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January 18, 2000

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young
Interim General Manager

SUBJECT: **Official Supplier Agreement for Audio-Visual Technical Production Services and Equipment Rentals**

Recommendation:

It is recommend that the Board enter into an agreement with Parallel Production Services ("Parallel") as the official supplier of audio-visual technical production services and equipment rentals generally on the terms and conditions set out in this report or such other terms and conditions satisfactory to the City Solicitor.

Background:

The Board of Governors of Exhibition through the City of Toronto Purchasing Department issued a Request for Proposal for Technical Production and Rental Services for Audio/Visual (A/V) Equipment in October, 1999.

Discussion:

Exploring the marketplace to determine if there is a financial and service benefit to the Board in having an official supplier for A/V production services and equipment falls in line with the direction previously undertaken and concluded by the NTC with respect to other services such as show display services, freight forwarding, medical services and registration services. These initiatives were undertaken by the NTC in order to provide "one-stop shopping" for clients within the NTC and have been very successful to date.

Generally, the benefits to be achieved by entering an agreement with an official supplier for A/V services are as follows:

- (a) Incremental revenue from technical equipment rental beyond existing in-house rentals and for productions services provided to clients;
- (b) Improved customer service to clients and increase the "one-stop" shopping menu provided at the NTC;
- (c) Access to new clients through marketing initiatives of the official supplier;
- (d) Access to expanded state-of-the-art technical equipment; and

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- (e) Access by NTC, CNEA and the Board to production and technical services and equipment at reduced rates.

Technical production services involve the creative use of A/V equipment and lighting to achieve the client's desired presentation within budget. Currently, there is no management staff in any program area across the grounds that has a wide expertise in this area or is dedicated full-time to providing such management advice. Therefore, there is a gap when trying to advise new clients coming to the grounds and there is also a missed opportunity as shows will often source these services through outside means. Allowing a client to work with an official supplier that knows the grounds, the terms of the collective agreements and the venues and equipment available would put the NTC and Exhibition Place in a better position to contract this business.

Presently the Board has an in-house Technical Services Shop with approximately \$500,000 of A/V equipment. Over the last few years, the overhead for this Shop has been approximately \$148,000.00 annually which budget provides for the salary of the foreman throughout the year and the cost for repairs and servicing of equipment. Basically, there have been no purchases of new A/V equipment for the last 3 to 4 years. The Board has a collective agreement with IATSE, Local 58, and all A/V services are provided by IATSE labour typically, through calls to the union hall for manpower although there are a core of five IATSE workers who have seniority on the grounds.

Rental of A/V equipment has been a profit center for the Board. For example, in 1999, the NTC and the Board earned approximately \$77,000 and \$250,000 respectively from rentals. In addition, the Board also supplies at no charge its equipment to the Molson Indy and the CNE which service would have a market rental value of approximately \$100,000 and \$250,000, respectively. With respect to revenues earned from the provision of labour, the gross IATSE budget for labour supplied to clients in 1999 was approximately \$1,178,500, for which the Board received approximately \$141,500 in net revenues. The Board's mark-up on IATSE labour is limited to 15% in order to be competitive in the provision of these services. Presently, approximately 75% of all A/V equipment rented to clients is Board-owned equipment and 25% is supplied through outside suppliers. However, as the Board equipment ages and is not replaced, the need to outsource rental equipment will increase. Typically, Exhibition Place receives discounts of approximately 20 to 25% on rentals from outside suppliers.

Requests for Proposals

Three proponents submitted proposals to the City of Toronto's RFP:

- Parallel Production Services
- CORPAV Presentation Group
- Spirit Event Production

An evaluation team was formed consisting of staff from the NTC, CNE and Exhibition Place Programs and the proposals were evaluated on the basis of the written proposals and interviews. The proposals were compared under six criteria: experience; sales and marketing services;

service quality; personnel; incremental income; and references. Each of the three programs evaluated the proposals by weighting those criteria taking into consideration the particular service needs of each program area. However, each program area concluded that Parallel provided the greatest value to the Board and to each program area for the following reasons:

- Has extensive experience in providing production services to major clients including trade show clients and the CNE;
- Commitment to work with all areas in marketing and attracting new events to Exhibition Place and has previously brought clients to the NTC;
- Willingness to provide training of NTC and Board staff;
- Provide technical support manager on site at no monthly fee to the Board;
- While Parallel does not have its own inventory of A/V equipment, it will subcontract with Videoscope (a division of T.A.V.S.), Jason Sound Industries and Westsun Toronto Inc. to provide the Board with access to an extensive inventory of A/V equipment;
- 80% commission to the Board on the rental of Board owned A/V equipment rentals;
- 20% commission to the Board on all Parallel (through subcontractors) equipment rentals which commission may be reduced if discount is given to client by the Board;
- 20% commission to the Board for production services provided to third party clients; and,
- Provide services to the Board and CNEA at 30% discount on Parallel (through subcontractors) equipment and 25% discount on production services.

The major advantage of an official supplier is the improvement in customer service and the technical expertise available at no cost. Financially, it is anticipated that the 20% commission on production services and the growth in business will more than offset the reduced commission on direct equipment rentals. In addition, it is anticipated that Parallel will promote Exhibition Place and this will result in incremental revenues from new events.

However, as none of the proponents were able to provide any firm estimates of anticipated new business, I am recommending only a one-year agreement at this time with an option for the Board to review the business case at the end of that year and at the Board's option, to renew for a further period of two years. During this first year accurate records and accounting procedures will be implemented by staff to track all Board A/V equipment to be utilized by third party clients. At the end of the year a complete financial analysis will be conducted on the returns to the Board on equipment rented and production services rendered as a result of entering into an agreement with Parallel.

The agreement would be for Parallel to be the Official Supplier of the Board for audio-visual production services and equipment. This would not be an exclusive arrangement and clients on the grounds would be able to work with other companies if they wish. The other substantial terms of the agreement are as follows:

- (a) Term: One year commencing March 1, 2000, with an option to be exercised at the sole discretion of the Board to renew for a further period of one or two years.
- (b) Status: Official Supplier for the provision of audio-visual technical production services and

audio-visual equipment rentals at Exhibition Place.

- (c) Personnel: Parallel will provide an on site technical support manager at no cost to the Board other than charges for services recovered from third party clients and will provide an on-site order desk at the NTC.
- (d) Parallel Equipment: Parallel will subcontract with Videoscope (a division of T.A.V.S.), Jason Sound Industries, Westsun Toronto Inc. to ensure that a full inventory of A/V equipment is available to the Board and its clients.
- (e) Rental/Service Rates: The agreement shall include a list of rental rates to be charged by Parallel for A/V production services and equipment as set out in Parallel's proposal to the Board.
- (f) Commissions: Parallel will pay the Board a 20% commission on all gross revenues earned on sales of production services and the rentals of Parallel equipment. Parallel will pay the Board an 80% commission on all gross revenues earned from the rental of Board equipment.
- (g) Use of Board Equipment: Parallel will use all reasonable commercial best efforts to use the Board audio-visual equipment for all rentals.
- (h) Services to the Board: Parallel will provide A/V technical production services to the Board (Exhibition Place, CNEA, NTC Programs) at a 25% discount from Parallel's listed hourly charges and a 30% discount for all Parallel Equipment rented by the Board (Exhibition Place, CNEA, NTC Programs).
- (i) Board Rental Rates: Parallel will analyze the rental rates for Board equipment charged to third parties on the basis of market rental rates and advise the Board accordingly.
- (j) Payment of Commission: Parallel will pay percentage commission to the Board on or before June 30, 2000, with respect to production and equipment rentals sales up to May 31, 2000, and thereafter on a quarterly basis on sales up to the last day of the preceding month.
- (k) Audited Year-End Reports/Quarterly Statements: Parallel shall provide the Board with a certified quarterly statement, to be submitted with each payment under the agreement, and an annual audited statement of gross revenues and commission owing under the agreement. Adjustment of final amounts owing under the agreement shall be done on the basis of the audited statement.
- (l) Right of Audit: The Board shall, at its discretion, be entitled to audit the sales records of Parallel's operations at Exhibition Place at any time during the term of the agreement and up to three (3) years thereafter.
- (m) IATSE: The Board will be responsible for the payroll and the billing of clients with respect to IATSE labour utilized.

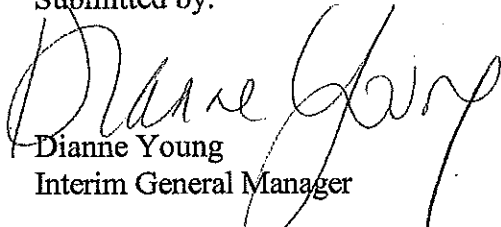
- (n) Union Agreements: Parallel shall comply with all agreements in force between the Board and any union or association with respect to Exhibition Place.
- (o) Assignment: The agreement between the Board and Parallel shall not be assigned by Parallel without the consent of the Board.
- (p) Taxes: Parallel shall be responsible for the payment of any and all rates, taxes or assessments imposed upon Parallel by any taxing authority having jurisdiction.
- (q) Insurance/Indemnity: Parallel shall provide proof of insurance in a form and amount satisfactory to the Board and containing provisions including the Board, CNEA, O&Y-SMG Canada and the City of Toronto as additional insured with a cross liability/severability of interest clause of standard wording. Insurance shall be primary before any insurance held by the additional insured and the Board shall be entitled to thirty days notice of any intention to cancel or not to renew the policy. Parallel shall indemnify the Board, the CNEA, O&Y-SMG Canada and the City of Toronto with respect to any and all liability arising from any damage or injury as a result of the acts or omissions of Parallel, or its employees or any other person for whom it is in law responsible, in the exercise of its rights under the agreement.

Conclusions:

This report recommends entering into a one-year agreement with Parallel for the provision of A/V technical production services and A/V equipment rental as the Official Supplier of the Board. It is the opinion of staff that Parallel's proposal is the most advantageous to the Board and to each program area. It will provide the Board with a strong corporate partner who will enhance and broaden the services available and will also generate revenues for the three program areas of the Board. The existing Technical Services shop will continue to be utilized by Parallel for the rental of all Board owned A/V equipment and all IATSE labour will be supplied through the existing shop with the standard administrative markup. The existing arrangement for the supply of A/V equipment to the CNE and Molson Indy will remain the same.

Mr. Ernest Vincent, General Manager, NTC and Mr. David Bednar, General Manager, CNEA have been consulted throughout this process and have reviewed and agree with the content of this report.

Submitted by:


Dianne Young
Interim General Manager

