

REPORT

TO: Community Services Executive Committee

FROM: Jason Kabel, Manager of Community Services

DATE: April 16, 2015

RE: **Pepsico Beverages Canada Agreement at Memorial Sports Centre**

Background

At present, the Fort Frances Memorial Sports Centre (MSC) is in an exclusivity contract with Pepsico Beverages Canada (PBC - formerly Pepsi Bottling Group) effective October 1, 2010 to September 30, 2015. This contract outlines that the MSC will only offer Pepsi products anywhere in the facility, namely, in each of the canteens (2), vending machines (3), and pop dispensing towers (2).

The existing contract has been beneficial to both parties as well as the contracted concessionaire. We have recently been in discussions with the Pepsico representative because the vending machines have become unreliable as of late due to age. There was also concern that our pricing structure had surpassed competitive market values for both bottled products and premix canisters for the pop tower. As such, the Community Services Division sought to pursue re-negotiation of the existing contract that is due to expire in four months time. Below is a summary of the proposed pricing, rebates, and equipment (see full details attached):

Pricing & Rebates

Product	Unit	Current Price	New Price	Price in year 3	Rebate/case*	Unit Cost
591mL bottles	24	29.66	23.69	25.13	1.00	0.95
591mL Aquafina	24	16.69	13.39	14.21	1.00	0.52
591mL Aquafina Plus	12	20.50	18.44	19.56	-	1.54
450ml Dole/OceanSpray	12	19.03	13.90	14.75	-	1.16
591mL Gatorade/G2	12	16.80	13.42	14.24	-	1.12
18L Premix	1	25.70	19.20	20.37	-	-

*Rebates are not currently a feature of the existing contract. Rebates would amount to approximately \$600/year with current volumes. Rebate cheques would be payable to MSC. Also proposed, that is not currently included in the contract is \$1,000/year exclusivity funding with no volume requirements. This would be payable to MSC at contract signing and annually for the term of the contract.

Equipment

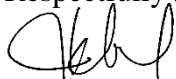
The proposal includes the following to replace the three owned Pepsi owned vending machines at MSC:

- Replace one vending machine to a Glas Front Vender with dollar bill validator to be placed in the MSC main lobby.
- Replace two vending machines with new venders equipped with dollar bill validators.

Recommendation

The Community Services Division recommends entering into a new three year contract with PepsiCo Beverages Canada to capitalize on a reduced pricing structure (increases 3% annually), offer new vending machines for patrons, and benefit from the rebates now being proposed.

Respectfully Submitted,


Jason Kabel