9

# EXHIBITION PLACE

November 17, 2000

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young
General Manager & CEO

SUBJECT: **Agreement for Pay Phone Services**

**Recommendation:**

**It is recommended that the Board enter into an agreement with First Canadian Telecom Inc. ("Canadian Telecom") to provide pay phone services within the NTC and across the grounds generally on the terms and conditions set out in this report and such other terms and conditions satisfactory to the City Solicitor.**

**Background:**

The Board, through the City of Toronto Purchasing Department, issued a Request for Proposal for Telecommunication Services on November 26, 1999, which was a comprehensive proposal which included pay phones as one element. This proposal was not awarded as none of the proposals received proposed a comprehensive telecommunication strategy but rather replied only to particular parts of the RFP package. Accordingly, the Board entered into a month-to-month agreement with Bell Canada to continue to provide pay phone service.

**Discussion:**

Since March, 2000, Trillium Wilkinson Group ("Trillium") has as the sponsorship agent for the Board been approaching all telecommunication providers. However, Trillium has indicated that at this point an integrated telecommunication sponsorship may take several more months to complete. Furthermore, Trillium have advised that in its opinion, the payphone business is not the piece of business that is driving incremental dollars in this area, rather the wireless is the valuable part. Furthermore, the agreement with Canadian Telecom outlined below provides for a "buy-out" provision.

At present, the agreement with Bell Canada pays the Board a commission of 16%, approximately $30,000 annually, on all payphones on a month-to-month basis. Canadian Telecom has offered a guaranteed $50,000 annually, and 4% commission on payphone revenues in excess of $275,000. Bell Canada has indicated to Trillium that they are not interested in matching Canadian Telecom's offer.

Canadian Telecom was incorporated in August 1998 and is a privately held company that has senior management experience representing in excess of 80 years of directly related experience and focuses its activities in the public access communication area. During the last year, Canadian Telecom has displaced the incumbent pay phone provider at H&R Developments, Cadillac Fairview, Dufferin-Peel Separate School Board, Tridel and Rio-Can to name only a few. Canadian Telecom has positioned itself to assume a leadership role in the marketplace by developing relationships with key technology and network partners including the acquisition of the intellectual property of Public Communications Corporation. Canadian Telecom has also indicated that Sprint Canada will partner with it and provide the essential backbone telephone and internet services to support installations of payphone terminals.

Canadian Telecom provides free calls for (911) Emergency, (611) Repair and (211) their customer service, and provide as required by the CRTC live 24-hour operator (0) service. Its program includes regularly scheduled cleaning and maintenance. Canadian Telecom has indicated they will use the Canadian Eclipse Payphone, manufactured by Elcotel Communications Inc. Elcotel is a certified ISO 9002 supplier.

Staff is therefore recommending entering into an agreement with Canadian Telecom on the following terms and conditions:

(a) Term: Three-year term commencing January 1, 2001. The current Bell Canada agreement requires that 30 day's notice be given of intention to terminate, at which time new payphones may be installed to become operational upon termination.

(b) Annual Marketing Fee – Canadian Telecom will pay the Board a Marketing Fee of $50,000.00 annually paid in quarterly installments of $12,500 commencing on January 1, 2001. On the basis of this marketing fee, Trillium will receive commission in accordance with their agreement, i.e.: for the first year totaling 15% or $7,500, and subsequent years at 12.5% and 10%.

(c) Advertising: Canadian Telecom will have the right to place advertising on the payphones subject to the Board's approval, which will not conflict with any existing agreements. Advertising revenues will be derived from signage on the phone, the phone LED, signage within the phone booth, and sale of special features such as a speed dial to a service provider.

(d) Payment of Percentage Commission: Canadian Telecom will pay the Board a commission on all adjusted gross revenue. ($000K-$275K= 0%; Over $275,000 = 4%). Adjusted gross revenue is defined as revenue generated by the company from the use of the payphone (coin, net revenue from operator services, net advertising revenue, net speed dial revenue) net of long distance telephone line charges and all provincial and federal sales and goods and services taxes assessed against the pay phones or the owners or operators thereof.

(e) Locations of Pay Phones: The parties shall agree to all pay phone locations subject to the Board's right to require particular locations or relocations of pay phones for operational or safety reasons, acting reasonably. Canadian Telecom will be fully responsible for all costs associated with the installation, maintainence, repair, replacement and removal of the pay phones subject to the Board providing necessary access.

(f) Insurance/Indemnity: Canadian Telecom 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. Canadian Telecom 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 Canadian Telecom, or its employees or any other person for whom it is in law responsible, in the exercise of its rights under the agreement.

(g) The contract shall cover only conventional standard payphones and shall not include internet kiosks, web casting devices, videophones, etc.

(h) Buyout clause – The Board shall have the right to buyout this contract by paying all removal fees and lost revenues after line charges and site commission.

(i) Other Conditions: Any other terms or conditions as required by the RFP and the City Solicitor in consultation with the General Manager, to protect the interests of the Board.

**Conclusions:**

This report recommends entering into a three-year agreement with Canadian Telecom to provide pay phone services to NTC and throughout Exhibition Place. Mr. Ernest Vincent is in agreement with the content and recommendations in this report.

Submitted by:

Dianne Young
General Manager/CEO