Exhibition Place

8

ACTION REQUIRED

January 18, 2012

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **CNEA Agreement - Event Staff Canada**

Summary:

This report recommends the approval of one-year (2012) agreement with the option to extend for an additional three-year period (2013, 2014 and 2015) between the CNEA and Event Staff Canada ("ESC") for the provision of gate and admission services.

On November 18, 2011, the Canadian National Exhibition through the services of City of Toronto, issued a Request for Proposals to establish a new agreement for a gate and admission services provider for four years commencing from date of award. The RFP included a detailed description of the needs of the CNEA and it closed on December 5, 2011 with two submissions received.

Recommendation:

It is recommended that the Board, subject to the approval of the CNEA Board, approve a one-year agreement (2012) between the CNEA and Event Staff Canada, with an option to renew for 2013, 2014, and 2015 with an annual fee not to exceed $652,500 plus 3% increase in each subsequent year of the agreement, subject to further negotiation, and substantially on terms and conditions as outlined in subject report, and such other terms and conditions satisfactory to the CNEA General Manager and the CNEA Solicitor.

Financial Implications:

Funds for the services provided in this agreement are budgeted for in the approved 2012 CNEA Operating Budget, and will be provided for in the 2013, 2014, and 2015 CNEA Operating Budgets.

Decision History:

This report will be considered by the CNEA Board of Directors at its meeting being held on January 26, 2012, and the recommendation of the CNEA Board will be reported to the Board at its meeting of January 27, 2012.

Pursuant to the CNEA By-Laws, if an agreement term exceeds a one year it requires approval by the Board of Governors of Exhibition Place.

Issue Background:

The existing agreement with a third party provider for the provision of gate and admission services for the annual CNE has expired.

Comments:

Public RFP Process

On November 18, 2011, the CNEA Program through the services of City of Toronto, issued a RFP to establish a new agreement for a gate and admission services provider for four years commencing from date of award. The RFP included a detailed description of the needs of the CNEA and it closed on December 5, 2011 with two submissions received.

An Evaluation Team comprised of staff from the CNE Operations Division and the Exhibition Place Finance Department scored the responses submitted in accordance with the detailed selection criteria and requirements as outlined in the RFP call. In addition, both Proponents were interviewed in order for the Evaluation team to gain further clarification on the proposals submitted.

The final scores out of 100 points based on both the written submissions and interviews were as follows:

Event Staff Canada (ESC)	83
Extreme Tix Inc.	68

The Evaluation Team noted that the proposal submitted by Extreme Tix Inc. fell short of meeting the basic expectations of the CNE with respect to cash office operations, cash management, operational logistics and site staffing. The Extreme Tix Inc. proposal fee ($226,045) was lower than that of ESC ($652,500), however aside from equipment, the fee schedule only accommodated the wages of 5 Extreme Tix Inc. management personnel whereas the ESC fee aside from equipment included 52 personnel necessary for site operations. The fees quoted therefore did not fairly compare for the services offered. As an aside Extreme Tix Inc. focus and primary business is web based ticketing with a stated goal to achieve high volumes of on-line sales which is not in keeping with the basic requirements of this RFP call and therefore raised doubts about the ability of Extreme Tix to fulfill the CNEA's requirements.

As explained in detailed information / history below, ESC has provided gate and admission services for almost a decade to the annual CNE and other large fairs and venues. They have a strong focus on training, customer service and cash office/gate management and a full understanding of the requirements of the CNE as evidenced in their proposal.

Accordingly, the Evaluation Team recommends ESC as the "Preferred Proponent", having attained the highest score.

The terms of the proposed agreement are:

- CNE Cash Office Management & Operation
- Gate Management/Administrative Service
- Box Office Management Services
- Ticket Taking/Gate Control

- Concession Reporting Office
- Concession/Exhibitor Pass Credential System
- Electronic Ticket Redemption System
- All hardware and software required for the operation of the system
- IT Management and technicians
- ESC to ensure system compliance with all audit and financial recommendations with respect to the operation and integrity of the system.

The proposed agreement will include the usual provisions for satisfactory performance, indemnity and insurance.

Past Delivery of Gate/Admission Services

1999 – 2008

In the decade (1999-2008 inclusive) the management of the CNE gates changed in order to address various concerns with the overall operation, performance and security. Prior to 1999, Exhibition Place staff hired seasonal staff to supervise the services required for ticket selling, ticket taking and operation of the cash office during the annual CNE. Beginning in 1999 ticket taking and gate control were outsourced to Eastlea Security. Control of ticket selling and the operation of the cash office remained in-house with Exhibition Place. In 2000 an attempt was made to outsource ticket selling and the operation and management of the cash office as well. An RFP was issued for the provision of both of these services, but no responses were received and so these services remained in-house.

In 2001, the same RFP was issued and Outdoor Box Office ("OBO") was the only respondent. OBO was contracted to undertake the ticket selling portion of the operations, but the management of the cash office was kept in-house. At the conclusion of the 2001 CNE, a number of concerns were raised about overall gate operations as follows:

- Lack of coordination in overall gate operation resulting in inefficiencies. Each of the three service providers (Conklin, Eastlea, OBO) was working in isolation from each other which resulted in inefficient operation of the gates.
- Inconsistent interpretation and implementation of gate policies and procedures.
- Fragmented pass program, which resulted in duplication of passes issued and inefficiencies.
- Lack of experience of in-house staff managing CNE gates from an operational perspective thus resulting in higher operating costs.
- Lack of consistency in the level of service provided to CNE customers.
- A broad range of passes that led to confusion and interpretation by gate staff and also contributed to the overall abuse of free passes to the fair.

Shortly after the 2001 CNE, the operation and management of the CNE gates was re-assigned to the Operations Department. Prior to the start of the 2002 CNE, representatives of the CNEA Operations Department and the General Manager met with each of the three service providers to address the above-noted general issues and individual areas of concern and problems with each of the suppliers. The CNEA Operations Department then implemented a plan for all three suppliers to work together in planning for the 2002 CNE. This allowed for the early

identification of problems and the development of consistent plans to address these problems in an effective and efficient manner.

In addition to accomplishing the above, staff and the three suppliers started to formulate long term goals and objectives to improve gate operations. These included but were not limited to:

- Increase efficiency at vehicle gates by reconfiguring both Ontario Drive and Newfoundland gates.
- Full implementation of the electronic gate system, to increase efficiency and reduce the occurrence of fraud.
- Introducing a unified approach to customer service training of all gate staff, which would result in a unified and consistent approach for resolving customer complaints.
- Development and implement a new pass program which eliminated duplication and increased efficiency in the distribution and reconciliation of passes at the conclusion of the CNE. This system also provided a record and comparison of pass distribution and use and was used to assist in a comprehensive evaluation of passes used and assisted in future planning of pass requirements.
- Expansion of the e-ticket system to include all paid admission tickets which expanded the control and security of the system to include all tickets and passes and thus further reduced the opportunity for fraud.

With the approval of the CNEA Board of Directors and Board of Governors, in 2003, three-year agreements were entered with each of the three service providers: Eastlea Security, OBO and Conklin Shows. OBO's role was expanded to include cash office management and operation, control and management of information booths. This included merchandise sales, complaints, cash and inventory controls, selling of all passes to third parties, and collecting and reconciling daily concessionaire sales reports. Eastlea's and Conklin's roles remained as before.

At the end of 2005, it was evident that the management of gate operations, from a ticket-selling, ticket-taking (gate controls) perspective, needed to be streamlined further. Although great strides had been made in improving the overall efficiency of gate operations, inconsistencies still existed with having two different providers managing the separate functions of ticket-selling and ticket-taking. These inconsistencies impacted customer service and complaint resolution.

The confidence in OBO increased with each successive year of their involvement at the CNE. Because of the number and diversity of events that this company services, their staff brought experience to the site that would have been difficult and/or costly to hire in-house. OBO consistently exceeded expectations and has proven to be a reliable and responsive service provider. Therefore, the CNEA had no hesitation in expanding their role to include gate control in 2006. At that time the CNEA did have some concerns for the need for internal controls to ensure that OBO maintained adequate separation between cash control and ticket-stock (redeemed) control. This issue of the need for "collusion to defraud" was reviewed by both Exhibition Place Finance Department and Internal Audit (City of Toronto), wherein both were satisfied that this requirement was met.

The purchase of Conklin Shows by North American Midway Entertainment (NAME) in 2004 included the e-ticket system, hence NAME continued to provide e-ticket sales and redemption systems at the gates up to and including the 2008 CNE (see further detail below).

The agreement with NAME for the provision of an electronic ticketing system for the gates also expired at the conclusion of the 2008 CNE. At this time, the CNEA was advised that NAME did not wish to exercise the option to renew their agreement for these services for the 2009 CNE. Furthermore, the CNEA was advised that NAME would no longer be providing the e-ticketing system that the CNEA has been using to process and consume tickets and passes at the various gates. The system was failing and required significant upgrades. Given the significant financial investment required to upgrade the system, NAME made a decision to shut down this division of their business and to focus their efforts on their core business, that being a midway provider.

In 2007, OBO (at their expense and outside their contractual obligations) introduced a new electronic gate management system that enhanced their ability to track electronically sales activities, cash movement and staff allocation throughout the site. In 2008 the system was expanded to incorporate features that addressed some minor concerns that City Audit had with respect to seller shortages and errors that had been made as a result of manually producing pay cards.

In the last two years of NAME's e-ticketing system, some problems had arisen with the functionality of the system. The NAME system was originally developed as a midway e-ticketing system and then was reconfigured to accommodate e-ticketing at the gates. The gate portion of the system was developed for an average size event not for an event of the size and magnitude of the CNE. The hardware for the system was aging and as a result numerous equipment breakdowns were experienced. This coupled with the lack of continuity and fragmentation in the NAME IT department resulted in many challenges for both OBO staff and the CNEA management with respect to the reliability and integrity of the system. In addition, concerns were raised in that the system did not identify to the customers what they had purchased and what was loaded on their ticket. This weakness also provided an opportunity for fraud by ticket selling staff during peak periods of high volume sales.

As a result OBO senior management spent a tremendous amount of staff resources developing checks and balances to ensure the integrity of the system while also integrating new systems and practices to overcome the shortfalls of an aging e-ticketing system. This experience had made it increasingly apparent that in order for OBO to integrate fully the gate management program and provide the CNE with the level of service expected by both management and our customers, that a customized electronic system was required that addresses all of the challenges of operating the CNE gates. It was believed that by having this last component of gate operations now included in the OBO range of services, that the result will be as successful as the other components currently under OBO's direction.

2009-2011

At the conclusion of the 2008 CNE, discussions commenced between the Exhibition Place CFO, IT Manager, the CNEA Operations Manager, pertinent CNEA Operations staff, and OBO representatives regarding options for 2009-2011. A proposal was received from OBO that included provision of all services provided in the past with respect to gate and cash office management and in addition an electronic ticketing solution to replace the one previously supplied by NAME. In the fall of 2008 discussions with OBO centered on expanding this system further to include a ticket redemption component.

After further research and meetings, a proposal was received from OBO whereby its system could be expanded to provide most of the functions that the previous NAME system had

provided and which addressed many of the issues identified with the NAME system. The expansion of this system and provision of this service could be provided within the existing budget funding envelope included in the 2009 budget for e-ticketing and gate operations.

The 2009 operating budget did not allow for the CNEA to purchase a system that would meet its unique needs. In addition, it would not be prudent to invest the funds required into a system that in essence would be used for eighteen days a year and in three to five years (or less) would probably need to be significantly upgraded to meet future needs. In 2009, OBO changed its name to Event Staff Canada (ESC). The ESC option allowed the CNEA to pay (in essence) a user fee for service, similar to the arrangement the CNEA had with NAME, which greatly reduced the financial impact on the fair.

In consultation with the Exhibition Place Purchasing Services and the CFO of Exhibition Place, it was agreed that an RFP would not be issued for this service for the following reasons. On two previous occasions, once in 2000 and again in 2001, RFPs were issued for ticket selling services and cash office management. No responses were received to the RFP issued in 2000. In 2001, only OBO submitted a proposal. At that time CNE staff had not become aware of any interested companies within the fair and special event industry offering the full range of services as provided by ESC.

Consequently, the terms of the agreement were such that, as in previous years, ESC would provide a full service gate management package which included the following:

- CNE Cash Office Management & Operation
- Gate Management/Administrative Service
- Box Office Management Services
- Ticket Taking/Gate Control
- Concession Reporting Office
- Concession/Exhibitor Pass Credential System

In addition ESC provided the following services previously supplied by NAME:

- Electronic Ticket Redemption System
- All hardware and software required for the operation of the system
- IT Management and technicians
- ESC to ensure system compliance with all audit and financial recommendations with respect to the operation and integrity of the system

Contact:
David Bednar, General Manager/CNEA
Tel: 416-263-3840
Fax: 416-263-3850
Email: DBednar@theex.com

Submitted by:

Dianne Young, Chief Executive Officer