

SOUND TRANSIT

MOTION NO. M98-79

Policy for advertising on Sound Transit vehicles and at transit facilities and stations BACKGROUND AND COMMENTS

Meeting:	Date:	Type of action:	Staff contact:	Phone:
Public & Government Affairs Committee	9/4/98 10/16/98	Discussion Discussion/Possible Action to Recommend Board Approval	Barbara Dougherty	206-684-1357
Board	10/22/98	Discussion/Possible Action	Tim Healy	206-684-1394

ACTION:

The adoption of Motion No. M98-79 establishes policy allowing advertising on Sound Transit vehicles and at transit facilities and stations.

BACKGROUND:

Designing vehicles/facilities to accommodate advertising

The Sound Transit Board has taken two actions related to advertising on Sound Transit vehicles and at transit facilities and stations, but has not adopted an advertising policy.

- On February 26, 1998, the Sound Transit Board approved Motion No. 98-15, directing staff to develop a unified identity for Sound Transit vehicles and to develop Sound Transit exterior vehicle designs that would accommodate exterior advertising on buses and possibly on light rail vehicles. The motion indicated that staff would return to the board for discussion of advertising policies.
- On August 27, 1998, the Sound Transit Board approved Motion No. M98-65 establishing policy for station/facility design issues common to all three lines of business. The motion stipulated that design parameters allow for advertising and locations identified in facilities that would be appropriate for advertising.

Transit advertising experience in the United States

In preparing Motion No. M98-65 and this motion, staff contacted several transit systems around the country to determine various experiences and levels of advertising. Staff also reviewed the Transit Cooperative Research Program 1998 Synthesis 32 on *Transit Advertising Revenue: Traditional and New Sources and Structures*. The report included the following conclusions regarding transit advertising:

- A. Most transit agencies have advertising that generate revenue for their systems
- B. The revenue from transit advertising as a percent of the operating budget is small, but the total dollars are significant
- C. The size of the transit agency is not the determinant factor in generating advertising revenue
- D. There are as many opportunities to generate advertising revenue as there are pieces of equipment, property, and printed material on the transit system
- E. Advertising policies are quite similar around the country
- F. Transit agencies, for the most part, are contracting out their advertising program
- G. All transit systems with outside contracts monitor the contractors for compliance
- H. Transit agencies are entering barter and trade agreements for products and services.

Transit advertising is commonly used to help offset transit operating costs. Total annual revenue from advertising, including vehicles and facilities, varies widely around the country from a low of \$35,000 in Birmingham, Alabama for a system with 3 rail cars and 92 buses, to more than \$17 million for New York City Transit. Although the percentage of advertising revenue compared to operating budget is typically 1 percent or less, this amounts to, on average, \$2 million annually. Locally, King County Metro reportedly earned \$2.5 million annually from advertising on vehicles (1,147 coaches with advertising) according to the TCRP Synthesis 32. Their most recent contract will be closer to \$5 million. They do not have advertising in their shelters.

The speed of commuter rail trains and the location of railroad tracks preclude advertising on commuter rail systems nationwide. Some systems sell interior advertising on commuter car bulkheads, but the space is often reserved for customer information.

Most transit system advertising revenue comes from vehicle advertising. Facility advertising, if allowed, earns less revenue. Advertising dollars ranged from \$300 to \$1,500 per shelter for major bus agencies. Total contracts for shelter advertising in the range of \$300,000 to \$400,000 were typical. Larger facilities could provide more advertising areas and greater potential revenue.

Many jurisdictions restrict advertising in the public right-of-way. This is the case with Seattle, Tacoma, and most jurisdictions in King County. Advertising has been allowed in the public right-of-way in San Francisco and New York in conjunction with providing and maintaining restrooms.

Local factors related to Sound Transit advertising policies

A rough estimate of potential advertising revenues indicates Sound Transit could generate from between almost \$800,000 and \$2 million depending on the level of advertising allowed. More precise estimates will be generated once more information is available on the marketability of facilities advertising and potential restrictions based on individual jurisdictions laws.

All of Sound Transit's partner agencies (Community Transit, Everett, King County Metro, and Pierce Transit) allow varying degrees of advertising upon and inside vehicles. Sound Transit bus designs include luggage racks that preclude sale of interior advertising. There is potential for interior advertising on light rail vehicles but preliminary estimates of potential income are

nominal and maintenance costs may offset revenue. None of the transit agencies currently have advertising on or in transit facilities. They all have restrictions on the types of advertising allowed on vehicles. All partner agencies restrict advertising of tobacco, alcoholic beverages, and obscene materials. Community Transit and Everett Transit restrict political advertising.

Regional Express is preparing to negotiate with transit agencies in King, Pierce, and Snohomish counties for contracts to operate Sound Transit express bus services. The ST Board's decision regarding advertising will affect whether contracts will be negotiated to allow for advertising on the contracted services.

RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:

- ◆ Adoption of a unified identity and design guidelines for Sound Transit vehicles (Motion No. 98-15), February 26, 1998
- ◆ Adoption of station/facility policies in respect to advertising (Motion No. M98-65), August 27, 1998

CONSEQUENCES OF DELAY:

Board policy on these advertising issues is needed in a timely manner in order to incorporate appropriate language into bus service contracts and to guide station/facility design. To avoid any delays in contract negotiations, staff recommends the following schedule for action:

October 16	PGA discussion/recommendation
October 22	Board discussion/possible action
November 12	Board action (if not acted upon at October 22 meeting)

KEY FEATURES OF RECOMMENDED MOTION:

- The recommended motion would allow moderate levels of exterior advertising on buses, light rail vehicles and at transit facilities and stations as appropriate.
- Priorities would be first on customer information and then on maximizing advertising revenue.
- Every effort would be made to ensure that advertising does not distract from Sound Transit's identity program. For the first six months after launching any of its services, Sound Transit would only advertise the agency and its services on vehicles.
- After six months, the agency would sell advertising through agreements with transit agencies operating Sound Transit services using existing transit advertising contracts.
- Once all of Sound Transit's systems are operational, the agency would contract directly with an outside vendor to sell, produce, install, maintain and remove advertising.
- Sound Transit would restrict advertising of alcohol, tobacco and obscene advertising content initially through language in existing contracts of its partner agencies and later through its own contracts with advertising vendors.
- Sound Transit would reserve the right to review advertising and have advertising removed.

ALTERNATIVES:

- Allow a more aggressive level of advertising on and in Sound Transit vehicles and at transit facilities and stations.
- Do not allow advertising on Sound Transit vehicles and/or at facilities/stations.

LEGAL REVIEW:

1. The recommended advertising restriction on tobacco, alcoholic beverages, and obscene materials is constitutionally permissible in accordance with the current state of the law. In addition, it is legally permissible for a transit agency to refuse to accept political advertising, provided all forms of political advertising are excluded.
2. Upon review of the background and comments and the motion, the Legal Department finds both documents to be legally acceptable.

Potential Advertising Revenue Projections

	Aggressive level	Moderate level	Minimal level	No advertising
Bus exteriors	Yes (including 5% full wraps)*	Yes (no full wraps)**	Yes (no full or partial wraps)	No
Potential revenue	\$ 1,341,000.00	\$ 1,018,500.00	\$ 787,500.00	\$ -
Bus interiors	No (Regional Express buses will have luggage racks that preclude interior advertising)	No	No	No
Potential revenue	\$ -	\$ -	\$ -	\$ -
Light rail vehicle exterior	Yes (including 5% full wraps)***	Yes (no full wraps)	No	No
Potential revenue (64 vehicles)	\$ 247,740.00	\$ 245,760.00	\$ -	\$ -
(80 vehicles)	\$ 309,840.00	\$ 307,200.00	\$ -	\$ -
Light rail vehicle interiors	Yes!	No	No	No
Potential revenue (64 vehicles)	\$ 10,771.00	\$ -	\$ -	\$ -
(80 vehicles)	\$ 13,464.00	\$ -	\$ -	\$ -
Commuter rail vehicle exteriors	No	No	No	No
Potential revenue	\$ -	\$ -	\$ -	\$ -
Commuter rail vehicle interiors	No (vehicle design precludes interior ads)	No	No	No
Potential revenue	\$ -	\$ -	\$ -	\$ -
Stations and other transit facilities	Yes#	Yes (where feasible and appropriate)##	No	No
Potential revenue	\$ 300,000.00	\$ 150,000.00	\$ -	\$ -
TOTAL:	\$ 1,899,511.00	\$ 1,414,260.00	\$ 787,500.00	\$ -
	\$ 1,964,304.00	\$ 1,475,700.00		

*Based on an estimated \$4,500 minimum per bus per year for 166 coaches plus 9 fully wrapped bus ads (entire bus is vinyl-wrapped) leased for \$5,500 a month for 12 months

**Assumes 40 percent of the fleet (70 coaches) have full back ads (entire back of bus is a vinyl-wrapped ad) at \$500 a month per coach for 12 months.

***Assumes 61-76 rail vehicles at 55% of net billing (approx. \$3840 per year per vehicle) plus 3-4 full wraps at \$4500 a month for 12 months

! Assumes 64-80 vehicles, 30 ads/vehicle, \$12/ad with 100% of interiors sold (at 55% of net billing).

#Assumes an aggressive facility advertising program based on a typical contract for other transit agencies.

##Assumes a more modest approach to facility advertising with a higher level of community and public service advertising.

SOUND TRANSIT

MOTION NO. M98-79

A motion of the Board of the Central Puget Sound Regional Transit Authority to establishing advertising policies on Sound Transit vehicles and at transit facilities and stations.

Background:

On February 26, 1998, the Sound Transit Board approved Motion No. 98-15, directing staff to develop a unified identity for Sound Transit vehicles and to develop Sound Transit bus designs to accommodate exterior advertising and consider the possibility of exterior advertising on light rail vehicles. The motion indicated that staff would return to the Board for discussion of advertising policies. On August 27, 1998, the Sound Transit Board approved Motion No. M98-65 establishing policy for station/facility design issues common to all three Lines of Business with respect to advertising. The motion stipulated that design parameters allow for advertising and locations identified in facilities that would be appropriate for advertising. This motion further identifies policy issues regarding advertising on Sound Transit vehicles and at transit facilities and stations.

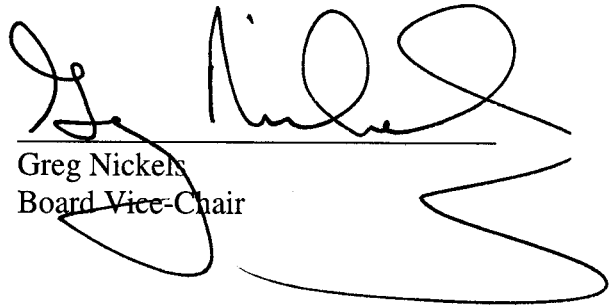
Motion:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the following items be adopted as policy for advertising on Sound Transit vehicles and at transit facilities and stations:

1. Provide moderate opportunities for advertising revenues by allowing the option to advertise where appropriate and technically feasible on:
 - Bus exteriors
 - Light rail vehicle exteriors at a moderate level that does not significantly detract from vehicle identity
 - Stations and other transit facilities on a case-by-case basis
2. Priorities shall be first on customer information and then on maximizing advertising revenue. Every effort should be made to ensure that advertising does not distract from Sound Transit's identity program.
3. When Sound Transit services begin operating, allow advertising only for the agency and its services for six months on vehicles. This will provide time to develop an identity for Sound Transit and its services. After six months, sell advertising through agreements with transit agencies operating Sound Transit services using existing transit advertising contracts. Once all of Sound Transit's systems are operational, contract directly with an outside vendor to sell, produce, install, maintain and remove advertising.

4. Sound Transit will restrict advertising of alcohol, tobacco and obscene advertising content. Restrictions on advertising content will be handled through language in partner agencies' (Community Transit, Everett Transit, King County Metro and Pierce Transit) existing contracts and later through Sound Transit's own contracts with advertising vendors.

Approved by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof on the 22 day of October, 1998.



Greg Nickels
Board Vice-Chair

ATTEST:

Marcia Walker
Marcia Walker
Board Administrator