

12

## EXHIBITION PLACE

**ACTION REQUIRED**

December 4, 2008

To: The Board of Governors of Exhibition Place

From: Dianne Young  
Chief Executive

Subject: CNEA Agreement – Outdoor Box Office – 2009 to 2011

### Summary:

This report seeks approval of a three-year (2009-2011) agreement between the CNEA and Outdoor Box Office (OBO) for the provision of cash office management, box office services, ticket-taking/gate control and electronic ticketing systems based on the terms and conditions set out in this report.

### Recommendations:

**It is recommended that the Board:**

- (1) **Approve the attached report (Appendix "A") from the General Manager of the CNEA dated December 2, 2008 with respect to a three-year agreement between the CNEA and Outdoor Box Office on the terms and conditions as outlined in subject report; and**
- (2) **Direct that the confidential report contained in Attachment 1 to Appendix A not be released publicly in order to protect the competitive position and future economic interests of the CNEA, the Board and City.**

### Financial Impact:

Funds for the services provided in this agreement are budgeted for in the approved 2009 CNEA Operating Budget.

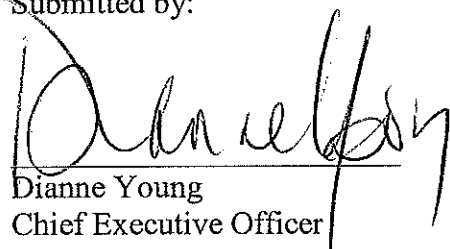
### Decision History:

At its meeting of December 4, 2008, the CNEA Board of Directions considered and recommended the approval of this three-year agreement with Outdoor Box Office to the Board of Governors.

Contact:

David Bednar  
General Manager/CNE  
Tel: 416-263-3840  
Fax: 416-263-3850  
Email: [dbednar@theEx.com](mailto:dbednar@theEx.com)

Submitted by:



Dianne Young  
Chief Executive Officer



## Report for Action

December 2, 2008

To: The Executive Committees and the Board of Directors  
Canadian National Exhibition Association

From: David Bednar  
General Manager

Subject: **Outdoor Box Office - 2009-2011**

---

### Summary:

This report recommends that the Board enter into a three year (2009-2011) agreement with Outdoor Box Office (OBO) for the provision of cash office management, box office services, ticket-taking/gate control and electronic ticketing systems based on the terms and conditions set out in this report. This report includes historical information on the operation of the CNE gates and explains the reasons for staff confidence in recommending our ongoing expanded contract with OBO. Confidential Attachment 1 provides contract costing for the past 3 years, proposed costing for the next 3 years, and rationale for the choice of OBO as service provider.

### Recommendation:

**It is recommended that the Board enter into an agreement with OBO substantially on the terms and conditions outlined in this report along with such other terms as may be satisfactory to the General Manager and City Solicitor.**

### Financial Implications:

Funds for the services provided in this agreement are budgeted for in the approved 2009 CNEA Operating Budget.

### Decision History:

In January 2006 the Board agreed to the CNEA entering into an agreement with OBO for the above mentioned services excluding the electronic ticketing system. At that time the Board also agreed to the CNEA entering into an agreement with North American Midway and Entertainment (NAME) for the provision of an electronic ticketing system for the gates.

### Issue Background:

In the last decade the way in which the gates have been managed has changed in order to address various concerns with the overall operation and performance. 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.

For the 1999 CNE, a decision was made to outsource ticket taking and gate control. Eastlea Security was the successful respondent to the RFP. Control of ticket selling and the operation of the cash office remained in-house with Exhibition Place.

In 2000 a decision was made to outsource ticket selling and the operation and management of the cash office. An RFP was issued for the provision of both of these services. No responses were received from the RFP and so these services remained in-house.

In 2001, the same RFP was issued and 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 concerning overall gate operations. These were as follow:

- Lack of coordination in overall gate operation resulting in inefficiencies. Each of the three service providers 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 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 for each of the suppliers. The 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 the 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 implementation 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 of Exhibition Place, in 2003, three-year agreements were entered with each of the three service providers: Eastlea Security, Outdoor Box Office 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.

Our 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 our site that it would be difficult and/or costly to hire in-house. OBO consistently exceeded our expectations and has proven to be a reliable and responsive service provider. Therefore, we had no hesitation in expanding their role to include gate control in 2006. At the time we did have some concerns for the need for internal controls to ensure that OBO maintain 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) and they were satisfied that this requirement was met.

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

The current three-year agreement with OBO for the provision of these services, except e-ticketing, expired September 30<sup>th</sup>, 2008. 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 the conclusion of the agreement with NAME, the CNEA was advised that NAME did not wish to exercise the option to renew their agreement for the 2009 CNE. Furthermore, the CNE was advised that NAME would no longer be providing the e-ticketing system that the CNE 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, being a midway provider.

Over the years, CNE staff has looked into other e-ticketing solutions that could be provided by other suppliers in the ticketing industry. Extensive research was undertaken with a number of leading ticketing and software companies. At the 2006 IAAPA conference CNE staff met and talked with representatives of the following companies; FrontLine Solutions, OMNI Ticket, Ideal Software Systems, Promities, Precision Dynamics Corp., Gateway Ticketing Systems, Black Inc., Siriusware Inc., Pathfinder, Plasco, Applied, Front Gate Tickets and Plasco ID . In 2007 staff attended the INTIX conference in Houston Texas with senior members of OBO. At that conference staff had an opportunity to discuss the needs of the CNE with Tickets.com Incl, Titan Technology Group, Turnstyles Ticketing, TicketFusion, TicketForce, The DATA Group, E-Tickets Software, ClinknPrint Tickets, Choice Ticketing Systems, AudienceView Software Corporation and Sentegra Corporation.

Most of these systems currently on the market have been developed for permanent/year-round facilities such as performing arts venues, stadium, and arena's. CNE gate operations are unique in that there are seven gates at the CNE which have fifty point-of-sale and consumption locations. Systems which are currently available in the marketplace would have to be modified to accommodate the frequency and load of transactions processed at peak periods, the numerous types of passes and tickets that would need to be recognized and the difficulties in operating such a system in the outdoor environment experienced at the fair. In order to meet the CNE's unique needs (an outdoor venue with multiple temporary POS locations and consumption locations) subject to the elements, these systems would have to be customized, a very complex and expensive procedure. Costs for these systems, as is, start at \$300,000 USD and do not include the additional equipment/hardware and software modifications that would be required to meet the CNE's needs. In addition there would be training and licensing costs associated with these systems. 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 concerning 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 have arisen with the functionality of the system. The NAME system was originally developed as a midway e-ticketing system and then 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 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 CNE 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 CNE 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 has made it increasingly apparent that in order for OBO to fully integrate the gate management program and provide the CNE with the level of service expected by both management and our customers, that we require an electronic system that addresses all of the challenges of operating the CNE gates. It is 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.

#### Comments:

At the conclusion of the 2008 discussions began between the Exhibition Place CFO, IT Manager, the CNE Operations Manager and pertinent CNE 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 this system could be expanded to provide most of the functions that the previous NAME system had provided and which will address 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 currently included in the 2009 budget for e-ticketing and gate operations.

The current funding envelope is not significant enough for the CNEA to purchase a system that meets our 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. The OBO option allows us to pay in essence a user fee for service, similar to the arrangement we had with NAME, which greatly reduces the financial impact on the fair.

We consulted with the Exhibition Place Purchasing Department and the CFO of Exhibition Place. As explained in more detail in Confidential Attachment 1, there was general agreement

on the choice of OBO to provide the required services. A comparison of the contract costs for the past three years and the next three years is provided in the Confidential Attachment.

The terms of the agreement are such that, as in previous years, OBO will provide a full service gate management package which includes 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 Sales During Event

In addition OBO will provide 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
- OBO to ensure system compliance with all audit and financial recommendations with respect to the operation and integrity of the system.

This report recommends that the Board enter into a three year (2009-2011) agreement with Outdoor Box Office (OBO) for the provision of cash office management, box office services, ticket-taking/gate control and electronic ticketing systems based on the terms and conditions set out in this report.

Respectfully submitted,

---

David Bednar  
General Manager

*Contact: Virginia Ludy  
Operations Manager  
(416) 263-3824  
vludy@theex.com*