



**Customer Service, Operations and Safety Committee**

**Action Item III-A**

**February 14, 2008**

**The Metro Channel (TMC)**

**Washington Metropolitan Area Transportation Authority  
Board Action/Information Summary**

Action  
 Information

MEAD Number:  
99943

Resolution:  
 Yes  No

**PURPOSE**

The purpose of this action item is to update the Board on refinements to the plan now known as The Metro Channel, and request approval to initiate an Request For Proposal (RFP) for an exclusive advertising partner, to include deployment and operation of The Metro Channel, for WMATA.

**DESCRIPTION**

In November 2005 the Metro Board adopted Resolution 2005-48. This resolution approved initiation of a competitive procurement process to upgrade and integrate Metro's customer communication systems by licensing advertising assets through partnerships with private companies. To date, under the authority of the 2005 resolution, Metro has completed an Request For Information (RFI) and prepared an RFP that is now ready for release.

The Metro Channel is envisioned to be an advertising-supported, state-of-the-art network of digital signage (and possibly wireless messaging) system that will:

- enhance the rider experience
- create new avenues for customer information access
- unify and simplify communications in incidents, closings, and emergencies
- generate advertising revenues for the authority

By leveraging and enhancing train and bus arrival information from existing passenger information systems (such as the PIDs), The Metro Channel will make real-time passenger information ubiquitously available to our customers throughout the Metro franchise: on platforms, mezzanines, entrances, exits, rail cars, buses and other Metro properties using space that previously was only used to deliver advertising.

At the end of the multi-year project we anticipate the installation of 3000-5000 LCD or plasma screen displays on Metro properties including buses and rail cars.

In addition to customer information for normal operations, the system will provide Metro a robust capacity to instruct riders during incidents and emergencies.

In addition to The Metro Channel (digital advertising) license, the RFP also includes a license to sell advertising across the authority's entire advertising franchise upon completion of the existing advertising contract in 2010. Respondents are required to submit business terms that include revenue guarantees in exchange for the license to be Metro's exclusive advertising partner.

## **FUNDING IMPACT**

Costs for deploying and operating The Metro Channel will be fully funded from future advertising revenues. In the expected scenario, respondents to the RFP would underwrite the costs. Alternately, Metro could return to the Board with a proposal to finance the project through a revenue bond secured against the future revenue. In either case, Metro would not need to fund any of the capital or operational costs of The Metro Channel system except incidentals like power.

New revenues generated by The Metro Channel, while likely to be significant, are unlikely to immediately replace lost advertising revenue Metro has become accustomed to from its guarantee from CBS Outdoor (CBS). The \$37-\$40M annually that Metro currently collects from CBS is expected to fall significantly in June 2010 when our advantageous contract expires.

It is Metro's expectation that practically all advertising revenue after June 2010 will be generated by the RFP the Board is being asked to approve to initiate.

## **RECOMMENDATION**

Request Board approval to initiate and award a contract for an exclusive advertising partner, to include deployment and operation of The Metro Channel for a period of ten to twenty years including non-electronic media within Metro's property starting in June 2010.



# The Metro Channel (TMC)

*Presented to the Board of Directors:*

**Customer Service, Operations and Safety  
Committee**

February 14, 2008





# Board Action Requested for The Metro Channel

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- Staff seeks Board approval to initiate and award a state-of-the-art digital signage network that enhances:
  - The Customer Experience
  - Customer Information Access
  - Metro Incident Communication
  - Advertising Revenue
- The Metro Channel (“TMC”) allows Metro to communicate with Customers in real time during normal operations and service disruptions
- This capability is increasingly in demand by our Customers, our regional partners, and the media





# Advertising Revenue Impacts

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- **In addition to TMC, this RFP also includes the replacement license for the exclusive sale of static Metro advertising assets (e.g. posters and bus-wraps)**
- The existing contract for static advertising with CBS Outdoor ends June 2010
  - 10-year contract, with guaranteed revenue in excess of \$35M annually
  - Winning proposer of this RFP would take over static advertising in 2010
  - Metro expects that 2011-2020 advertising revenues from static assets (e.g. posters, bus wraps) will be significantly **lower** than current guarantees
- TMC is expected to create a **new revenue opportunity** for Metro
  - Projections of net free cash flow range from \$16 to \$178 million over the life of the ten-year license
  - Revenues will be driven by RFP responses and Metro's business model decisions
  - Even most optimistic projection, however, fails to fully make-up projected drop-off from CBS guarantees
- **Under no circumstance**, does Metro expect that deploying TMC can negatively affect revenues. The intention is to use TMC to **help offset anticipated losses** of existing guarantees in June 2010
- Metro intends to plug-in financial responses to the RFP into a spreadsheet simulation model to compare different award scenarios. Assuming one or more proposals meet expectations, the intent is to award on a **best-value basis**



# How does TMC relate to PIDs?

- TMC and the PIDs will **co-exist** for the foreseeable future
- TMC makes Customer information available in **additional** locations
  - At entrances of stations
  - On buses and rail cars
  - At bus shelters
  - In displays that previously only showed advertising
- While TMC **does not** provide the funding to replace the PIDs system, it does provide a visual and technical model which can be leveraged when PIDs reaches its natural end-of-life



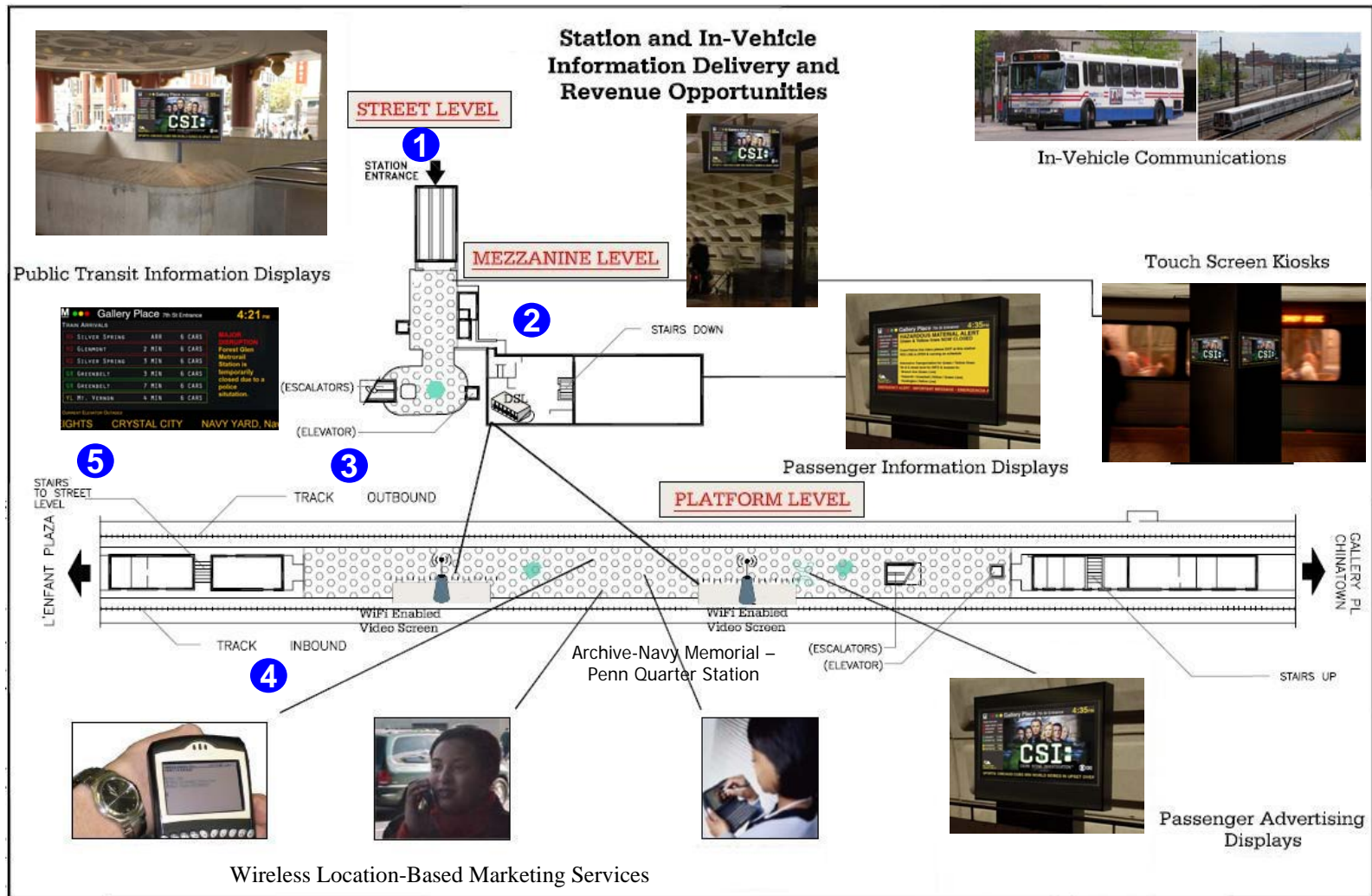
PIDs signage displays limited information.



Metro anticipates that PIDs signage replacements will not be advertising supported, but may resemble The Metro Channel screen designed for people with low vision.



# The Metro Channel will be delivered throughout the Metro system





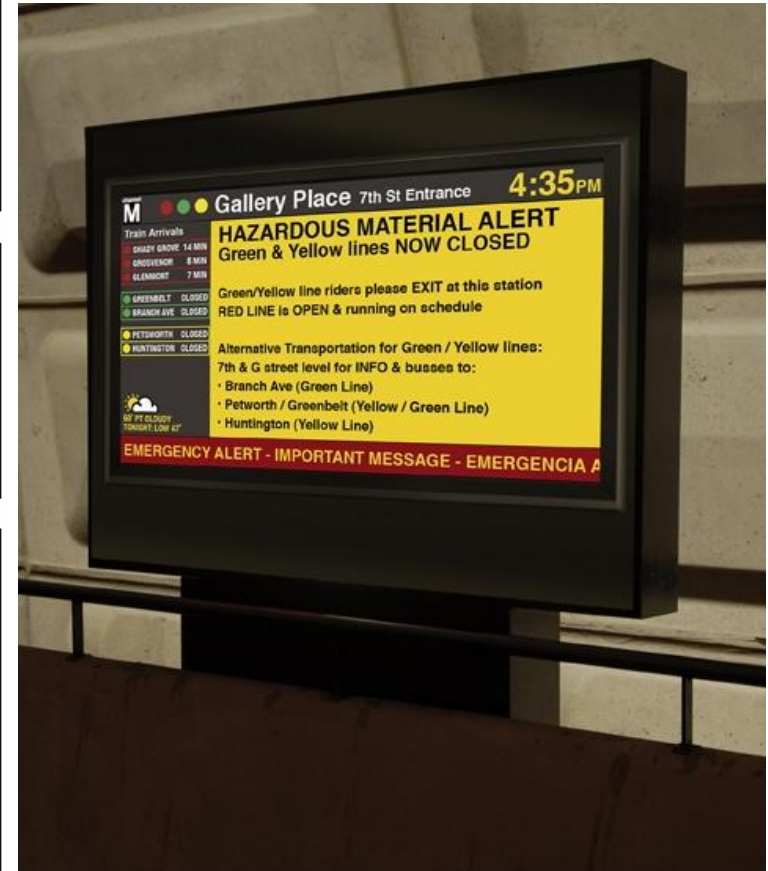


# The Metro Channel will deliver three kinds of information to Customers

Customer Information		
Today	Tomorrow	Benefits
Passenger Information Displays (PIDS)	PIDS and The Metro Channel	<ul style="list-style-type: none"> <li>Meets station and in-vehicle customer needs</li> <li>Able to display more information</li> <li>Serves more constituencies</li> </ul>

Incident Communications		
Today	Tomorrow	Benefits
Intercom Public Announcements Staff	System-wide ability to communicate specific instructions to specific locations	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Better safety/protection</li> <li>Accelerated normalization after incidents</li> <li>Reduced financial risk of damages</li> </ul>

Advertising		
Today	Tomorrow	Benefits
Static	Static Digital Signage Network	<ul style="list-style-type: none"> <li>Increased system revenue capacity</li> <li>Increased revenue per customer</li> <li>Ability to reach larger audience of advertisers</li> </ul>
Cost	No net cost. Paid for through public private partnership (or revenue bond).	
Timeframe	Project is estimated to take four to six years to complete; first displays are expected by the end of 2010. Contract runs from award though June 2020.	





# Scope and Structure of the RFP

Work Breakdown	Task	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
Sell Advertisement														
Produce Content														
Operate System	Stations													
	Rail Cars													
	Bus													
Build System	Stations													
	Rail Cars													
	Bus													
Finance System	Stations													
	Rail Cars													
	Bus													

**(3) Operate, Maintain and Sell Advertising**

**(2) Design, Build**

**(1) Finance System**

- The contract includes license to sell Metro advertising from mid 2010 through mid 2020 and potentially beyond
- Metro reserves the right to award (1), (2) and (3) independently from one another (or together)
- Separate proposals required for (1) financing, (2) design and build, and (3) operation of franchise
- All proposals must be zero cost to Metro
- License to sell advertising includes existing static, rail station, bus shelter and bus advertising
- Award will be based on technical, financial and creative/advertising evaluations



# Next Steps

- ✓ Presented to and endorsed by the Elderly & Disabled Committee on February 4, 2008
- ✓ Presented to and endorsed by the Riders' Advisory Council on February 6, 2008
- Obtain Board approval to initiate and award RFP
- Continue to gather customer feedback through movable demo system



Mockups of how The Metro Channel might look at Verizon Center entrance of Gallery Place