

POLICY ON THE RELEASE OF CITY OF JOHANNESBURG-OWNED LAND FOR OUTDOOR ADVERTISING

INTRODUCTION

The Policy on the release of City of Johannesburg-owned ("COJ") land for Outdoor Advertising must be read in conjunction with the approved Land Release Policy which governs the release to the market of COJ-owned property, particularly insofar as delegation of authority to conclude agreements of lease based on contract duration and value is concerned.

The policy document is focussed on one broad transaction type - the lease of COJ-owned properties to applicants seeking to utilise such property for the establishment of advertising surfaces for display to the general public.

The policy covers the following aspects:

- Problem statements;
- Policy statements;
- Approach and Adjudication; and
- Implementation.

PROBLEM STATEMENT

- Demand for property for purposes of outdoor advertising far outstrips supply;
- Duopoly within outdoor advertising industry - two entities controlling disproportionate share of the outdoor advertising market;
- Highly competitive environment;
- Disparity in financial arrangements/rental calculations - percentage participation in end-user rental; up-front rental payments; or flat rates;
- Technically complex environment - statutory (law; by-laws; ordinances; regulations); environmental; land-use; road safety aspects; etc.; and
- Financial means and sustainability of applicants vary greatly.

POLICY STATEMENTS

Applications from external entities for the establishment of advertising surfaces for display to the general public on COJ-owned property will be managed (received; processed; adjudicated and administered) based on the following principles of policy:

- Outdoor advertising opportunities will be made available in terms of a public tender process;
- Dilution of current duopoly situation - prevention of market domination by one/limited number of entities;
- Black economic empowerment throughout the outdoor advertising industry value chain - suppliers; outdoor advertising entity; maintenance;
- Social investment - affording direct and indirect benefits to the general public;

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- Scaling-down of potential conflict of interests - separation of responsibilities (COJ economic benefit versus objective consideration/approval responsibility);
- Duration of lease arrangement will be of a short-term nature (five years) except in instances where the extent of capital investment warrants an extended lease term to sufficiently allow for capital redemption;
- Applications will be awarded on a weighted scoring system allowing credit for the following:
 - Initiative - applicant who identified the opportunity;
 - Financial (rental) offer;
 - Black economic empowerment (throughout value chain);
 - Social investment; and
 - Ability to do business (history/track record of applicant).

APPROACH

The City of Johannesburg Property Company (Pty) LTD ("JPC") will, on behalf of the COJ, receive applications from outdoor advertising entities for properties identified for outdoor advertising opportunities. Such applications will be regarded as a specific transaction type and managed according to the directives contained in this policy.

Current agreements/formal undertakings between COJ and outdoor advertising entities:
JPC will honour such agreements and formal undertakings (approvals) according to the legal provisions of such agreements/undertakings. Upon expiry or earlier termination of the aforementioned agreements/undertakings, such outdoor advertising opportunities will be re-evaluated to assess the viability of its continued availability as outdoor advertising opportunities. Based on the positive outcome of the aforementioned assessment, such opportunities will be offered to the market by means of the public tender process without any further benefit accumulating to the previous outdoor advertising rights holder.

Applications submitted by outdoor advertising entities in varying states of finalisation/approval:

Applications previously submitted by outdoor advertising entities, in varying states of consideration, but for which final approval have not been issued in terms of the previous outdoor advertising policy of the COJ (Development Planning, Transportation and Environment - Outdoor Advertising) will be further processed and adjudicated in terms of the policy preceding the policy outlined in this document.

A period of twelve months from the date on which this policy is formally accepted by the COJ will be allowed to finalise these applications whereafter all applications will be regarded as new applications to be considered in terms of the new policy.

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Applications that have not been finalised upon expiry of this twelve-month period, will be regarded as new applications and considered in terms of this policy and the outdoor advertising entity that submitted these applications, will receive the benefit for such applications in terms of the "initiative"-aspect of the applications rating system.

New applications submitted by outdoor advertising entities:

New applications submitted by outdoor advertising entities will be considered in terms of this policy.

JPC will receive applications from outdoor advertising entities and will also, on its own accord, identify properties suitable for purposes of outdoor advertising. Such properties will be subjected to a general evaluation and feasibility assessment whereafter the properties making the initial grade, will be submitted to the following entities for in-principle approval:

- COJ (Development Planning, Transportation and Environment - Outdoor Advertising) - evaluation and consideration in terms of Integrated Development Plan; By-laws; Local Government Ordinances (LGO); and other relevant legal and statutory requirements.

JPC will, in terms of the provisions of the LGO, simultaneously advertise for notification and/or objection such applications (intention to create surfaces for the display of advertising material) to the general public. JPC will in this regard fulfil the role of the "applicant" in terms of the LGO; and

- COJ Utility, Agency or Corporate Entity which has title or jurisdiction over the outdoor advertising property in question - evaluation and consideration in terms of technical desirability

Upon receipt of positive response from the aforementioned entities (COJ and relevant UAC(s)) including the amicable resolution of objections received in terms of the public notification process or the incorporation of suspensive conditions of approval, such in-principally approved properties are periodically offered to the market for lease through a public process by means of:

- Printed advertisements in the relevant media; and
- On-site advertisement.

Responses thus received are subjected to a process of adjudication by a panel comprising two representatives each from:

- JPC;
- COJ (Development Planning, Transportation and Environment); and
- Mayoral Committee - Municipal Enterprises Committee.

And awarded a score/rated in terms of the following weighted scoring system:

- Initiative (original/first application submitted for property under consideration) - 20/100;
- Financial offer - 40/100;

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- Black economic empowerment:
 - Ownership; management; and control - 10/100;
 - Reverse integration (use of BEE suppliers) - 5/100; and
 - Forward integration (use of BEE maintenance service providers) - 5/100;
- Social investment associated with application - 10/100; and
- Ability to do business (history/track record of applicant) - 10/100.

Furthermore, a ceiling of 25% per any one applicant will be imposed on the awarding of applications.

SUBSEQUENT PROTECTION OF COJ INTERESTS (Enforcement)

Further measures to be taken to ensure the protection of the COJ's interests, include:

- Prohibition of cession of outdoor advertising properties;
- Blacklisting of unscrupulous outdoor advertising entities; and
- Co-operation with COJ (Planning) i.t.o. enforcement and sanctioning.

IMPLEMENTATION

This policy is to be implemented with effect from 17 April 2002 - the date on which the COJ issued a formal notice to the outdoor advertising companies of the intended change in policy in dealing with applications for outdoor advertising premises.

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