

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **July 23, 2015**

FROM: **General Manager, Parks, Recreation and Culture** FILE: **1545-01**
General Manager, Finance & Technology

SUBJECT: **Standing Offer Agreement – Community Newspaper Advertising**

RECOMMENDATION

The Parks, Recreation and Culture Department, and the Finance and Technology Department recommend that Council approve entering into an agreement with Black Press Ltd. to enable staff to proceed with advertising in local community newspapers.

INTENT

The purpose of this report is to seek Council approval to enter into an agreement with Black Press Ltd. for the purchasing of advertising in community newspapers with the rates that were stipulated in a recent Standing Offer Agreement process.

BACKGROUND

The previous Request for Proposal (RFQ) for Community Newspaper Advertising issued in 2010 ended April 30, 2015 after four consecutive years of annual renewal with minor addendums and sustained rates. During this period, the City committed to moderate annual advertising volumes of 27,000 column inches (9,000 statutory and 18,000 non-statutory advertising).

Historical advertising rates and expenditure patterns are summarized below:

	Black Press *	Now Newspaper
Rate per column inch 2010 – 2015 (April)	\$6.30	\$7.50
Rate per column inch 2006 - 2009	\$26.85 - \$28.62	\$7.50
Expenditures		
2014	\$273,650	\$176,370
2013	\$300,100	\$195,780
2012	\$331,510	\$264,630
2011	\$340,360	\$239,050
2010	\$337,710	\$356,070
2009	\$201,660	\$385,800
2008	\$351,160	\$355,740
2007	\$238,010	\$241,730

* Black Press includes: Surrey News Leader / Peace Arch News/ Cloverdale Reporter

From 2007 to 2014, the annual expenditure for advertising in local papers ranged from \$450,000 to \$700,000. During the period of 2006 to 2009, the agreement structure was based on rates tied to ad volume commitments; the Now Newspaper secured a higher volume of advertising given their ad rate was most competitive (\$7.50 column inch).

DISCUSSION

An agreement has been drafted offering adjusted ad rates for the Now Newspaper, the Leader Newspaper, the Cloverdale Reporter and the Peace Arch News. A summary of the new rates is attached as **Appendix I**.

The new agreement secures fixed ad rates for the City of Surrey for all papers independently without committing to fixed advertising volumes. While the term of the agreement is one year, the agreement can be extended annually through to 2020.

While the new rates have increased substantially (ranging from 43 to 50% for certain papers), the rate structure remains well below commercial rates and are adjusting to catch up to inflationary pressures in the marketplace after going unchanged for five consecutive years.

Rate Structure:

The following table shows a summary of the current rates in relation to the previous contract period:

	Rates 2010-2015	2015 New Rates
LEADER Rate per column inch	*\$6.26	\$12.60
LEADER Full page rate	*\$613.00	\$1,235.00
NOW Rate per column inch	\$7.50	\$12.60
NOW Full page rate	\$714.00	\$1,235.00
PEACE ARCH NEWS Rate per column inch	*\$6.26	\$11.00
PEACE ARCH NEWS Full page rate	*\$613.00	\$1,078.00

** Rate includes combined bonus placement in both: Surrey News Leader / Peace Arch News*

The above rates exclude analysis for the Cloverdale Reporter as it's considered a secondary and segmented product in the City's overall marketing mix. The figures displayed in the table show that rates have increased by 42% for the NOW Newspaper, 50% for the Leader Newspaper and 43% for Peach Arch News. The percentage increases noted do not reflect that under the previous agreement, bonus ad placement occurred for the Leader and Peace Arch News when staff placed ads in one of the papers and wanted to extend to the sister paper at no additional cost. That arrangement is no longer available in the 2015 rate structure and agreement.

In many areas of the City, service based public awareness advertising is discretionary and can be adjusted to account for increased pricing, however, there are some business areas of the City (recreation services, arts services, heritage services) where program participation is influenced by the extent and success of community advertising. In these areas, advertising will be reduced and reallocated in some cases to digital marketing options and other channels to sustain services and programs. In the Legislative Services Section of the City, statutory advertising is required and ad volumes can only be reduced marginally. Section 94 of the Community Charter requires public notifications to be published in a newspaper that is distributed at least weekly, once each week for two consecutive weeks.

Options:

Given the legislation and the City's need for print advertising both for statutory and non-statutory advertising, other options were explored to meet both marketing and legislated requirements.

Option 1 – Advertise with Regional Newspapers

Ad rate quotations were received for the regional Sun and Province newspapers that have distribution within Surrey. The resulting quotations revealed that this method was not competitive in relation to the new community newspaper rates. As well, the Province/Sun is a paid subscription therefore not reaching all households.

Option 2 – City Produced Publication

A second option evaluated designing a devoted city newsprint publication that could be produced weekly and distributed either through the community newspapers or other means. While this option offers additional exposure for city initiatives and statutory ads, it was also deemed to be a less viable alternative based on production and distribution costs.

Option 3 – Subscribed E-mail Notification

The third option evaluated patrons voluntarily subscribe to e-mail notifications for statutory notices. The City is currently actively implementing a comprehensive online e-notification platform that enables the customer to get personalized information customized to their interests and preferences. Currently, the e-mail notifications are considered a complement to the paid advertising notices versus replacing the newspaper notifications.

Budget Implications:

Budget shortfalls are expected in 2015 particularly in the Legislative Services area given the Statutory Advertising legislative requirement. An expected budget impact of \$40,000 annually is anticipated beginning in 2016 and an approximate budget impact of \$25,000 for the remainder of 2015.

SUSTAINABILITY CONSIDERATIONS

The proposed agreement with Black Press Ltd. will assist in achieving the objectives of the City's Sustainability Charter; more particularly, the scope item #EN5 which states:

“Local governments are major buyers of goods and services. The purchasing habits of governments can set the tone for local businesses and residents, and can create the critical mass of customers required to introduce green products economically into a community.”

The new advertising agreement encourages consolidation of advertising volumes and emphasis on complimentary digital ad methods and sustainable ad strategies.

CONCLUSION

Despite the global challenges and marketplace complexities facing the Canadian newspaper industry, the new rates resulting from the recent community newspaper Standing Offer Agreement process enable the City to continue to maintain an active presence in our local

newspapers which is vital to informing the public of key initiatives and providing a high level of service. The City will be required to adapt to the rate increased by adjusting ad strategies and consolidating ads within department business areas. While the new rates have increased substantially (ranging from 43 to 50% for certain papers), the rate structure remains 68% below regular commercial rates and provides rate certainty for the next 5 years.

In addition to the paid advertising, the City will continue to utilize all marketing channels including both free and paid options such as bus shelters, digital advertising, print, online and social media.

Ongoing moderate budget shortfalls are expected in Legislative Services while other departments are expected to adjust advertising and marketing programs to account for the increased rates.

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Parks, Recreation and Culture

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Finance and Technology

Appendix I – New Ad Rates for Community Newspaper Advertising

2015 Ad RATES	Surrey Leader	Peace Arch News	Cloverdale Reporter	The Surrey Now
Quarter page , b&w, 1 st run / 2 nd run / 3 rd run	\$264.60 / \$224.91 / \$211.68	\$231.00 / \$196.35 / \$184.80	\$185.64 / \$157.79 / \$148.51	\$264.60 / \$224.91 / \$211.68
Quarter page, colour (Single Spot, Two Spot or Process - \$49)	\$312.60 / \$272.91 / \$259.68	\$279.00 / \$244.35 / \$232.80	\$233.64 / \$205.79 / \$196.51	\$312.60 / \$272.91 / \$259.68
Half page, b&w, 1 st run / 2 nd run / 3 rd run	\$617.00 / \$524.45 / \$493.60	\$539.00 / \$458.15 / \$431.20	\$433.00 / \$368.05 / \$346.40	\$617.00 / \$524.45 / \$493.60
Half page, colour (Single Spot, Two Spot or Process - \$98)	\$715.00 / \$622.45 / \$591.60	\$637.00 / \$556.15 / \$592.20	\$531.00 / \$466.05 / \$444.40	\$715.00 / \$622.45 / \$591.60
Full-page, b&w, 1 st run / 2 nd run / 3 rd run	\$1,234.80 / \$1,049.58 / \$987.84	\$1,078.00 / \$916.30 / \$862.40	\$866.32 / \$736.37 / \$693.06	\$1,234.80 / \$1,049.58 / \$987.84
Full-page, colour (Single Spot, Two Spot or Process - \$196)	\$1,430.80 / \$1,245.58 / \$1,183.84	\$1,274.00 / \$1,112.30 / \$1,058.40	\$1,062.32 / \$932.37 / \$889.06	\$1,430.80 / \$1,245.58 / \$1,183.84
Flyer Distribution (incl. 8-24 page City Feature inserts and/or Leisure Guide inserts) delivered <i>tandem</i> (on top on the paper)	\$85 per thousand	\$85 per thousand	\$85 per thousand	\$85 per thousand
Flyer Distribution (incl. 8-24 page City Feature inserts and/or Leisure Guide inserts) delivered <i>non-tandem</i> (inside the paper)	\$40 per thousand	\$40 per thousand	\$40 per thousand	\$40 per thousand
Flyer Insert Distribution Delivered <i>tandem</i> (on top of the paper)	\$7,055.00	\$3,188.35	\$656.00	\$7,055.00
Flyer Insert Distribution Delivered <i>non-tandem</i> (inside the paper)	\$3,320.00	\$1,500.40	\$1,386.50	\$3,320.00

Add: \$2.25 fee plus 5% GST