.g., radio advertising in exchange for transit space) ___Yes ___No

16. Have you been asked to renegotiate your contract as a result of the downturn in the advertising market?
___Yes ___No
If yes, describe the request and outcome (e.g., requested $40,000 decrease in minimum guarantee; request denied, under consideration, approved for lower amount, etc.)
____
____

17. When did the current contract term begin? _____ (year)

18. How long is the contract term? _____ years
Explain any extensions or renewals if applicable.
____

19. When was the most recent competitive bidding for the contract? ______ (year)
a. Did the same advertising sales company have the contract previously? ___Yes ___No
If no, what company had the contract previously? _________________________

b. What companies bid on the contract? (Check off)
____ Viacom Outdoor
____ Obie Media
____ Clear Channel Outdoor
____ Gateway Outdoor
____ Princeton Media
____ Lamar Outdoor Advertising
____ P&C Media (prior to being acquired by Obie)
____ TDI (prior to being acquired by Viacom)
____ Eller Media (prior to being acquired by Clear Channel)
____ Other: ____
____ Other: ____

c. Did the RFP specify a minimum guarantee level? ___Yes ___No
If yes: could bidders bid above the level set in the RFP? ___Yes ___No

d. Did the RFP specify the percentage of annual net billings? ___Yes ___No
If yes: could bidders bid above the level set in the RFP? ___Yes ___No

20. Does your agency perform audits? ___Yes ___No
a. If yes, how often?
____Annually
____Semiannually
____Spot Check
____Other (please specify) ____
b. What method(s) are used to verify the amount of advertising that is sold?
____

21. Does the contract require a performance bond, letter of credit, or liquidated damages? ___Yes ___No.
If yes, please describe:
____

22. Are there other incentives, disincentives, and/or enforcement provisions in the contract? ___Yes ___No.
If yes, please describe:
____

23. a. Who owns the advertising frames or other infrastructure? (List types of property and ownership)
____
b. If the advertising sales agency has ownership, how is ownership settled at the end of the contract if the contract is not continued/re-awarded to the same advertising sales agency?
____

V. Other Advertising Practices

24. a. Do you set aside space for public service advertising (PSAs)?
___Yes:____% ___No
If yes, who pays for labor and related expenses for PSAs?
___Client ___Transit Agency
b. Are there any limitations in the advertising sales agreement on PSAs or co-promotions? ___Yes ___No.
If yes, please describe:
____

25. Describe any other innovative or interesting practices or initiatives at your agency that would be of interest to other transit managers responsible for advertising sales. (Examples of the type of information relevant to this question: partnership with local TV station; bartering; in-tunnel advertising test; new contract for electronic signage that displays service information, news, and advertising.)
____
____
____
____

VI. Advertising Policies

26. Do you have a written policy on advertising content? ___Yes ___No

27. Do you accept viewpoint advertising? ___Yes ___No
(Viewpoint advertising includes political and other forms of non-commercial speech.)
If yes, do you require identification of sponsorship? ___Yes ___No

28. Does your agency have a policy to permit only commercial advertising?
___Yes ___No

29. Do you restrict any of the following types of advertising? (check where you have restrictions)
___ Alcoholic beverages
___ Tobacco products
___ Products/services related to human reproduction or sexuality (e.g., contraceptive products, pregnancy counseling)

30. What is your process to review the content of advertising? Describe below or attach written procedures.
____
____

31. Have you ever canceled/refused an advertisement? ___Yes ___No
    If yes, briefly describe the issue:
    ____
    ____

32. Have you ever been sued over a controversial advertisement? ___Yes ___No
    If yes, briefly describe the issue and outcome:
    ____
    ____

33. Would you be willing to answer follow-up questions on the telephone? ___ Yes ___No
    If yes, what is the best time to call? _________________

== **You're almost done! Just one more thing!**

Also, we would appreciate any of the following that you could provide (by email if possible):

- Advertising content policy.
- Recent RFP for new advertising sales contract, concession, or franchise.
- Advertising contract.
- Advertising rate schedule.
- Sample report from advertising sales agency detailing revenues and sales.
- Sample report from advertising sales agency detailing what advertisements went up, location, dates, etc.
- Photos of advertising and advertising displays on your facilities or equipment or printed materials.

Please return this questionnaire and any documents by March 20, 2003 to:

Bruce Schaller
Schaller Consulting
94 Windsor Place
Brooklyn, NY 11215
schaller@schallerconsult.com

Voice: (718) 768-3487
Fax: (718) 768-5985

This questionnaire can be downloaded in MS Word format from www.schallerconsult.com/adsales. You can fill out the questionnaire electronically and return it by email.

THANK YOU FOR YOUR COOPERATION!

APPENDIX B

Survey Respondents

State	City	Agency
AZ	Phoenix	City of Phoenix Public Transit Department
AZ	Tucson	Sun Tran
CA	Antioch	Tri Delta Transit
CA	Fresno	Fresno Area Express
CA	Livermore	Livermore Amador Valley Transit Authority
CA	Los Angeles	Los Angeles County Metropolitan Transportation Authority (LACMTA)
CA	Oakland	San Francisco Bay Area Rapid Transit District (BART)
CA	San Carlos	San Mateo County Transit District (SamTrans)
CA	San Diego	San Diego Transit Corporation
CA	San Francisco	Golden Gate Bridge, Highway and Transportation District
CA	San Jose	Santa Clara Valley Transportation Authority (VTA)
CT	(Statewide)	Connecticut Transit
DC	Washington	Washington Metropolitan Area Transit Authority (WMATA)
GA	Atlanta	Metropolitan Atlanta Rapid Transit Authority (MARTA)
IL	Chicago	Chicago Transit Authority (CTA)
IL	Peoria	Greater Peoria Mass Transit District
IN	Lafayette	CityBus of Greater Lafayette
IN	Muncie	Muncie Indiana Transit System
KY	Louisville	Transit Authority of River City (TARC)
MA	Boston	Massachusetts Bay Transportation Authority (MBTA)
MA	Worcester	Worcester Regional Transit Authority
MD	(Statewide)	Maryland Transit Administration
MD	Montgomery County	Montgomery County Ride On
MI	Grand Rapids	Interurban Transit Partnership (The Rapid)
MI	Monroe	Lake Erie Transit
MN	Duluth	Duluth Transit Authority
MN	Minneapolis	Metro Transit
MO	Kansas City	Kansas City Area Transportation Authority
NE	Lincoln	StarTran
NJ	(Statewide)	New Jersey Transit Corporation (NJ Transit)
OH	Akron	Metro Regional Transit Authority
OH	Dayton	Greater Dayton RTA
PA	Philadelphia	Southeastern Pennsylvania Transportation Authority (SEPTA)
PA	Pittsburgh	Port Authority of Allegheny County
TX	San Antoniio	VIA Metropolitan Transit
UT	Salt Lake City	Utah Transit Authority (UTA)
VA	Charlottesville	Charlottesville Transit Service
VA	Hampton	Transportation District Commission of Hampton Roads
VA	Woodbridge	Potomac and Rappahannock Transportation Commission
WA	Everett	Snohomish County Transportation Benefit Area Corporation (Community Transit)

State	City	Agency
WA	Richland	Ben Franklin Transit
WA	Seattle	King County Department of Transportation—Metro Transit Division
WA	Tacoma	Pierce County Public Benefit Authority
WI	Madison	Madison Metro Transit
WI	Milwaukee	Milwaukee County Transit System (MCTS)

APPENDIX C

Sample Requests for Proposals

Request for Proposals for Transit Advertising Concession

Notice is hereby given that Connecticut Transit (**CT**TRANSIT) will receive proposals from qualified and responsible firms for the sale of transit advertising in and on **CT**TRANSIT buses.

Proposals must be submitted in an envelope clearly marked "Transit Advertising Proposal" to Fred Bailey, Purchasing and Contracts Officer, **CT**TRANSIT, P. O. Box 66, Hartford, CT 06141-0066; overnight delivery address, 100 Leibert Rd., 06120. Proposals will be received until 11:00 A.M., July 18, 2000. Any proposals received after that time and date will be returned to the proposer unopened.

This RFP and resulting contract will be administered in accordance with the Federal Transit Administration "Third Party Contracting Guidelines, FTA Circular 4220.1D", and all other applicable federal, state and local laws and regulations. All proposers must certify that they are not an ineligible contractor listed on the U.S. Comptroller General's debarred Bidders list. The successful proposer will be required to comply with all applicable Equal Employment Opportunity laws and regulations. **CT**TRANSIT hereby notifies all proposers that it will affirmatively ensure that Disadvantaged and Women's Business Enterprises will be afforded full opportunity to submit proposals in response to this invitation and will not be discriminated against on the grounds of gender, race, color or national origin in consideration for an award.

CTTRANSIT reserves the right to postpone, accept or reject any and all proposals and to waive any informality in the RFP process as **CT**TRANSIT deems to be in its best interest.

Copies of the RFP may be obtained from Fred Bailey, Purchasing and Contracts Officer, **CT**TRANSIT, 860-522-8101 ext. 302.

CT TRANSIT

Request for Proposals

for

Transit Advertising Concession

Request for Proposals
for
Transit Advertising Concession

SECTION 1 – General Information

1.01 PURPOSE

Connecticut Transit (**CT**TRANSIT) is the Connecticut Department of Transportation owned bus system that provides fixed route bus service in the Hartford, New Haven and Stamford metro areas.

CTTRANSIT is soliciting proposals from qualified firms for the privilege to place approved advertising materials on the outside and inside of **CT**TRANSIT buses in the Hartford, New Haven and Stamford divisions. The selected contractor will pay a percentage of its gross income inclusive of a minimum guaranteed fee to **CT**TRANSIT for this privilege.

1.02 OVERVIEW

This RFP contains instructions concerning the proposal to be submitted and the material to be included. A description of the services to be provided, eligibility requirements for consideration, evaluation criteria and other requirements to be met by each proposal are enclosed. Proposers must use the revenue proposal form that is included in this bid package and submit it as part of their final proposal.

1.03 Proposal Submission

One original and five copies of the proposal must be submitted in an envelope clearly marked "Transit Advertising Proposal" and addressed to:

	Overnight Delivery Address
Fred Bailey Purchasing and Contracts Officer **CT**TRANSIT P.O. Box 66 Hartford, CT 06141-0066	100 Leibert Rd. Hartford, CT 06120

Proposals will be received until 11:00 A.M., July 18, 2000. Any proposals received after that time and date will not be considered and will be returned to the proposer unopened.

1.04 Point of Contact

The point of contact for any questions regarding the specifics of this RFP is:

Philip Fry
Assistant General Manager
CTTRANSIT
100 Leibert Road
P. O. Box 66
Hartford, CT 06141-0066
860-522-8101 ext. 222
860-247-1810 (Fax)
pfry@cttransit.com

1.05 Ownership

CTTRANSIT is owned by the Connecticut Department of Transportation and is not subject to any taxes. Tax exempt documentation will be provided.

1.06 Contractor Selection and Award

The basis for award and method for selection of the successful proposal will be competitive negotiation.

CTTRANSIT reserves the right to select a contractor from among the proposals submitted, or to enter into negotiations with two (2) or more qualified offerors, or to reject any and all proposals received. This RFP does not constitute a binding offer of award for the requested services.

1.07 On-Site Visitation

Proposers may wish to make an on-site visit to **CT**TRANSIT's three operating divisions to inspect the vehicles and the space allocated for sign storage. Contact Philip Fry, Assistant General Manager for Planning and Marketing, telephone number (860) 522-8101, ext. 222, to make arrangements for an inspection.

1.08 Requests for Clarifications and/or Variances

Requests for clarifications and/or variances of any specifications in this Solicitation must be made in writing and must be received by Philip Fry, Assistant General Manager, no later than 10 calendar days prior to the proposal due date. Responses to variance requests become a part of these specifications and all proposers requesting these specifications will be provided with any such responses no later than five days prior to the proposal due date.

All changes to this request for proposal will be made by written addendum with notification to all proposers.

1.09 Postponements in Proposal Opening

CTTRANSIT reserves the right to postpone the proposal opening for its own convenience.

1.10 Effective Period of Proposals

Proposals may be withdrawn by written or faxed notice at any time prior to the 11:00 A. M. opening of the proposals. Proposals may also be withdrawn in person (prior to 11 A. M. opening) by the proposer or an authorized representative (with proper I.D.).

Proposals must remain in effect for a minimum of sixty (60) days after the proposal opening.

1.11 Notification of Award

Notification of the contract award, to both the successful proposer and the unsuccessful proposers, will be made in writing via the U. S. Postal Service.

1.12 Contract Term

The contract for the Advertising Concession is for a three-year period, January 1, 2001 to December 31, 2003. Two (2), one-year options are available to be exercised upon **CT**TRANSIT's determination for a potential contract total of five years. **CT**TRANSIT shall notify the successful proposer of its determination, in writing at least ninety (90) days prior to the end of the base contract term or option term.

CTTRANSIT reserves the right to terminate the contract in the event of any default to the terms of the agreement by the selected proposer upon giving thirty (30) days written notice, via certified mail, of intent to do so.

1.13 Termination of Advertising Concession

The Connecticut Department of Transportation (ConnDOT) establishes policy for **CT**TRANSIT. ConnDOT has given consideration to the concept of eliminating all advertising from **CT**TRANSIT buses.

CTTRANSIT reserves the right to terminate the contract upon thirty (30) days written notice, by certified mail, to the successful proposer should **CT**TRANSIT wish to discontinue advertising on all or part of the fleet. The successful proposer shall cease all sales efforts immediately upon receipt of the letter of termination. All advertising displays on and in the buses at the time of the advertising prohibition will continue to remain in place through the expiration of the terms of their applicable contracts.

1.14 Contract Transition

The current contract between **CT**TRANSIT and Obie Media requires that all advertising contracts in effect at the time of the concession contract expiration will be assigned and transferred to **CT**TRANSIT. **CT**TRANSIT or its assigns shall pay to Obie Media fifteen (15) percent of the gross income of such contracts that extend up to twelve (12) months beyond the advertising concession contract expiration date. **CT**TRANSIT will assign all contracts to the successful proposer who will then be responsible for the payment of revenues to Obie Media.

1.15 Proposal Bond

Each proposal must be accompanied by a certified check, cashier's check, or bond in the amount of Two Thousand Five Hundred and No/100 Dollars ($2,500.00). The proposal bond of each proposer will be held by **CT**TRANSIT until all proposals submitted have either been rejected in whole or in part, or the award of the contract has been made.

1.16 Performance Bond

The successful proposer shall provide a performance bond in the amount of 25% of the minimum yearly guaranteed payment, to be forfeited in the event of contractual default, to be renewed annually, and to remain in effect for the full term of the contract. The bonding company shall be licensed in the state of Connecticut. **CT**TRANSIT reserves the right to waive the bond requirement.

1.17 Operating Contract

The successful proposer will be required, within ten (10) days after receiving written notice to do so, to enter into an operating contract with **CT**TRANSIT. The terms and conditions of a final contract between **CT**TRANSIT and the successful proposer will be subject to negotiation. The contract will be considered a part of these specifications and is incorporated by this reference.

1.18 Required Insurance

The successful proposer shall obtain and maintain throughout the contract period, at the successful proposer's sole cost and expense, the following insurance coverage: (1) $1,000,000 per occurrence Personal Injury insurance coverage, (2) $1,000,000 Property Damage insurance coverage, and (3) Workers' Compensation Insurance which is fully in compliance with all applicable laws of the State of Connecticut.

The contractor shall indemnify and hold harmless **CT**TRANSIT from any and all damage, loss or injury (including the resulting death of any person), lawsuits, claims, demands or liens resulting from the installation, maintenance or use of any advertising display on **CT**TRANSIT vehicles or property.

1.19 Third Party Contract Clauses

The Third Party Contract Clauses listed in Attachment A of this RFP are part of this specification and any contract between **CT**TRANSIT and the successful proposer. The proposer is **required** to submit with their proposal the Third Party Contract Certifications in Attachment B. Bid Protest procedures are included as item #11 of Attachment A.

Failure to provide the attached certifications will result in the proposal being considered **non-responsive**.

SECTION 2 – Specifications and Conditions

2.01 Scope of Work

CTTRANSIT is soliciting written proposals from interested firms to act as its exclusive agent for the sale of transit advertising in and on its fleet of buses.

The successful proposer will be **CT**TRANSIT's exclusive agent for the sale of advertising on and in the buses.

The successful proposer will pay **CT**TRANSIT a percentage of its gross operating revenue, inclusive of a minimum annual guaranteed fee.

2.02 Operating Requirements

The successful proposer, at its own expense, will be responsible for posting advertising signs, removing outdated signs and any signs rejected by **CT**TRANSIT. **CT**TRANSIT reserves the right to reject any advertising it finds to be offensive, objectionable or in poor taste.

Installation and ongoing maintenance of signs and other necessary activities of the successful proposer must not interfere with **CT**TRANSIT's operations. Access to vehicles will be provided only at times consistent with the operational hours of the operating facilities. Vehicles will not be removed from service for the purpose of installing or removing advertising signs.

2.03 Methods of Posting Advertisements

CTTRANSIT is open to the majority of methods to display signs; standard sign frames, lighted signs, full or partial wraps and direct application of vinyl signs.

CTTRANSIT operates 375 standard 40-foot transit buses. These buses are equipped with advertising frames on the sides and rears of the vehicles. There are an additional thirteen buses that are low-floor and 30 feet in length. These buses **do not** have advertising frames and none will be installed.

A fleet profile is provided in Exhibit A.

A multi-year fleet replacement program is scheduled to begin in 2001. The new buses will mostly be 40-foot low-floor models, although some 35-foot low-floor models may be acquired, but **none** of the buses will have advertising frames. All advertising on the exterior of the low-floor buses will be direct application vinyl or similar product. The estimate for the fleet replacement is noted in Exhibit A.

The successful proposer will be responsible for any paint damage on buses when wraps or directly applied signs are removed and shall compensate **CT**TRANSIT for the expense incurred to repaint the damaged sections.

2.04 Advertising Frames

CTTRANSIT will maintain and replace the current bus advertising frames, as needed.

2.05 Storage Space

CTTRANSIT will provide a small space in each division, free of charge, to the successful proposer for the handling and storage of advertising signs. The successful proposer is responsible for keeping this work area neat and clean.

2.06 Sales Office

The successful proposer will maintain and operate from a locally staffed office in Connecticut for the purpose of servicing this contract.

2.07 Character of Advertisements

All advertisements shall be of a reputable character, shall conform to recognized business standards, and shall not conflict with the laws of the United States, Connecticut or political subdivisions thereof. Proposers are specifically advised and hereby notified that the graphics, artwork, and copy of the advertisements are expected to be of high quality and of good taste. CTTRANSIT will have sole and unquestioned authority to determine what constitutes "high quality and good taste." However, CTTRANSIT requests the proposers to submit outlines for proposed advertising standards/guidelines and to note how they would strive to limit questionable advertising.

Immoral, vulgar, disreputable or other advertisements that may be offensive to the public shall not be accepted. CTTRANSIT also expressly reserves the sole right to refuse any advertisement which may be construed to reflect its support for a particular product, service, idea, political viewpoint, or point of view.

Advertising for tobacco products is expressly prohibited by the State of Connecticut and will not be displayed on or in CTTRANSIT buses.

Political advertising shall be accepted on a prepaid, cash basis only, and shall be permitted on a first-come, first-serve basis.

All advertising shall be printed and displayed in a **neat and workman-like manner**. The successful proposer shall maintain all displayed advertising so as to insure its neat appearance, and promptly remove all advertising that is worn or otherwise unsightly in appearance. CTTRANSIT reserves the right to require the successful proposer to promptly remove, at the proposer's own expense, any advertising which, in the opinion of CTTRANSIT, is unsightly in appearance. The successful proposer further agrees to remove dated advertising no later than fifteen (15) days following the final date of an advertised event or offer.

2.08 Public, Charitable, or Educational Advertisements

The successful proposer shall display in spaces not in use for commercial advertising; public, charitable, or educational advertisements deemed by both the successful proposer and CTTRANSIT to be proper for the purpose of avoiding unfilled spaces and for promotion of public good will. Such non-commercial advertising will be charged at customary reduced rates.

Contracts between the successful proposer and public, charitable, or educational advertising clients must be executed and processed in the same manner as for-profit advertising clients. **CT**TRANSIT reserves the right to offer interior ad space to certain public, charitable or educational entities free of charge. Such clients are responsible for the production costs for said signs.

2.09 CTTRANSIT Advertising On/In Buses

CTTRANSIT reserves the right to use, without charge, unsold available advertising space for the promotion of its transit services and the general promotion of ridesharing in Connecticut. A minimum of eight (8) interior bus signs per bus may be used by **CT**TRANSIT for its own use. The successful proposer shall place and remove **CT**TRANSIT advertisements without charge. **CT**TRANSIT will be responsible for the production costs of any advertising signs.

CTTRANSIT also reserves the right to "wrap" buses with advertising to promote its transit services and the general promotion of ridesharing in Connecticut. The successful proposer shall assume the full costs to provide four "illustrated or wrapped" buses for **CT**TRANSIT, during the term of the contract. "Assume the full costs" is defined as all costs pertaining to the design, production, application and removal of the vinyl wrap on the bus.

2.10 Trade for Advertising

CTTRANSIT must give prior approval for any trades of advertising space for media time or space (newspaper, billboard, radio or television). It must be guaranteed that any trade time negotiated will not be pre-empted by paid advertising contracted by said media. Certified logs are required to verify the placements made of advertisements. **CT**TRANSIT may cancel the provisions of this paragraph at any time, except for previously approved contracts.

CTTRANSIT reserves the right to use up to four (4) percent of the fleet, on a space available basis, to make its own deals for the trade of advertising space for promotional purposes. The contracting advertiser shall utilize the successful proposer for the production of signs or wrapped buses and the successful proposer will be responsible for posting signs, etc.

2.11 Illustrated/Wrapped Buses

A maximum of fifteen (15) buses may be illustrated/wrapped at any one time, for paying advertisers. This number may be revised if **CT**TRANSIT determines that the successful proposer has made a good case for the change, but the final decision lies with **CT**TRANSIT. The successful proposer will submit the illustrated/wrapped design and advertiser for each of these buses for prior approval by **CT**TRANSIT. **CT**TRANSIT reserves the right to reject any advertiser or design for the illustrated/wrapped bus.

The designs for illustrated/wrapped buses shall be such that they minimize the amount of window space covered by the promotional message. This requirement is necessary, as **CT**TRANSIT has had negative feedback concerning windows that are fully covered. Too many fully covered windows may eventually lead to the elimination of illustrated/wrapped buses.

The advertising message of illustrated/wrapped buses **shall not** cover any of the destination signs on the bus; front, rear or side. The bus number shall be displayed at four locations on a covered bus; front, rear and both sides.

2.12 Monthly Remittance and Report

The successful proposer is required to remit revenues earned each month within twenty (20) calendar days after the end of the month in which they were earned. The revenue must be accompanied by a report that includes details of:

A. All contracts in effect
B. Billings for the month
C. Collections for the month
D. Past due amounts
E. Total remaining balances on accounts
F. Contract expiration dates

The monthly payment and report is to be mailed to:

Internal Auditor
CTTRANSIT
P. O. Box 66
Hartford, CT 06141-0066

The successful proposer shall furnish **CT**TRANSIT with copies of all signed contracts and correspondence (including changes in prices, lengths of contracts and cancellation notices) within a month of their execution.

The successful proposer shall maintain all required records for three (3) years after final payment by the successful proposer to **CT**TRANSIT under the terms of the operating contract. However, if any audit, claim, or litigation is started before the expiration of the three (3) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

The successful proposer will permit **CT**TRANSIT to inspect/audit all records and financial data involved in the operation of the concession during the regular business hours maintained by the successful proposer, and at such other times upon one (1) day's written notice.

2.13 Contract Expiration

Upon the expiration of the advertising concession contract, the successful proposer will assign and transfer to **CT**TRANSIT all contracts for advertising on/in the buses. Said contracts will then become the property of **CT**TRANSIT.

2.14 Contract Default or Bankruptcy

If the successful proposer shall default in complying with the provisions of this agreement, and such default shall continue beyond thirty (30) days, then **CT**TRANSIT may terminate this contract upon thirty (30) days written notice, via certified mail. The contract shall terminate at the expiration of the thirty (30) day period unless the default shall be cured within the thirty (30) day period. In the event of contract termination, neither party shall have any further claim against the other, except that the successful proposer shall be obliged to pay to **CT**TRANSIT any monies due to the date of contract termination.

CTTRANSIT may terminate this agreement forthwith and may remove without liability to it, any advertising matter displayed on its vehicles if the successful proposer shall become bankrupt or insolvent.

SECTION 3 – Revenue Proposal

3.01 Revenue Proposal Bid Form

A Revenue Proposal bid form is included as part of this RFP. Proposers shall submit this form as their official revenue proposal. Failure to incorporate this bid form in their proposal will result in the proposer's bid being considered non-responsive.

3.02 Share of Revenue/Minimum Guarantee

Proposer shall submit on the required bid form the percentage of annual income collected for the sale of advertising space that it will share with **CT**TRANSIT. Annual income is defined as the amount collected for the advertising space less advertising agency and/or brokerage commissions (other than the successful proposer's staff), fees and production charges.

The proposer shall also submit on the required bid form the minimum amount of revenue that it will annually guarantee to pay to **CT**TRANSIT.

The successful proposer shall report the annual income at the end of each contract year. In the event that **CT**TRANSIT's contractual share of this revenue exceeds the minimum annual guarantee for the contract year; the extra income shall be paid to **CT**TRANSIT within 20 days of the end of the contract year.

The successful proposer shall pay to **CT**TRANSIT one-twelfth (1/12) of the annual guarantee by the 20^{th} of each month.

3.03 Minimum Proposals

CTTRANSIT has established a floor or minimum acceptable proposals for the life of this contract.

Proposers must quote no less than a 50% split of annual income per contract year.

Proposers must quote a minimum annual guarantee payment that exceeds $450,000 per contract year.

The minimum guarantee and actual payments for the 1998, 1999, and 2000 contract years have been:

	Guarantee	**Actual**
1998	$394,800	$407,967
1999	$420,000	$500,018
2000	$450,000	$172,142*

*CTTRANSIT's 50% share of revenue (**estimated**) collected for the January – April 2000 period.

SECTION 4 – Qualifications and Selection Criteria

4.01 Proposer Qualifications

Each proposal must contain the following information:

1. The proposer must have a minimum of five years of experience in the transit advertising sales business and demonstrate it has the ability to fulfill the obligations of this contract.

2. The proposer will provide the resumes of the company principals involved with the contract, inclusive of the lead individuals for the Connecticut sales force.

3. The proposer will provide a list of other transit agencies that are current clients, inclusive of the name and phone number of a contact person at each agency.

4. The proposer shall provide a copy of their most recent audited financial statement along with relevant information about their company.

5. The proposer must demonstrate it has the ability to successfully acquire national advertising contracts and to operate a sales program designed to produce maximum advertising income for **CT**TRANSIT.

4.02 Proposal Content

CTTRANSIT desires concise proposals and suggests the following format:

A. Firm Name
B. Business Address
C. Telephone Number
D. Year business established
E. Type of Organization - Individual, Partnership, or Corporation and whether firm is a disadvantaged business enterprise (DBE)
F. Statement of Qualifications - Statement of qualifications and relevant experience in the transit advertising business for the past five years.
G. Professional Qualifications – Resumes of key personnel to be assigned to this contract.
H. Work Plan – Provide a brief work plan describing how your firm will provide the required services.
I. Revenue Proposal – Complete the enclosed Revenue Proposal Bid Form.
J. References – Provide references with financial results from other transit agencies.
K. Audited Financial Statement – Audited statement for most recent business year.

4.03 Selection Criteria

An Evaluation Review Committee will review each proposal. The proposals will be evaluated in accordance with the following:

A. Experience and Capabilities of Proposer – 30 points
The experience and capability of the proposer to undertake this contract with the maximum financial return to **CT**TRANSIT. Client references and proposer's financial capacity will also be considered.

B. Experience and Qualifications of staff assigned to contract – 30 points
The sales experience of the assigned staff, especially with transit ad sales, will be strongly considered.

C. Revenue Proposal - 40 points
The revenue bid proposal will be reviewed to determine the bid that is in the best financial interest of **CT**TRANSIT.

4.04 Oral Interviews

Upon review of the proposals, one or more proposers may be invited to participate in oral interviews. **CT**TRANSIT reserves the right to award the contract without conducting interviews.

CTTRANSIT also reserves the right to reject any or all proposals and to waive any informality or irregularity if it is in the best interest of **CT**TRANSIT to do so.

REVENUE PROPOSAL FOR TRANSIT ADVERTISING FOR CTTRANSIT

Proposers are to present their **Revenue Bid Proposal** in the following format:

EXTERIOR/INTERIOR BUS ADVERTISING

Share of Revenue:

____% of Annual Income payable to **CT**TRANSIT in 2001
____% of Annual Income payable to **CT**TRANSIT in 2002
____% of Annual Income payable to **CT**TRANSIT in 2003
(Bid numbers required for Option Years)
____% of Annual Income payable to **CT**TRANSIT in 2004
____% of Annual Income payable to **CT**TRANSIT in 2005

Minimum Guarantee:

Minimum Annual Revenue Guarantee in 2001 $________________
Minimum Annual Revenue Guarantee in 2002 $________________
Minimum Annual Revenue Guarantee in 2003 $________________
(Bid numbers required for Option Years)
Minimum Annual Revenue Guarantee in 2004 $________________
Minimum Annual Revenue Guarantee in 2005 $________________

Proposer is to complete this Revenue Proposal form in compliance with Section 3, Revenue Proposal, of the RFP.

________________________________ ________________________
Company Name Date

________________________________ ________________________
Name of Authorized Official Signature of Authorized Official

____
Title

EXHIBIT A

CTTRANSIT PROFILE

Exhibit A
CTTRANSIT Profile

Overview

CTTRANSIT is the Connecticut Department of Transportation owned fixed route bus service operator that provides public transit service to the Hartford, New Haven and Stamford metro markets.

Relevant information is provided by operating division.

Bus Fleet	Hartford	New Haven	Stamford
1988 Saabs	0	0	26
1990 & 1991 MCI Classics	122	87	0
1993 – 1994 New Flyer	88	0	5
1996 Nova Classics	13	23	11
1999 Eldorado	6	3	4
	229	113	46

All buses are 40 foot x 102 inch transit coaches, with a couple of exceptions. One of the Saab coaches in Stamford is a 35 foot model and the 1999 Eldorado coaches are 30 foot x 102 inches.

Advertising frames on buses:

King	356	192	36
Queen	82	24	38
Tail	219	110	31

King size signs have been placed on both sides of many buses, thus minimizing the number of Queen size signs. Tail signs measure 21" x 70" except for 20 signs on the Saabs which are 21" x 42". The 13 Eldorados do not have any frames nor may frames be installed.

Service Characteristics:

	Hartford	New Haven	Stamford
Days of Service	365 days/year	365 days/year	362 days/year
Approximate hours of Operation	5am –12:30am M-F 6:45am-11pm Sat. 8:00am-7:30pm Sun.	5am-12:30am M-F 6am-12:00am Sat. 7am-12:35am Sun.	5am-10pm M-F 7am-9:30pm Sat. 7am-8pm Sun.
Peak Buses	189	91	31
Base Buses	92	59	21
Buses on Sat.	67	45	18
Buses on Sun.	21	15	5
Annual Miles Operated*	7.1 million	3.5 million	1.2 million
Annual Hours Operated*	526,000	300,000	104,000
Annual Ridership	14.8 million	9 million	3.2 million

*Estimates for FY2000 (July 1 1999 – June 30, 2000) with 10 months actual data.

Fleet Replacement Schedule:

The Connecticut Department of Transportation has developed a tentative bus replacement schedule as follows:

2001 – Replace 26 Saabs in Stamford and 10 MCI's in Hartford
2002 – Replace 40 MCI's in Hartford
2003 – Replace 38 Hartford MCI's and 44 New Haven MCI's
2004 – Replace 33 Hartford MCI's and 44 New Haven MCI's
2005 – Replace 40 Hartford New Flyers
2006 – Replace 48 Hartford New Flyers and 5 Stamford New Flyers

All future bus procurements will be of a low-floor design and **will not** be equipped with advertising frames.

Transit Authority of River City (TARC)

Request for Proposals

PART II – SCOPE OF WORK

SECTION 1: FLEET/OPERATIONS INFORMATION

The Transit Authority of River City (TARC) is the agency of local government that operates public transit services in the Greater Louisville region. TARC operates sixty-seven (67) routes throughout Jefferson County and also serves Bullitt and Oldham Counties in Kentucky as well as Clark and Floyd Counties in Indiana. Most of TARC's service operates between the hours of 4:30am to 1am on weekdays, 5am to 1am on Saturdays, and 5am to 1am on Sundays.

As of January 1, 2002, it is estimated that TARC will be operating approximately 272 fixed route buses. Of the 272 buses that will comprise TARC's fleet in 2002, approximately 230 buses will be full-sized forty (40) foot coaches while the remainder of the fleet will be thirty (30) foot coaches.

On weekdays, TARC operates a total of one hundred eighty four (184) coaches during peak periods on fixed routes and eighty-eight (88) coaches during off-peak periods (middle of the day) on fixed routes. On Saturday, a maximum of fifty-seven (57) coaches operate on fixed routes while on Sunday a maximum of thirty-seven (37) coaches operates on fixed routes.

During TARC's most recent fiscal year that ended on June 30, 2001, over 15.2 million passengers were carried on fixed route services. This represents a 1.4% increase in ridership as compared to the previous fiscal year.

SECTION 2: TRANSIT ADVERTISING PROGRAM OBJECTIVES

The major objectives that TARC wishes to achieve for the transit-advertising program are as follows:

2.1 To maximize the advertising revenues paid to TARC. TARC seeks a sustainable Contractor to grow the transit advertising program.

2.2 To assist TARC with advertising and promoting its programs and services. TARC frequently uses both interior and exterior transit advertising to market various aspects of its service and to provide information to passengers.

2.3 To properly maintain TARC's fleet of vehicles with respect to advertising frames and posters. Advertising on TARC vehicles must be attractively presented and the use of frames must not create safety hazards for passengers or TARC employees. The advertising racks must also not cause damage to wash racks or other TARC equipment.

2.4 To minimize the impact of posting activities for TARC's Maintenance personnel. TARC's Maintenance personnel are not responsible for posting exterior or interior signage.

2.5 To maximize opportunities for minorities, females, and Disadvantaged Business Enterprises to participate in the performance of this contract. TARC is committed to an affirmative action program that will employ minorities and women wherever employment opportunities exist. Whenever subcontractor services are needed, TARC strongly encourages that minority and female-owned businesses be given strong consideration by the Contractor.

2.6 To assist non-profit and community organizations and institutions with public service advertising when unsold space is available.

SECTION 3: FINANCIAL REQUIREMENTS

3.1.1 Revenue Split – Each proposal that is submitted to TARC for the transit advertising RFP must contain a percentage of gross amounts from advertising received by the contractor. The term “gross amounts from advertising” means the gross cash sums actually received by the contractor as payment from advertisers for the display of their advertisements after deductions of:

(a) Commissions, if any, retained by the advertising agencies, not to exceed fifteen (15) percent.
(b) National or regional sales representative commissions not to exceed fifteen (15) percent.
(c) The amount of any and all sales, use, gross receipts, and similar taxes imposed upon the contractor in respect to the business transacted under the contract, but excluding income and property taxes.

No posting charges or any other miscellaneous fees may be charged to TARC for the placement of exterior and interior signs.

3.1.2 Minimum Annual Guarantee – TARC will be guaranteed a minimum annual payment by the contractor, regardless of the contractor’s gross revenues from its advertisers. The guarantee will be renegotiated in the event that TARC’s fleet size and/or the amount of authorized advertising space is reduced by ten (10) percent or more at any time during the period of the contract.

3.1.3 Payments – Payments are to be made monthly. Payments earned in any one month are due no later than the 20th day of the following month. The Contractor must pay twenty-five (25) percent of the agreed upon minimum annual guarantee by the 20th day of the following month for each quarter of the calendar year.

The only authorized deductions from this amount will be bad debts, as defined in Section 3.1.4, or a work stoppage lasting five days or more. The procedure for lessening or cessation of payments during a work stoppage will be negotiated with the successful proposer.

3.1.4 Bad Debts – Deductions for bad debts may only be made once a year, at the time of the annual reconciliation, for bills ninety (90) days or more in areas which have formally been declared non-collectable by the contractor. The contractor must receive written permission from TARC before a bill can be declared a bad debt. If a bill that has been declared a bad debt is subsequently collected, the contractor must then forward a payment to TARC based on the standard revenue split.

3.1.5 Current Advertising Contracts – The current TARC contract provides that upon its expiration, the current Contractor is to receive twenty (20) percent of the gross income for twelve months from existing advertising contracts extending beyond the expiration date of the current TARC contract. TARC will assign these contracts to the new Contractor. Gross income from such contracts shall be treated as any other income from advertising, except that for twelve (12) months new Contractor will remit to the current Contractor out of new Contractor’s share of the gross income an amount equal to twenty (20) percent of the gross income from such contracts.

SECTION 4: SERVICE REQUIREMENTS

4.1.1 TARC Marketing and Promotion – Providing that the TARC's Director of Marketing or his/her agent give sixty (60) days advance notice to the contractor, TARC shall have the right to the exclusive use of no more than ten (10) percent of each type of exterior advertising for a maximum of twenty-six (26) weeks per year to market and promote TARC's programs and services. Additionally, TARC shall have the right to the exclusive use of a minimum of eight (8) interior cards in each TARC coach at all times. TARC shall also have the right to use any unsold advertising space for the same purposes. In both cases, the contractor shall install, maintain, and remove TARC's advertising at no charge. TARC's use of advertising space for self-promotion may be pre-empted by paid advertisements only with the prior permission of the Director of Marketing. TARC will collaborate with the Contractor so as not to take away valuable revenue advertising space for potential advertising customers.

4.1.2 Public Service Announcements – The contractor must develop a program that discounts the cost of posting advertising for non-profit agencies or organizations, when unsold space is available.

SECTION 5: ADMINISTRATIVE PROVISIONS

5.1.1 Term – The term of the agreement shall be for three (3) years commencing on January 1, 2002, and ending on December 31, 2004. TARC will have the option to extend the contract for up to two (2) one-year periods. The maximum length of the contract shall be for a period of not greater than five (5) years.

5.1.2 Rights Granted – TARC has authorized advertising rights as specified in the proposed agreement. However, TARC warrants and represents that the contractor shall only have the exclusive right to place such advertising as may be authorized.

TARC does not warrant or represent that any particular level of advertising, or any advertising at all, will be authorized during any particular period of time covered by the agreement. TARC reserves the right to reject any proposed advertising.

5.1.3 Vehicle Advertising Space – It is anticipated that as of the effective date of the proposed agreement, there will be approximately 272 buses available for advertising. There are spaces for 875 signs. The number of authorized exterior advertising signs will be as follows:

Name of sign	Size	Location on bus	Quantity
King	21” x 144”	Street side	213
Queen	21” x 72”	Curb side	224
Queen	21” x 72”	Street	36
Tail	21” x 66”	Back	238
Front	18” x 40”	Front	139
Side	18” x 40”	Curb side	25

A maximum of twenty-five (25) vehicles will be available for fully or partially (supertails, "king-kongs", etc.) wrapped illustrated buses.

TARC's trolleys and smaller neighborhood shuttle vans (25' or smaller) are not available for advertising.

All designs for illustrated buses must have the written approval of the Director of Marketing.

5.1.4 Additional Advertising – TARC reserves the right to consider and implement other types of advertising media for bus interiors and exteriors at any time during the term of this contract. Such media may include, but not be limited to, advertising methods using various types of new technology. Such advertising methods would be contracted and implemented to TARC's best advantage.

TARC's Director of Marketing or his/her agent must give written approval of the use of any new type of interior or exterior signage.

5.1.5 Audits – TARC reserves the right to have an annual audit conducted by a Certified Public Accountant selected by TARC. The contractor shall pay half the cost of this audit up to a maximum cost to the contractor of $5,000 per audit. The contractor shall be required to make available at its local Louisville office all records of the company necessary for a CPA to conduct the annual audit.

5.1.6 Reports – Along with each monthly payment that is due by the 20th day of the following month, the contractor shall include:

- A Statement of Gross Billings generated by the contractor during the period, for which the monthly payment is made, signed by a responsible officer.
- An Account Activity Summary that shall include a percentage allocation of gross billings by client categories. The client categories are Commercial, Political, TARC, and Public Service Announcements.
- A copy of all advertising contracts that were executed during the previous month.

5.1.7 Schedule of Rates and Charges – On or before the first business day of each calendar year, the contractor shall submit to TARC's Director of Marketing a complete Schedule of Rates and Charges for all advertising charges under the proposed agreement.

5.1.8 Trades, Discounts, and Bonuses – No trades are permitted without the prior written consent of the Executive Director. Discounts or bonuses will be permitted without prior written approval providing all of the following condition are met: such a transaction results in a direct financial benefit to TARC and in no way relates to the sale of transit advertising on other transit systems; the contractor is prohibited from receiving any consideration or commission other than payments from which TARC receives a cash percentage; and discounts or bonuses are clearly itemized with appropriate footnotes in contractor's sales contracts.

5.1.9 Ownership and Maintenance of Equipment – Contractor, at its own expense, shall furnish all new displays, racks, space frames and other such equipment, with the following exceptions. New vehicles purchased by TARC shall be equipped with ad frames at TARC's cost of replacing frames during the process of painting, repairing and refurbishing its vehicles in the course of TARC's own maintenance programs. TARC will retain full title and ownership rights to all of this equipment once it has been installed.

The contractor will also be responsible, at its own expense, for the maintenance of all artwork on all illustrated buses during the term of the contract. Material that becomes torn or absent during normal operation and maintenance of the coach must be replaced at the expense of the contractor in a timely fashion

Contractor will be responsible for removing the advertising material from an illustrated bus upon the expiration of the advertising contract.

5.2.0 Insurance and Indemnification – The contractor will maintain Workers' Compensation Insurance insuring the employers responsibility under the Kentucky Revised Statutes; Employers' Liability with limits of not less than $500,000 each occurrence; Comprehensive General Liability Insurance with limits of not less than $1,000,000 each occurrence; and Comprehensive Automobile Liability Insurance with limits of not less than $1,000,000 each occurrence. The contractor will also indemnify TARC and its employees.
Contractor shall indemnify and save harmless the Authority, its Board of Directors, officers, and employees from and against all loss, costs (including but not limited to reasonable attorney's fees), liability, damage and expense for personal injury, death or property damage, arising out of the acts or omissions of the Contractor, its employees, subcontractors, or agents, related to performance or nonperformance of work under this Contract by the Contractor, its subcontractors, employees or agents. Contractor's indemnification obligations shall exclude such loss, costs, liability, damage or expense to the extent caused by the negligent acts, errors or omissions of the Authority, its employees, agents or third party contractors, willful misconduct by the Authority, its employees, agents, or its third party contractors, or Authority's breach of this Contract or any other Contract Document.

5.2.1 Local Sales Representative – The Contractor shall maintain a full-time local sales representative in Louisville in order to facilitate coordination between TARC and the Contractor.

TARC will provide Contractor with a shop location for the preparation and posting of signage. This area must be kept in a neat and working order.

5.2.2 Nondiscrimination, Affirmative Action, and Disadvantaged Business Enterprise The Contractor shall comply with all of TARC's policies regarding nondiscrimination and Affirmative Action and shall support TARC's policies regarding Disadvantaged Business Enterprise participation. These policies are detailed in PART I, Section 4.6 of this RFP.

APPENDIX D

Sample Advertising Placement Reports

Location List

BART Station	# of Units	Unit Face	Date Installed
San Francisco Line			
Embarcadero	12	5, 10, 19, 23, 29, 37, 55B, 59B, 65A, 67A, 71A, 75B	2/11/01
Powell	14	99B, 71B, 75B, 80B, 85B, 88B, 42B, 96B, 2NF's, 8, 12, 17, 24	1/25/01
Civic Center	12	59B, 62A, 64A, 72A, 76B, 80B, 61, 2, 43, 52, 14, NF	1/25/01
16th Street	2	12, 8	1/25/01
24th Street	2	1, 14	1/25/01
Glen Park	8	2A, 7B, 10B, 11A, 13A, 15B, 20B, 23A	1/25/01
Balboa Park	2	1, 8	1/26/01
Daly City	2	3, 5	1/26/01
Colma	3	4, 6, 10	1/26/01
Concord Line			
Rockridge	2	3, NF	1/28/01
Orinda	3	3, 8, 19	1/29/01
Walnut Creek	1	9	1/29/01
Pleasant Hill	4	2, 8, 16B, 9A	1/29/01
Concord	3	5, 7, 8	1/29/01
North Concord	8	2NF's, 60, 54, 49, 32, 38, 42	1/29/01
Pittsburgh	4	2, 1A, 4A, 8B	1/29/01
Richmond Line			
12th Street	10	9, 13, 1, 21, 34A, 39A, 42B, 30A, 2NF's	1/25/01
19th Street	10	2, 19, 24, 11, 30A, 2NF's, 35A, 39A, 42A	1/25/01
MacArthur	12	1, 9, 6, 13, 12, 30B, 23B, 28B, 30A, 42, 15, 38	1/25/01
Ashby	2	12A, 17B	1/25/01
Berkeley	4	7B, 3A, 8, 12	2/1/01
North Berkeley	4	6B, 10A, 1A, 8A	2/1/01
El Cerrito Plaza	5	11, 15B, 23, 17B, 19A	2/1/01
El Cerrito Del Norte	5	9, 15A, 33, 16A, 14A	2/1/01
Richmond	4	12B, 7B, 3, 11A	2/1/01
Fremont Line			
Fremont	4	2, 4, 6A, 9B	2/8/01
Union City	4	1, 8, 10B, 15A	2/8/01
South Hayward	4	11, 14, 12B, 14A	2/8/01
Hayward	7	10A, 12A, 13A, 15A, 3, 7, 12A	1/30/01
Bayfair	4	2, 7, 13A, 18B	2/8/01
Castro Valley	4	4B, 7A, 3, 8B	1/30/01
Dublin/Pleasanton	2	3A, 6B	1/30/01
San Leandro	2	2, 8	1/30/01
Coliseum – Oakland	6	6, 11, 14, NF, 21A, 26A	1/30/01
Fruitvale	2	1, 17	1/30/01
Lake Merritt	10	22. 3, ~~21A~~, 24B, 27B, 30A, 34A, 38A, 40A, 43A	1/25/01

TDI

POSTING INSTRUCTIONS – BART TRAIN CARDS

ADVERTISER: BART **DESIGN: FIRE PREVENTION "Fall Back"**

CONTRACT AMOUNT: 100 **SHOWING:** Special

LOCATION: RICHMOND						**X-Y-TRAIN CARS**							
327	2570	274	439	361	257	678	1514	1524	411	611	270	2566	640
275	1505	1802	2539	1518	1512	260	269	587	1520	703	2558	715	589
438	623	603	1821	448	1741	1604	250	1837	596	402	1813	1653	341
649	720	1538	405	1803	226	1773	1551	1545	2537	746	654	359	234
1806	704	554	723	680	203	266	668	724	1517	2561	1533	1526	766
272	258	718	557	2530	555	2513	2569	549	1656	2556	254	264	1506
393	410	1513	338	413	357	1627	353	685	732	416	1819	578	564
2547	686												
LOCATION: CONCORD													
311	1885	1884	352	440	307	1897	318	2525	572	1852	606	1876	1892
368	316	834	318	2525	572	621	320	347	1913	1502	369	343	1687
719	337	345	1872	1622	1885								
LOCATION: HAYWARD													
2549	1851	599	2552	731	663	2580	691	1855	665	536	249		
255	2571	610	2562	1730	323	2576	537	1829	636	245	634		
1878	243	684	348	434	747	323	2576	747					
TOTAL: 166													

Completed: 10/25/00 Signature:

CONCORD YARD
33 – 10/25/00

RICHMOND YARD
100 – 10/24/00

HAYWARD YARD
33 – 10/25/00

Date Copy Received: 10/24/00

TDI

TDI

Installation Completion Report

Market: San Francisco Bay Area

Client: **BART**

Media: BART – Train Cards **Showing Size:** Special

Number of Locations Contracted For: 475

Number of Locations Delivered: 475

Copy Design/Caption: Rodeo Winner

Scheduled Installation Date: 10/15/00 **Date Installation Completed:** 10/25/00

Signature:______________________

Kwamena Acheampong-Quaye
(Plant Manager/Posting Supervisor)

TDI – San Francisco
120 Howard Street, Suite 450 San Francisco, CA 94105

TDI

OBIE MEDIA CORPORATION
Milwaukee Transit Contract Summary
Year Ended March 31, 2004

Market	Contract Period	Total Sales	Less Agency Comm$	Net Sales	Cash Receipts	Net Collections	50.0% share	50.0% exceed min by 20%	30.0% share	Ozaukee Payment Made	Milwaukee Payment Made	Check#	Date Paid	Milwaukee YTD min pmnt
Milwaukee	April-03	59,895.73	2,724.11	57,171.62	39,196.01	39,196.01	19,598.01				40,000.00	60542	5/29/03	40,000.00
Ozaukee	April-03	0.00	0.00	0.00	0.00	0.00	0.00							40,000.00
Milwaukee	May-03	75,077.00	920.01	74,156.99	59,941.58	59,941.58	29,970.79				40,000.00	61351	6/30/03	80,000.00
Ozaukee	May-03	0.00	0.00	0.00	0.00	0.00	0.00							80,000.00
Milwaukee	June-03	74,154.13	3,920.26	70,233.87	46,112.78	46,112.78	23,056.39				40,000.00	62107	7/30/03	80,000.00
Ozaukee	June-03	1,035.00	0.00	1,035.00	0.00	0.00	0.00							80,000.00
Milwaukee	July-03	58,204.77	3,514.01	54,690.76	73,115.67	73,115.67	36,557.84			pmnt enclosed	40,000.00			120,000.00
Ozaukee	July-03	1,035.00	0.00	1,035.00	1,035.00	1,035.00	517.50		pmnt enclosed	517.50				120,000.00
Milwaukee	August-03			0.00		0.00	0.00							120,000.00
Ozaukee	August-03			0.00		0.00	0.00							120,000.00
Milwaukee	September-03			0.00		0.00	0.00							120,000.00
Ozaukee	September-03			0.00		0.00	0.00							120,000.00
Milwaukee	October-03			0.00		0.00	0.00							120,000.00
Ozaukee	October-03			0.00		0.00	0.00							120,000.00
Milwaukee	November-03			0.00		0.00	0.00							120,000.00
Ozaukee	November-03			0.00		0.00	0.00							120,000.00
Milwaukee	December-03			0.00		0.00	0.00							120,000.00
Ozaukee	December-03			0.00		0.00	0.00							120,000.00
Milwaukee	January-04			0.00		0.00	0.00							120,000.00
Ozaukee	January-04			0.00		0.00	0.00							120,000.00
Milwaukee	February-04			0.00		0.00	0.00							120,000.00
Ozaukee	February-04			0.00		0.00	0.00							120,000.00
Milwaukee	March-04			0.00		0.00	0.00							120,000.00
Ozaukee	March-04			0.00	0.00	0.00	0.00							120,000.00
		269,401.63	11,078.39	258,323.24	219,401.04	219,401.04	109,700.52	0.00	0.00	517.50	160,000.00			

APPENDIX E

Sample Advertising Acceptance Policies

Madison (Wisc.) Metro Transit

POLICY ON LEASED ADVERTISING SPACE

ADOPTED BY THE TRANSPORTATION* COMMISSION MARCH 11, 1986
REVISED BY THE TRANSPORTATION* COMMISSION SEPTEMBER 26, 1989
REVISED BY THE COMMON COUNCIL JANUARY 1, 1992

* Now known as the Transit & Parking Commission

TABLE OF CONTENTS

I. INTRODUCTION

The purpose of this policy is to establish guidelines for the interior and exterior advertising on Metro Transit System buses. The Transit & Parking Commission will be ultimately responsible for the adoption of this advertising policy and any amendments.

Reasons for Accepting Advertising

Paid Advertising

Madison leases paid advertising space on both the interior and exterior of its Metro buses in order to raise revenues for the City of Madison. The revenue raised from commercial advertising is returned to the Transit budget and is used to reduce the local share of the Transit operating budget.

Free Advertising

Madison provides free space to non-profit organizations (see Appendix A). The City recognizes that many public service ads support worthy causes that improve life in the community.

In addition, Madison provides space for elementary school students as part of Metro's program to introduce these students to safe bus riding habits. These students create posters that are installed between May and September of each year.

Madison also uses on-vehicle advertising itself to promote public awareness of Metro services. This type of advertising includes transfer policy information, bus stop boarding instructions, fare descriptions, promotion, detour flyers, and similar information.

II. POLICY ON USE OF METRO TRANSIT SYSTEM ADVERTISING SPACE

Madison's policy is to restrict advertising as little as possible while still responding to operational safety concerns.

Madison places the following restrictions on all advertising placed on its buses.

Paid Advertising

Copy Standards

Metro Transit System will accept all copy, graphics and photos except those which are obscene, libelous, or fraudulent. Metro Transit System will not accept any advertisements for tobacco and tobacco related products in the advertising space provided in and on buses operated by the City of Madison.

Medium Restrictions

Any advertising that might interfere with safe, timely, convenient operation of buses or the safety of riders or the general public will not be allowed on buses. This includes advertising that contains flashing lights, sound makers, mirrors and other special effects. Distribution of flyers, prizes, and the like as an advertising medium is prohibited under Madison's policy on distribution and collection of information.

Responsibility for Compliance

The firm responsible for selling advertising space on Metro buses will be notified of these standards and restrictions. It will be that firm's responsibility to forward to Metro for approval any advertisement that might violate one or more restrictions. Furthermore, the firm will promptly remove any already-posted advertisement found to violate a restriction.

Free Advertising

Madison will provide free advertising space to non-profit organizations as defined in Appendix A for public service ads subject to the following conditions:

General Regulations and Procedures

Interior and exterior advertising space will be available for public service ads subject to the demand for paid advertising space. The actual distribution of these spaces will be at Metro's discretion. Public service ads will be placed for at least ninety days. Continuation of an ad for more than ninety days will be approved only if there are no public service or paid ads waiting to be placed. Public service ads may be removed at any time if the space has been sold to a paying advertiser.

A non-profit organization that wants to place public service ads must provide the printed car cards at its own expense. The cards must conform to regular Metro standards for size, weight and other physical characteristics. The organization must also pay for the cards' installation and removal. The installation and removal costs shall be determined by Metro staff, based on the actual costs to install and remove cards. Metro will arrange for the installation and removal of cards. It is the organization's responsibility to deliver and reclaim cards in a timely fashion.

Copy Standards for Free Public Service Advertising

- The ad must be directed toward promoting an organization's services to the community or a substantial segment of the community. Ads which are for internal promotion (e.g., honoring employees) or are designed primarily for the benefit of an organization (e.g., soliciting donations) are not eligible for free space.

- Ads which promote partisan political activity (e.g., campaign ads or party fund-raisers) or which advocate positions on political issues are not eligible for free space.

- All free ads also must comply with the copy standards set forth on Page 2 in this policy for paid advertising.

Medium Restrictions

- All free ads must comply with the medium restrictions set forth for paid advertising.

Implementation and Appeal Process

Metro's Transit General Manager will designate the staff person responsible for approving paid advertisements, approving eligible non-profit organizations, and public service advertisements, and administering the placement and removal of ads.

The firm responsible for selling advertising space on Metro buses may appeal the designated staff person's decision on the acceptability of any paid ad, by contacting the Transit General Manager. The Transit General Manager's decision may be appealed in writing to the Transit General Manager, whose decision may, in turn, be appealed at the next regular meeting of the Transit & Parking Commission.

An organization may appeal the designated staff person's decision either with respect to that organization's non-profit status or the eligibility of an ad for free space by contacting the Transit General Manager. The Transit General Manager's decision may be appealed in writing to the Transit General Manager, whose decision may, in turn, be appealed at the next regular meeting of the Transit & Parking Commission. The decision of the Transit & Parking Commission may be appealed to the Common Council in accordance with the Madison General Ordinances.

When an advertisement is not accepted, the firm and/or organization presenting the advertisement shall be notified of the appeals procedure in writing. At any point in the appeals process, a decision may be made to refer the decision on the advertisement directly to the Transit & Parking Commission.

III. POLICY ON SOLICITATION AND DISTRIBUTION OF INFORMATION ON METRO BUSES

Periodically, people seek to distribute or collect information on Madison buses. These activities range from distribution of flyers to requests for donations, to solicitations to attend particular churches.

One of Metro Transit System's prime responsibilities is to provide passengers with a pleasant, convenient ride. A passenger who must suffer a solicitation is not being given a pleasant, convenient ride. A rider who must step around a leafletter positioned at the front of the bus or wait until a leafletter moves out of the way is not being given a convenient ride either.

Metro also has a responsibility to maintain acceptable cost levels, including acceptable liability risks. A person leafletting or soliciting on a bus is apt to have his or her hands full and thus not be able to hold a grab rail. He or she is also likely to be moving about in an effort to contact passengers and to be preoccupied with his or her cause. Such a person is much more likely to fall and be injured or injure someone else than is a regular passenger.

Policy Statement

In view of the above, Madison establishes as its policy that no one may engage in distribution or collection of information on Metro buses -- including leafletting, soliciting, surveying, or similar activities -- except for Metro employees or agents acting for Metro.

This policy shall be enforced by application of the appropriate ordinances.

APPENDIX A

Definitions

A. Buses - includes all buses now and hereinafter at any time either directly or indirectly owned or operated by the City as part of the urban transit system for the Madison urban area.

B. Non-profit organization - is an organization exempted from Federal taxes under Section 501(c)(3) of the Internal Revenue Service Code, or a unit of government the jurisdiction of which includes part or all of Metro's service area. Internal Revenue Code Section 501(c)(3) describes a non-profit corporation as: "Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

JMW.015:clh

ADVERTISING POLICY FOR TRANSIT VEHICLES AND KIOSKS

Revised November 1999

The KCATA may allow commercial and public service advertising in the interior and exterior of its buses subject to these guidelines:

- KCATA will not display advertising copy that is false, misleading or deceptive; KCATA will not allow advertising of an obscene or sexual nature;
- KCATA will not display advertising involving negative or personal attacks against individuals or organizations or which is contrary to existing laws or promoting illegal activity;
- KCATA will not accept political advertising or campaign advertisements of any type;
- KCATA will not accept advertisement copy dealing with alcohol, tobacco, religion or adult entertainment.

ORDINANCE NO. 91-169

AN ORDINANCE REPEALING ORDINANCES NO. 89-118 AND 91-89 AUTHORIZING ADOPTION OF ADVERTISING GUIDELINES AND CREATION OF ADVERTISING REVIEW COMMITTEE, AND ADOPTING AMENDED AND RESTATED ADVERTISING GUIDELINES AND PROCEDURES FOR REVIEW OF ADVERTISING DETERMINATIONS

WHEREAS, The Chicago Transit Authority's primary purpose is to provide safe and efficient public transportation services for persons using its buses, rapid transit cars, and other vehicles and facilities; and

WHEREAS, The Chicago Transit Board has determined to create certain exceptions to the non-public-forum status of CTA property and to permit certain forms of public service, commercial, and other advertising in or upon CTA buses, rapid transit cars, and vehicles and facilities; and

WHEREAS, CTA passengers, many of whom have limited or no alternatives but to use CTA vehicles and facilities for transportation to and from school, work, recreation, and other locations, are a captive audience to advertising therein or thereon, and

WHEREAS, Significant numbers of persons using CTA vehicles and facilities are minors who are included among the captive audience who may be affected adversely by certain advertising; and

WHEREAS, The Chicago Transit Board has determined that discharging the CTA's primary purpose of safe and efficient public transportation, while permitting certain advertising in or upon CTA vehicles and facilities, is best achieved by reasonable advertising guidelines that do not interfere with the CTA's obligations to maintain passenger safety, minimize disruption to public transportation services, ensure peace and order on the public transportation system, protect passengers from fraudulent activities, and protect the health, safety, and welfare of minor and adult passengers; now, therefore:

BE IT ORDAINED BY THE CHICAGO TRANSIT BOARD OF CHICAGO TRANSIT AUTHORITY:

ORDINANCE NO. 91-169
(Continued)-2

SECTION 1. Ordinance Nos. 89-118 and 91-89 are hereby repealed in their entirety and, in lieu thereof, the Chicago Transit Board hereby adopts the following amended and restated advertising guidelines and procedures for review of advertising determinations as the CTA's policy regarding advertising permitted in or upon CTA vehicles and facilities.

SECTION 2. The Chicago Transit Board hereby adopts the Amended and Restated Guidelines Governing All Advertising, including public service, commercial and other advertising, contained in Exhibit 1 attached hereto and made a part hereof, and the Amended and Restated Guidelines Governing Public Service Advertising contained in Exhibit 2 attached hereto and made a part hereof (collectively referred to as the "Advertising Guidelines"). The Advertising Guidelines shall apply to all requests made to the CTA by sponsors seeking to post an advertisement in or upon CTA vehicles and facilities.

SECTION 3. The sponsor of a proposed advertisement shall submit to the CTA or through the department of the CTA or any agent of the CTA to which advertisements may be submitted, as from time to time designated by the CTA (hereinafter referred to as the "Department"), a written request to post the proposed advertisement, together with a full-sized copy of the proposed advertisement as it would appear if posted.

SECTION 4. (a) unless within fifteen (15) business days of the CTA's actual receipt of such submission the Executive Director sends the sponsor written notice that the proposed advertisement fails to comply with the Advertising Guidelines, the proposed advertisement shall be accepted for posting, subject to the sponsor's identification of the proposed location(s) and date(s) for posting thereof, submission of a camera-ready copy of the proposed advertisement, payment of any required deposits and other payments, and compliance with such requirements and specifications as from time to time may be promulgated by the CTA acting through its Department (collectively referred to as the "Applicable Requirements"); and (b) the written notice referred to in Section 4(a) shall consist of (i) the reasons for the Executive Director's determination that the advertisement fails to comply with the Advertising Guidelines and (ii) a copy of this Ordinance.

ORDINANCE NO. 91-169
(Continued)-3

SECTION 5. Within thirty (30) calendar days of the sending of written notice that the proposed advertisement fails to comply with the Advertising Guidelines, the sponsor of the proposed advertisement may seek review of that determination by filing a written notice of appeal with the Transit Services Committee of the Chicago Transit Board. The sponsor's notice of appeal shall be accompanied by a written statement of such matters of fact or law in support of such review that the sponsor desires be considered. The Transit Services Committee may, at its option, permit the sponsor and representatives of the Department to appear and make comments or answer questions, or both.

SECTION 6. Within thirty (30) calendar days after the notice of appeal is filed, the Transit Services Committee shall review the Executive Director's determination that the proposed advertisement fails to comply with the Advertising Guidelines and shall decide upon a recommendation to be submitted to the Transit Board whether the proposed advertisement complies with the Advertising Guidelines.

SECTION 7. At the next scheduled regular meeting of the Chicago Transit Board, the Transit Board shall consider the Transit Services Committee's recommendation and shall determine whether the proposed advertisement complies with the Advertising Guidelines. The Transit Board may, at its option, permit the sponsor and representatives of the Department to appear and make comments or answer questions, or both.

(a) If the Transit Board determines that the proposed advertisement complies with the Advertising Guidelines, within five (5) business days of that determination the Transit Board shall send the sponsor written notice that the proposed advertisement shall be accepted for posting, subject to the sponsor's compliance with the Applicable Requirements.

(b) If the Transit Board determines that the proposed advertisement fails to comply with the Advertising Guidelines, within five (5) business days of that determination the Transit Board shall send the sponsor written notice of (i) the reasons for that determination and (ii) the sponsor's option to withdraw its advertisement from consideration.

ORDINANCE NO. 91-169
(Continued)-4

SECTION 8. In all stages of the CTA's internal review of a proposed advertisement, the CTA shall have the burden of proving by a preponderance of the evidence that the proposed advertisement does not comply with the Advertising Guidelines.

SECTION 9. Unless within fifteen (15) business days of the sending of written notice referred to in Section 7(b) the sponsor files with the Transit Board a written notice that it has elected to withdraw the proposed advertisement from further consideration, the CTA shall institute judicial proceedings, naming the sponsor as a defendant, to determine whether the proposed advertisement may be prohibited under the Advertising Guidelines or any other applicable law.

SECTION 10. For purposes of this ordinance, the term Transit Services Committee means and includes the same as constituted on the date of passage of this ordinance and any successor to its respective functions under this ordinance that hereafter may be designated by the CTA.

SECTION 11. If any part of this Ordinance is declared invalid or void, the remainder of the Ordinance shall remain in full force and effect.

SECTION 12. This ordinance shall be in full force and effect from and after its passage.

APPROVED:

Clark Burrus
Chairman

September 11, 1991

PASSED:

John S. Santoro
Secretary

September 11, 1991

ORDINANCE NO. 91-169

EXHIBIT 1

AMENDED AND RESTATED GUIDELINES
GOVERNING ALL ADVERTISING IN OR UPON
CHICAGO TRANSIT AUTHORITY VEHICLES AND FACILITIES

1. All advertising must comply with all applicable laws and with all ordinances, rules, regulations, requirements, and specifications promulgated by the Chicago Transit Authority ("CTA").

2. All advertising must be produced through a process that ensures reproduction of good quality, on materials of specific quality and size, all according to uniform specifications promulgated by the CTA.

3. All commercial advertising must be truthful. False, deceptive, or misleading commercial advertising is not permitted. Commercial advertising offering premiums or gifts must not misstate their value. Commercial advertising that proposes transactions which would constitute unlawful discrimination or would be illegal for any other reason is not permitted.

4. Advertising that is legally obscene is not permitted. In addition, sexually explicit advertising depicting nudity (male or female genitals, pubic areas, or buttocks with less than a fully opaque covering; female breasts with less than a fully opaque covering or any part of the areolae or nipples; or the covered genitals in a discernibly turgid or otherwise recognizable state) or sexual intercourse or other sexual acts is not permitted.

5. Advertising that portrays graphic violence, such as through the depiction of human or animal bodies, body parts, or fetuses in states of mutilation, dismemberment, disfigurement or decomposition, is not permitted.

6. Advertising that is directed to inciting or producing imminent lawless action and is likely to incite or produce such action, including but not limited to unlawful action based on a person's or persons' race, color, sex, age, religion, disability, national original, ancestry, sexual orientation, marital or parental status, military discharge status, or source of income, is not permitted.

ORDINANCE NO. 91-169

EXHIBIT 1 (page two)

7. If advertising contains a testimonial, then the sponsor shall provide to the CTA documentation that the person making the testimonial has authorized its use in the advertising.

8. Advertising cannot encourage persons to refrain from using safety precautions normally used in transit-related activities, such as awaiting, boarding, riding upon, or debarking from transit vehicles.

9. Advertising cannot contain CTA graphics or representations without the express written consent of the CTA.

10. No implied or declared CTA endorsement, rejection, or opinion respecting any product or service is permitted.

11. Each sponsor shall indemnify and hold harmless the CTA and its directors, officers, representatives, employees, and agents from any and all claims, demands, liabilities, or causes of action of any kind, including costs and attorneys' fees, arising out the sponsor's advertising.

12. The placement of non-public-service advertising shall take precedence over the placement of public service advertising.

ORDINANCE NO. 91-169

EXHIBIT 2

AMENDED AND RESTATED GUIDELINES
GOVERNING PUBLIC SERVICE ADVERTISING IN OR UPON
CHICAGO TRANSIT AUTHORITY VEHICLES AND FACILITIES

1. All public service advertisements ("PSA's") must comply with the Amended and Restated Guidelines Governing All Advertising in or upon Chicago Transit Authority Vehicles and Facilities (except those guidelines specifically applicable only to commercial advertising).

2. A PSA must be non-commercial, non-partisan, and not designed to influence a specific piece of legislation.

3. The CTA's limited PSA space shall be allocated on a first-come, first served basis.

4. The sponsor of a PSA must meet the requirements for a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, or be an organization that has no net earnings that inure to the benefit of any private shareholder or individual and that is organized for one or more of the following or similar purposes: charitable, benevolent, eleemosynary, educational, civic, patriotic, political, religious, social, literary, promotion of amateur sports, scientific, research, or agricultural.

5. The sponsor of a PSA shall pay the applicable labor costs for installation and removal of the PSA as charged by the CTA's advertising contractor and approved by the Contracting Officer.

6. PSA's may be posted only inside CTA buses and rapid transit cars.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
STAFF REPORT

DATE: September 13, 2002

TO: Board of Directors

FROM: Margaret Gallagher, District Counsel

SUBJECT: CONSIDERATION OF APPROVAL OF SANTA CRUZ METRO ADVERTISING POLICY AND REGULATIONS

I. RECOMMENDED ACTION

Approve the attached Santa Cruz Metro Advertising Policy and Regulations
Approve the attached Santa Cruz Metro Advertising Policy and Regulations.

II. SUMMARY OF ISSUES

- Santa Cruz Metro contracts with Obie Media to facilitate the placement of advertisements on the exterior sides of the buses.
- During the 5-years of the Obie Media contract, Santa Cruz Metro will have realized approximately $712,000 in revenue from the advertisements according to the Finance Manager.
- The Obie Media contract is set to expire on December 1, 2002.
- Santa Cruz Metro issued a Request for Proposals for a contractor to place advertisements in and upon the buses for the next 3-5 years.
- It is appropriate for the Board of Directors to consider standards for advertising in and upon the buses.

III. DISCUSSION

Santa Cruz Metro has contracted with Obie Media, an advertising company, for the placement of advertisement on the exterior of the buses for the last 4 and a-half- years. The contract is set to expire by its terms on December 1, 2002. The Obie Media contract will have generated approximately $712,000 during the term of the contract with approximately $180,000 being earned in the last year of the contract, according to the Finance Manager.

Mark Dorfman, the Assistant General Manager, is issuing a Request for Proposals for the placement of advertisements in and upon the buses for the next 3-5 years.

The Obie Media contract contains certain restrictions on bus advertisements that the contractor is required to adhere to or risk a contract violation. The contract prohibited the following types of advertisements:

1. alcohol;
2. tobacco;
3. false, misleading or deceptive;
4. defamatory;
5. likely to hold up to scorn or ridicule any person or group;
6. obscene or pornographic;
7. advocacy of imminent lawlessness or violence.

During the last year questions have arisen regarding whether or not Santa Cruz Metro can restrict advertisements on the buses. Additionally, the Board of Directors was interested in finding out whether or not bus shelters could be reserved for public service announcements.

Although the Obie Media contract allows restrictions in bus advertisement based on content, any such restrictions are subject to the First Amendment to the United States Constitution's protection of freedom of speech. The right of free speech is not absolute and certain forms of speech are entirely outside the scope of constitutional protection. Witkin, Summary of California Law (1988) 9th Ed. Vol. 7 §289. Most of the advertisement restrictions in the Obie Media contract fall into the area of "unprotected speech." Unprotected speech may be prohibited without raising any First Amendment issues whatsoever. Types of unprotected speech include: defamation, fraudulent misrepresentation, obscenity, and advocacy of imminent lawless acts. Restrictions on unprotected speech do not raise First Amendment concerns.

First Amendment issues do arise when governmental entities restrict protected forms of speech. However, protected speech is not equally permissible in all places and at all times. Nothing in the Constitution requires the government freely to grant access to all who wish to exercise their right to free speech on every type of government property without regard to the nature of the property or to the disruption that might be caused by the speaker's activities. Recognizing the government, no less than a private owner of property has power to preserve the property under its control for the use to which it is lawfully dedicated, the United States Supreme Court has adopted a forum analysis as a means of determining when the government's interest in limiting the use of its property to its intended purpose outweighs the interest of those wishing to use the
property for other purposes. Accordingly, the extent to which the government can control access depends on the nature of the relevant forum (Cornelius v. NAACP Legal Defense and Education Fund 473 U.S. 788. (1992)).

If a governmental entity has created a public forum for ideas, restrictions on the content of protected speech are strictly scrutinized and generally impermissible (Police Dept. of City of Chicago v. Mosley 408 U.S. 92 (1972)). On the other hand, if a governmental entity has not created a public forum, then it may restrict the subject matter of speech so long as the restriction is not arbitrary, capricious or invidious. Restrictions based on the speaker's viewpoint are always impermissible (Lehman v. Shaker Heights, 418 U.S. 298 (1974)).

Where transit districts have permitted political ads or other forms of non-commercial speech, in
or upon buses, courts have held that the transit districts have opened First Amendment forums for the expression of ideas. In this type of forum, the transit district may impose content-based restrictions if necessary to serve a compelling state interest and if narrowly drawn to achieve that end (Wirta v. Alameda-Contra Costa Transit Dist. (1967) 68 C. 2d 51, 55; Gay Activists v. Washington Metropolitan Area Transit Authority No. 78-2217 (DDC, 1979)). Or, the government may impose content neutral time, place and manner restrictions narrowly tailored to serve a significant government interest, which leaves open ample alternative channels of communication (United Postal Service v. Council of Greenburgh Civic Association, 453 U.S. 114, 101 S.Ct. 2676, 69 L.Ed. 2d 517(1981)).

Where transit districts have permitted only commercial advertising, the Sup reme Court has held that the transit districts have not opened up the advertising space as a forum for ideas Lehman at 778; Packer Corp. v. Utah, 285 U.S. 105 (1932). In those cases the Court has noted that the transit districts were engaged in commerce, the purpose of which was to provide rapid, convenient, pleasant and inexpensive service. "… When the transit agencies have limited the forum for the specific purpose of generating revenues, a transit system has discretion to develop and make reasonable choices concerning the type of advertising that may be displayed in its vehicles. (Lehman at 777). In order to be able to restrict advertisement in this type of forum, the transit district merely has to show that their restriction is reasonable; it need not be the most reasonable or the only reasonable limitation. In addition where the government is acting as a proprietor, its action will not be subjected to the heightened review to which its actions as a lawmaker may be subject. (International Society for Krishna Consciousness (ISKON), Inc. v. Lee 505 U.S. 672, 112 S. Ct. 2701, 120 L.Ed. 2d 541 (1992)).

Currently, because Santa Cruz Metro allows political, religious and other issue-orientated advertisements, in and upon its buses, a court would most likely determine that Santa Cruz Metro had created a designated public forum. Therefore, in order to restrict any advertisement based on content, Santa Cruz Metro would have to show a compelling state interest. Because Santa Cruz Metro has never articulated any reasons for the limitations set forth in the Obie Media contract, it is unlikely that a compelling state interest could be articulated for the exclusions noted above, unless the speech was unprotected and, it is doubtful that a court would accept a rationale proposed after litigation was initiated.

It is appropriate for the Board of Directors to consider establishing the purpose of its bus advertising program because First Amendment rights can be affected through restricting bus advertisements.

If Santa Cruz Metro wishes to maintain a designated public forum allowing all-comers to advertise, maintaining a place for public discourse and have the ability only to restrict unprotected speech, it can do so by continuing its current practices. Of course, should a tobacco or alcohol advertisement be proffered, the advertisement would have to be posted, unless Santa Cruz Metro can articulate a compelling state interest for such restrictions.

If Santa Cruz Metro wants to promote its commercial enterprise to the maximum extent possible, it can adopt the attached advertising policy. By adopting this policy, Santa Cruz Metro would be establishing a non-public forum for the purpose of promoting its commercial enterprise. In this way Santa Cruz Metro is able to make reasonable limitations to promote the purpose of the forum, that is, the commercial enterprise not in conflict with its bus service.

With regard to whether Santa Cruz Metro can restrict advertisements on its bus shelters to public service announcements, the same forum analysis set forth above is required. Because the placement of the public service announcements is unrelated to any intended purpose of the shelter, other than to open public property for a discourse on a variety of topics, including health related issues such as AIDS and abortion, if a political or religious advertisement was proffered, it would most probably have to be accepted. The intention of a government entity to open its property for discourse results in the designation of that property as a public forum. Additionally, it could be argued that the bus shelters because of their location on public streets, if opened for advertisements, should be considered a traditional "public forum." Therefore, to be able to only allow public service announcements, Santa Cruz Metro would have to have a compelling state interest. It is doubtful that such could be articulated as required to avoid a First Amendment violation, if a proffered advertisement was declined.

IV. FINANCIAL CONSIDERATIONS

Bids for the Advertisement contract are scheduled to be opened on October 1, 2002.

V. ATTACHMENTS

Attachment A: Proposed Santa Cruz Metropolitan Transit District's Advertising Policy and Regulations

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

8/3/98

Regulation Number:

Computer Title: Advertising Regulation

Effective Date:

Pages:

TITLE: **ADVERTISING POLICY AND REGULATIONS**

Procedure History

NEW POLICY	SUMMARY OF POLICY	APPROVED
	To Create a policy regarding advertising on buses	

I. POLICY

1.01 Santa Cruz Metro sells space inside and upon its buses, for the display of commercial advertising. The purpose is to raise revenues, supplementary to those from fares and from tax proceeds, to be used to finance Santa Cruz Metro's operations. The display of advertising is solely for this purpose. It is not intended to provide a general public forum for purposes of communication, but rather to make use of property held in a proprietary capacity in order to generate revenue.

1.02 In order to realize the maximum benefit from the sale of advertising space, the program must be managed in a manner that will procure as much revenue as practicable, while ensuring that the advertising does not discourage the use of Santa Cruz Metro's transit system, does not diminish Santa Cruz Metro's reputation in the community it serves or the good will of its patrons, and is consistent with Santa Cruz Metro's principal purpose of providing safe, comfortable, efficient and affordable public transportation. To attain these objectives, Santa Cruz Metro's Board of Directors has established these regulations for the advertising displayed in and upon its buses.

1.03 In addition to the foregoing, noncommercial speech is excluded from advertising inside and upon the buses for the following reasons:

a. Santa Cruz Metro wishes to maintain a position of neutrality on political, religious, environmental, or other public matters and issues in order to promote its commercial enterprise;

b. If advertisement inside and upon the buses is not restricted, the buses and passengers could be subject to violence;

c. Preventing a reduction in income earned from selling advertising space because commercial advertisers may be dissuaded from using the forum commonly used by those wishing to communicate political or religious.

II. APPLICABILITY

2.01 This procedure is applicable to all District employees and all independent contractors who contract with Santa Cruz Metro, for the placement of advertisement in and upon Santa Cruz Metro's buses.

III. DEFINITIONS:

3.01 Commercial advertising:

a. Advertising the sole purpose for which is to sell or rent real estate or personal property for profit, or to sell services for profit.

b. Any advertising that both offers to sell property or services and also conveys information about matters of general interest, political issues, religious, moral, or environmental matters or issues, or other public matters or issues, or expresses or advocates opinions or positions upon any of the foregoing.

c. Does not convey whether expressly or implied, intentionally or unintentionally, by inference or innuendo, the religious, social, political, legal or moral view of any person or entity as such views are generally understood in Santa Cruz County Community.

d. Does not cause the vehicles, if posted individually or in combination with other advertisements, to become a public forum for the dissemination, debate, and/or discussion of public issues.

3.02 Political Advertising:

a. Any advertising that supports or opposes the election of any candidate or group of candidates for election to any federal, State, or local government office;
b. Any advertising that supports or opposes any referendum conducted by the federal or State government, or by any local government, such as referenda on constitutional amendments, on bond issues, or on local legislation; or
c. Any advertising that features any person whose prominence is based wholly or in part upon his or her past or present activity in political affairs, or that represents or implies any such person's approval or endorsement of the subject matter of the advertising.

IV. ADVERTISING STANDARDS:

4.01 All advertising displayed in or upon the Santa Cruz Metro's buses shall be strictly commercial in nature and purpose.

4.02 Santa Cruz Metro's transit system, in order to serve the purpose for which it has been established, must of necessity accommodate all persons without distinction of age. It is therefore necessary to exclude advertising unsuitable for exposure to children or persons with immature judgment. The following kinds of advertising therefore will not be displayed in or upon Santa Cruz Metro's buses:

1. Advertising for cigars, cigarettes, pipe tobacco, chewing tobacco, and other tobacco products.
2. Advertising for alcoholic beverages, including beer, wine, and distilled spirits.
3. Advertising for products or services related to human reproduction or sexuality, including but not limited to contraceptive products or services, other products or services related to sexual hygiene, and counseling with regard to pregnancy, abortion, or other sexual matter.
4. Advertising for products, services, or entertainment directed to sexual stimulation.

4.03 Advertising that explicitly and directly promotes or encourages the use of means of transportation in direct competition with Santa Cruz Metro's bus service shall not be displayed in or upon Santa Cruz Metro's buses.

4.04 No advertising shall be permitted that in any way denigrates Santa Cruz Metro's organization, or its operation, or its officers, agents, or employees. This prohibition includes advertising copy and illustrations that state or imply or could reasonably be expected to cause an inference, that Santa Cruz Metro's service or operations are anything but safe, efficient, affordable and convenient.

4.05 Santa Cruz Metro expects all advertising copy to be truthful. Advertising copy and illustrations should not be exaggerated, distorted, false, misleading or deceptive.

4.06 Medical products or treatments are to be treated in a restrained and inoffensive manner.

4.07 Testimonials are expected to be authentic, and advertisers using them will be required to indemnify Santa Cruz Metro against any action brought in connection with them. Advertising that promotes contests or giveaways is expected to comply with all applicable laws and regulations.

4.08 No advertising in or upon Santa Cruz Metro's buses shall include language, pictures, or other graphic representations that are unsuitable for exposure to persons of young age and immature judgment, or shall be derogatory or defamatory of any person or group because of race, color, national origin, ethnic background, religion, gender or sexual preference.

4.09 No advertising shall be displayed in or upon Santa Cruz Metro's buses if the display thereof would violate any federal or State law or regulation, or any law, regulation, or ordinance of any county or municipality in or through which Santa Cruz Metro buses are or may be operated.

4.10 No advertising that is obscene, as defined by federal or California law, shall be displayed in or upon Santa Cruz Metro's buses.

4.11 Proposed advertisements shall not be accepted if the use, or possession of the property proposed to be advertised, includes a product that is specifically prohibited from use or possession on Santa Cruz Metro's facilities including its buses and vehicles. These products include firearms, tobacco products, alcohol and weapons.

4.12 No advertising will be accepted if it advocates imminent lawlessness or violence.

4.13 Political advertising will not be accepted.

4.14 Advertising will not be accepted if it promotes or encourages unlawful activity.

4.15 Advertising will not be accepted if it supports or opposes an issue or cause and/or which advocates or opposes a religion or belief.

V. USE OF SANTA CRUZ METRO'S NAME

5.01 Use of Santa Cruz Metro's name, logo, slogans, or other graphic representations is subject to advance approval by Santa Cruz Metro. Santa Cruz Metro does not endorse or imply endorsement of any product or service.

VI. ADMINISTRATION OF ADVERTISING REGULATION

6.01 Advertising space on Santa Cruz Metro's buses is sold through an independent Contractor. The Contractor shall comply with the foregoing policies, and review all advertising with reference to them. They shall refer all such advertising that falls or may fall into any of the categories defined above to Santa Cruz Metro's designated representative responsible for administering the advertising program, who shall determine whether the proposed advertising will be accepted. If the proposed advertising is rejected, the party or parties proposing it may request that this decision be reconsidered. Upon such request, Santa Cruz Metro's representative shall consult with Santa Cruz Metro's District Counsel and with its General Manager or the officer designated by him/her for this purpose. The General Manager or his/her designee, on the basis of such consultation, shall determine whether the proposed advertising will be accepted or rejected.

6.02 Santa Cruz Metro will co-operate with the party or parties proposing the advertising, and with the independent contractor through whom it has been proposed, in a reasonable effort to revise it in order to produce advertising that can be accepted and displayed consistently with the foregoing policies.

Abbreviations used without definition in TRB Publications:

AASHO	American Association of State Highway Officials
AASHTO	American Association of State Highway and Transportation Officials
APTA	American Public Transportation Association
ASCE	American Society of Civil Engineers
ASME	American Society of Mechanical Engineers
ASTM	American Society for Testing and Materials
CTAA	Community Transportation Association of America
CTBSSP	Commercial Truck and Bus Safety Synthesis Program
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
IEEE	Institute of Electrical and Electronics Engineers
ITE	Institute of Transportation Engineers
NCHRP	National Cooperative Highway Research Program
NCTRP	National Cooperative Transit Research and Development Program
NHTSA	National Highway Traffic Safety Administration
NTSB	National Transportation Safety Board
SAE	Society of Automotive Engineers
TCRP	Transit Cooperative Research Program
TRB	Transportation Research Board
U.S.DOT	United States Department of Transportation