



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JANUARY 20, 2005**

**SUBJECT: REVISION OF POLICY PROHIBITING
REVENUE-GENERATING ADVERTISING
ON METRO RAPID VEHICLES**

ACTION: AMEND POLICY TO PERMIT ADVERTISING

RECOMMENDATION

Amend Board policy GEN-34, "Metro System Advertising: Revenue-Generating & Informational," to allow revenue-generating advertising to be posted on the exteriors of Metro Rapid vehicles.

RATIONALE

In March 2000, the Board adopted a comprehensive advertising policy (Attachment A) that provides specific guidelines regarding revenue-generating advertising on Metro vehicles. While the policy permits advertising on most Metro bus vehicles, it specifically prohibits the placement of exterior advertising on "rail vehicles, BRT vehicles, Metro Rapid vehicles, and other new types of transit service."

Metro's current contract for bus advertising will generate revenues of \$13,750,000 during FY05, increasing to \$14,250,000 in FY06 and \$14,750,000 in FY07. The vendor, Viacom Outdoor Group, makes payments to Metro on a monthly basis. The payment amount is tied to a contract benchmark of 1700 buses used in peak-hour service that accept advertising. Should there be a net increase of 200 buses over the contract benchmark that accept advertising during peak-hour operations, monthly payments to Metro would increase by 10% commencing the following month. Similarly, should there be a net decrease of 200 buses during peak hour service, the monthly payment to Metro would decrease by 10% starting the following month.

Since Metro Rapid was introduced in 2000, the total number of vehicles that accept advertising has declined. Prior to the December 19, 20004 shake-up, Metro had 1893 buses in peak-hour service that accept advertising, and 201 Metro Rapid vehicles in peak hour service that do not accept advertising.

If advertising were permitted on Metro Rapid vehicles as of March 1, 2004, the net increase of peak hour buses that accept advertising over the contract benchmark would be in excess of 200; therefore, the scheduled monthly payment to Metro of \$1,166,667 on April 1, 2005 would increase by \$116,667. Assuming peak-hour bus usage remained at

this level, Metro would realize a total of \$3,250,000 in additional revenue by the end of FY07.

However, Service Planning expects the total number of Local and Rapid buses in peak hour service to increase further as of the December 2004 shake-up, and the final number could represent a net increase over the contract benchmark in excess of 400; in that case, if Metro Rapid vehicles carried advertising, Metro would realize a total of \$6,500,000 in additional revenue by the end of FY07.

FINANCIAL IMPACT

The following chart summarizes the above revenue impacts:

Fiscal Year	Revenue Under Current Policy	Revenue Under Revised Policy; 200-Bus Net Increase	Revenue Under Revised Policy; 400-Bus Net Increase
FY05 (4 th qtr)	\$ 3,500,000	\$ 3,850,000	\$ 4,200,000
FY06	\$14,250,000	\$15,675,000	\$17,100,000
FY07	\$14,750,000	\$16,225,000	\$17,700,000
Total	\$32,500,000	\$35,750,000	\$39,000,000
Net Increase	---	+ \$ 3,250,000	+ \$ 6,500,000

Revenue from the current advertising contract is included in the Long Range Transportation Plan forecast of revenues. By amending the advertising policy, Metro would realize as much as \$6,500,000 in additional revenue by the end of FY07.

ALTERNATIVES CONSIDERED

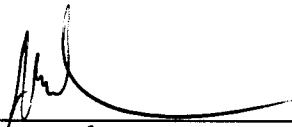
1. Leave the advertising policy as is and continue to prohibit exterior advertising on Metro Rapid vehicles. This is not recommended as Metro has the opportunity to gain as much as \$6,500,000 in additional revenue by allowing advertising on Metro Rapid vehicles.
2. Amend the policy to permit advertising on the exteriors of rail vehicles, BRT vehicles and other new types of transit service as well as on Metro Rapid vehicles. While there are no immediate prospects for placing advertising on other types of vehicles, amending the policy in this manner would allow staff to pursue these possible revenue opportunities. Any contract to actually display such advertising would still require approval by the Board.
3. A tangential alternative involves the use of an outside advertising vendor versus administering the advertising program in-house. Staff provided the Board with an analysis of the possibility of selling advertising directly in 2002 and concluded it would generate less revenue for Metro, provide no revenue guarantees (unlike an agreement with an outside vendor), and place Metro into an ancillary business

unrelated to its central mission. The Board concurred with staff's recommendation against this alternative.

ATTACHMENT

Policy Gen-34 – Metro System Advertising: Revenue-Generating and Informational

Prepared by: Warren Morse, Deputy Executive Officer, Marketing & Customer Relations



Matt Raymond
Chief Communications Officer



Roger Snoble
Chief Executive Officer



ADMINISTRATION
Metro System Advertising:
Revenue-Generating & Informational

GEN #34

POLICY STATEMENT

The Los Angeles County Metropolitan Transportation Authority (MTA) has determined that allowing revenue-generating advertising which does not compromise public or employee safety to be placed in designated areas on its transit properties is a responsible means of maximizing use of the authority's capital investments. Therefore MTA may enter into contracts with outside vendors to sell and display advertising on MTA buses, trains and transit facilities for the sole purpose of generating revenue. Issuance of such contracts must be in accordance with MTA's procurement policies and approved by the MTA Board of Directors. Locations for revenue-generating advertising may include but are not limited to: interiors and exteriors of buses, interiors of rail cars, interiors of rail stations, and fixed outdoor displays on MTA property. MTA shall not place or allow any exterior advertising on its rail vehicles, BRT vehicles, Rapid Bus vehicles, or other new types of transit service. MTA reserves the right to reject any advertising based upon its guidelines for acceptable advertising content contained in this policy statement.


MTA has further determined that advertising on its own properties is a valuable means of communicating with its customers. Therefore MTA explains and promotes its transit services through the dissemination of information onboard the Metro Bus and Metro Rail systems. Informational advertising space is limited, and reserved exclusively for Metro transit information. All messages and materials distributed by this means are prepared, approved and/or authorized by MTA's Marketing Department.

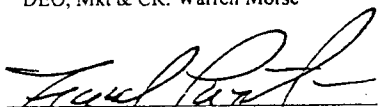
PURPOSE


To clearly define the use of MTA's revenue-generating advertising space and informational advertising space throughout the Metro System.

APPLICATION

This policy and its procedures apply to all MTA employees, consultants and Board members.


DEO, Mkt & CR: Warren Morse


EX OFCR Admin: Frank Cardenas


APPROVED: Legal Counsel or N/A


ADOPTED: CEO or DCEO



ADMINISTRATION

Metro System Advertising:

Revenue-Generating & Informational

1.0 PROCEDURES

The display of paid (revenue-generating) advertising carries with it a responsibility to protect the agency from potential litigation and to recognize the potential association of advertising images with MTA services while simultaneously respecting First Amendment principles. The agency addresses these issues through the responsible and consistent application of written criteria for advertising acceptability. It is not MTA's intent to create a public forum through the acceptance of advertising.

At the same time, MTA's ability to reach its customers directly is crucial to adequate dissemination of transit information to the public. Any use of the unique distribution channels at its command (such as allotments of interior and exterior bus advertising space as well as on-board "take-one" boxes and in-station Variable Message Signs) for purposes unrelated to customer information or retention is to be avoided, as it effectively "pre-empts" the availability of transit information to the public. MTA's Marketing department administers the use of these unique distribution channels as part of its overall responsibility for customer communication.

1.1 Revenue-Generating Advertising

MTA contracts with outside vendors to sell and display advertising on bus and rail facilities for the sole purpose of generating revenue. MTA does not sell or post advertising directly. Vendors for such contracts are solicited through competitive bids which must conform to MTA's procurement procedures and be approved by MTA's Board of Directors. Such agreements may dedicate no more than 90% of the available space covered by the contract for revenue-generating advertising, reserving the remaining available space for MTA's own transit-related information.

Locations for revenue-generating advertising may include, but are not limited to: exterior surface areas of buses (see restrictions in Section 1.1.5 below), interior display frames in bus and rail vehicles, back-lit map cases inside Metro Rail stations, automated public toilets and other fixed outdoor displays on MTA property, electronic Variable Message Signs (VMS) on Metro Rail platforms, banner ads on MTA's website, space in MTA's printed brochures, timetables and other publications and printed materials, and any other location approved by the MTA Board of Directors. MTA shall not place or allow any exterior advertising on its rail vehicles, BRT vehicles, Rapid Bus vehicles, or other new types of transit service.



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Metro System Advertising: Revenue-Generating & Informational

Content restrictions for advertising displayed through these arrangements are as follows:

1.1.1 Alcohol and Tobacco Advertising

Advertising of all alcohol and tobacco products is prohibited.

1.1.2 Non-Commercial Advertising

MTA does not accept advertising from non-governmental entities if the subject matter and intent of said advertising is non-commercial. Specifically, acceptable advertising must promote for sale, lease or other form of financial benefit a product, service, event or other property interest in primarily a commercial manner for primarily a commercial purpose.

Exception: Governmental entities, meaning public entities specifically created by government action, may purchase advertising space for messages that advance specific government purposes. It is MTA's intent that government advertising will not be used for comment on issues of public debate.

1.1.3 Other Subject Matter Restrictions

Advertising may not be displayed if its content:

- Promotes or relates to an illegal activity;
- Contains language which is obscene, vulgar, profane or scatological;
- Contains images, copy or concepts that actively denigrate a specific ethnic or gender group;
- Contains images, copy or concepts that actively denigrate public transportation; or
- Contains obscene matter as defined in the Los Angeles County Code, Chapter 13.17, Section 13.17.010, or sexually explicit material as defined in the Los Angeles County Code, Chapter 8.28, Section 8.28.010D.



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1.1.4 MTA's Right of Rejection

Beyond the above, MTA's vendors may review advertising content according to their own guidelines of acceptability. MTA does not screen individual ads submitted to its vendors prior to posting unless specifically requested to do so by the vendors. Nevertheless, in all contracts MTA reserves the right to reject any advertising content submitted for display on its properties and/or to order the removal of any advertising posted on its properties.

Decisions regarding the rejection or removal of advertising are made by the Deputy Executive Officer of Marketing and Customer Relations based upon the criteria in this policy statement.

1.1.5 Vinyl Window Graphics

To ensure the safety and security of passengers, operators and law enforcement officers, advertising displays which employ vinyl window graphics are restricted from obscuring window surfaces on MTA vehicles as follows:

- Buses: No more than 30% of the vehicle's total window surface, and no more than 50% of the window surface of any bus side, may be covered by vinyl window graphics. (Note: this excludes the front window surface, which may not be covered in any manner.)
- Rail Cars: No exterior advertising is permitted on rail cars.

1.2 Informational Advertising

MTA has several unique distribution channels at its disposal for disseminating transit information for which it incurs no "space" cost (the fee charged for advertising space). These distribution channels include, but are not limited to: "take-one" boxes on board Metro Buses and Metro Rail trains, "take-one" racks at Metro Customer Centers, back-lit and non-lit map cases inside Metro Rail stations and on Metro Bus Stop poles, advertising kiosks at select Metro Rail stations, electronic Variable Message Signs (VMS) on Metro Rail platforms, and interior rail posters on board Metro Rail trains. In addition, as specified in Section 1.1, MTA has the use of an allotment of exterior and interior bus advertising space at no charge by agreement with the vendor that sells all



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remaining interior and exterior bus advertising space under a revenue-generating agreement.

Acceptable information for these distribution channels is categorized as follows:

1.2.1 Regular Transit Information

Regular transit information is prepared by the MTA Marketing Department in accordance with its annual strategic planning process as well as upon request from other internal departments. Regular transit information includes, but is not limited to: service features and changes, fare information and changes, safety and security messages, maps and explanations of related transportation services.

1.2.2 Cross-Promotional Information

On an occasional basis and only when space is available, the MTA Marketing Department may use MTA's distribution channels to participate in cross-promotional opportunities that offer a direct opportunity to promote use of transit. Any materials distributed for this purpose must prominently include promotion of MTA services (i.e. "Take Metro Bus & Metro Rail to Fiesta Broadway"). MTA is prohibited by law from simply donating advertising space to any entity for purposes that are not directly transit-related.

The outside organization involved must either bear the cost of producing such materials or, if approved by the MTA Marketing Department, provide an equivalent or greater value in cross-promotional benefits (i.e. advertising space, editorial space, etc.). Any cross-promotional arrangement must be approved by the Deputy Executive Officer of Marketing and Customer Relations based upon the criteria in this policy statement.

1.2.3 "Added Value" Materials

On an occasional basis and only when space is available, the MTA Marketing Department may use MTA's distribution channels to provide "added value" materials to its customers. Such materials must present a specific and time-dated offer uniquely provided for Metro Bus and Metro Rail customers (generally a money-saving discount) in which transit can be used to access the redemption



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point. Any materials distributed for this purpose must prominently include the MTA logo and other wording approved by the MTA Marketing Department to indicate that the offer is specifically designed for Metro Bus and Metro Rail customers. MTA is prohibited by law from simply donating advertising space to any entity for purposes that are not directly transit-related.

The outside organization involved must either bear the cost of producing such materials or, if approved by the MTA Marketing Department, provide an equivalent or greater value in cross-promotional benefits (i.e. advertising space, editorial space, etc.). Any added value programs must be approved by the Deputy Executive Officer of Marketing and Customer Relations based upon the criteria in this policy statement.

2.0 DEFINITION OF TERMS

Added Value Materials: Informational advertising which offers a tangible benefit to patrons as a means of rewarding and retaining customers (i.e., a money-saving discount).

Cross-Promotion: A cooperative partnership in which two or more entities work together with the goal of jointly promoting their respective services.

Exterior King Ad: Large ad measuring 144" x 30" displayed on the sides of Metro Buses. King ads are either held in frames or directly applied to the bus with adhesive vinyl.

Exterior Taillight or "Tail" Ad: Smaller ad measuring 48" x 15 ½" or 72" x 21" displayed on the rear of Metro Buses. Tail ads are either held in frames or directly applied to the bus with adhesive vinyl.

Governmental Entities: Public entities specifically created by government action.

Interior Bus Car Card: A 28" x 11" poster that mounts above the seats in Metro Buses to provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Interior Rail Poster: A 21" x 22 ¼" poster that mounts in frames on the walls of Metro Rail cars, used to display Metro Rail System Maps and provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.



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Map Cases: Fixed cases in Metro Rail stations that hold a 46¾" x 46¾" display, usually backlit. Used to display Metro Rail System Maps and provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Non-Commercial Advertising: A public service announcement, event notification, political statement or other message which does not have as its primary purpose to propose a commercial transaction.

Take-One: A printed brochure measuring 3½" x 8½" placed inside Metro Buses or Metro Rail trains, used to provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Take One Box: A plastic holder installed on the interior of Metro Buses and Metro Rail trains designed to hold approximately 40 take-ones. Most Metro Buses have 2 take-one boxes; most Metro Rail cars have 6 take-one boxes.

Variable Message Signs (VMS): Electronic sign boards in Metro Rail stations controlled from the Rail Operations Control Center that scroll through a series of written messages. Used to provide information on safety, pass & token sales locations, service changes, emergency announcements and other matters relevant to the use of the Metro System.

Vinyl Window Graphics: An adhesive vinyl super-graphic which covers a portion of the window surface of a bus or rail vehicle. Such graphics are manufactured to be largely transparent to those inside the vehicle, permitting passengers to see outside through the graphics.

3.0 RESPONSIBILITIES

Marketing Department: Prepares all messages and materials for dissemination on board Metro Buses and Metro Rail trains; administers the distribution/display of transit information; tracks/coordinates the availability and use of MTA's unique information distribution channels.

Mailroom: Distributes quantities of take-ones to MTA Operating Divisions and Customer Centers according to distribution list prepared by project managers in Marketing.

Operators and Service Attendants: Physically place take-ones on buses/trains for distribution to the public.

Advertising Vendors: Sell, post and maintain all revenue-generating advertising on MTA properties; implement MTA's policies on revenue-generating advertising; post all MTA informational advertising according to instructions from MTA Marketing Department.



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Deputy Executive Officer of Marketing & Customer Relations: Reviews and approves/rejects all cross-promotions and added value programs using MTA's unique distribution channels based upon the criteria in this policy statement; enforces MTA's right to reject and/or order removal of revenue-generating advertising based upon the criteria in this policy statement.

4.0 FLOWCHART

Not Applicable

5.0 REFERENCES

Not Applicable

6.0 ATTACHMENTS

Not Applicable

7.0 PROCEDURE HISTORY

03/24/2000 New MTA policy.