

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6a
Date of Meeting September 30, 2014

DATE: September 22, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Michael Ehl, Director, Aviation Operations
SUBJECT: Centralized International Support Services for the Federal Inspection Services area at Seattle-Tacoma International Airport

Amount of This Request: \$8,700,000 **Source of Funds:** Airport Development Fund
Est. State and Local Taxes: N/A

Est. Contract Value: \$8,700,000 (5 years)

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for Centralized International Support Services in the Federal Inspection Services (FIS) facility at the Seattle-Tacoma International Airport for up to five years for an estimated amount of \$8,700,000.

SYNOPSIS

To accommodate the increasing number of international flights within the constrained physical space of the 41-year-old FIS, the international airlines have requested that the Port establish a unified contract to provide centralized passenger and baggage services as described within this request. These services include baggage handling; crowd control and queue management; holding passengers; assisting with language translation, documents, and automated systems; and providing access control to a restricted area in the South Satellite known as the non-sterile corridor. Many of these functions today are provided by individual service companies; some under contract to the airlines while others are performed directly or are overseen by airline or Port employees. This request for centralized international support services will consolidate the majority of these activities under a single contract managed by Port staff, providing for increased passenger satisfaction, more efficient operation, and greater accountability on the part of the service provider. The 2015 operating expense is estimated at \$1,613,000 for this service, based upon wage rates specified in Resolution No. 3694.

BACKGROUND

The Airport's existing and aging international arrivals facility is located in the South Satellite. It was originally designed to accommodate no more than two simultaneous widebody aircraft

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arrivals. Today, up to 11 flights are arriving during the noon peak period while international air service into the Airport continues to grow in both passenger volume and the number of routes served. The Airport currently experiences three specific peaks: morning, noon and evening, though the noon peak continues to be the largest.

In 2012, the Port held passengers from 101 flights, either on board the arriving aircraft or in the international corridor after disembarking because of limited capacity. In 2013, 376 flights were held. To date in 2014, over 400 flights have been held and the trend continues. This caused delays ranging from 5 to 67 minutes before passengers were allowed to enter the FIS passport control area. Holding passengers on-board an inbound aircraft can cause a delay to the departing flight, which is unacceptably expensive to airlines and results in a series of chain reactions for passengers and aircraft. In all cases, holding passengers causes a significant inconvenience for travelers anxious to disembark after a flight that may have been 10, 12 or even 14 hours in duration. Port staff expect that hold-in-corridor times will continue to increase due to new daily services from Delta Air Lines and increased service of other carriers.

The new International Arrivals Facility (IAF) is targeted for completion in late 2018 and the Airport continues to make minor improvements to the existing FIS facility. However, these improvements will not eliminate the need for the requested contract services in the existing FIS.

PROJECT JUSTIFICATION AND DETAILS

Centralized international support services are needed for public safety, efficiency of airline and Customs and Border Protection (CBP) operations, as well as passenger convenience and experience at Sea-Tac. The airlines have requested that the Port assume management of these services under a unified contract.

The Airport's Manager of International Operations currently oversees emergency contracts for these operations with support from one supervisor (International Operations Supervisor). At the airlines' request, this proposal extends the Port's existing managerial oversight to include the contractual and financial oversight that previously rested with the airlines. This will make the service provider contractually accountable to the Port for performance and staffing levels. The request also provides staffing to support new programs to improve processing such as automated passport control (APC) and mobile passport control (MPC).

Scope of Work

The scope of work for this contract includes passenger services and baggage services.

Passenger Services include customer service, foreign language interpretation, crowd control, queue management, holding flights and passengers, access control and assisting passengers with CBP documents and new automated passport control technologies. This service significantly increases the processing rate through passport control and reduces costly hold-on-board situations by providing the necessary staff to accommodate waiting passengers inside the terminal rather than on board the aircraft. In addition, the newer automated technologies, like APC kiosks, require staff to assist passengers with using these technologies. The number of staff

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required for this assistance is lower than the number of CBP officers it would require to process the same number of passengers yet keeps throughput rates high and extends use of APC kiosks from U.S. and Canadian citizens alone to the wider constituency of foreign passport holders not requiring visas. Without these services, passengers would experience slower processing through the FIS, increased danger and liability with overcrowding in passport control and the Customs baggage claim, increased confusion, and an increase in hold-on-boards with a corresponding increase in departures delays.

Baggage Services include repositioning baggage at FIS carousels to maximize capacity, assisting passengers with placing baggage on the recheck belts, recirculating the baggage carts, and manually handling baggage too large to fit through the conveyor belt systems. These controls are needed to keep baggage moving into and out of the FIS facility. Without these services the delivery of baggage to claim devices would not be coordinated with the arrival of passengers to claim the baggage. The result would be jammed claim devices and dangerous crowding in the Customs hall. Experience has shown that without assistance from service personnel, passengers arriving from overseas destinations are confused about where to recheck their bags for their connecting flights and frequently place them on the conveyor belts serving terminating passengers and vice versa. Without staff assistance, passengers attempt to carry multiple, oversized bags onto the Satellite Transit System (STS) train, slowing down the boarding process and causing dangerous conditions on escalators at the main terminal train station.

FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The proposed 2015 operating budget includes \$1,612,512 for this service. This represents an increase of approximately \$680,000 over the costs included in the 2014 operating budget. The increase is caused by a combination of scope additions and costs increases due to Resolution No. 3694. The cost of future contract payments will be included annually as specific line items in the Aviation Operations expense budget. The funding source is the Airport Development Fund. The total impact of this contract on 2015 CPE is approximately \$0.08. The impact on the FIS rate is approximately \$1.00.

STRATEGIES AND OBJECTIVES

This request supports the Port's Century Agenda objective to advance the region as a leading tourism destination and business gateway. Specifically, providing these services for arriving international passengers, supports making Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel and supports the goal to double the number of international flights and destinations.

This request also supports the Aviation Division's strategic objective to accommodate growth in international operations until the new IAF is completed.

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do nothing. The Port extends the existing contracts that were not competitively bid, are costly, do not provide all needed services, and are not adequate for future growth. This option does not provide the economy of combining multiple services under a single supplier and would be more expensive and would not provide flexibility for seasonal adjustments in labor requirements. This is not the recommended alternative.

Alternative 2) – The Port cancels existing contracts in favor of the airlines establishing a consortium to manage the contracts. The airlines have previously dissolved consortiums and are unwilling to assume these services. The lack of services would result in a complete degradation of operations in the FIS, extensive passenger and airline delays, and a major loss of passenger experience. This is not the recommended alternative.

Alternative 3) – The Port assumes provision of baggage handling and passenger services through a unified contract with a single service provider. This option provides for competitive bidding, potentially lower rates, improved services, and the flexibility to expand with future growth. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.