

Statement on Port Audit of PSD (Yellow Cab) Exclusive Airport Contract

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"....PSD-reported Concession Fees were not complete or accurate...."

So states the Port of Seattle's internal audit, released Tuesday, 01/05/2016, about the Port's exclusive \$18.3 million concession contract with Yellow Cab, for outbound taxi services at Sea-Tac International Airport. The report will be presented by Port internal auditors at the Commission's 01/06/2016 meeting of its Audit Committee. According to the report, Yellow Cab significantly underpaid the Port its 13% of gross passenger revenue concession fee.

"The data indicate Yellow Cab underpaid the Port over \$4 million, some 20% of the value of the contract," said Chris Van Dyk, who first identified accounting anomalies that triggered the audit by the Port, "While this is not an audit result that anybody wants to hear, we applaud the Port's undertaking and release of this audit. It takes a capable organization to publicly criticize itself. So we are confident, going forward, that the Port is making structural changes, to keep this situation from recurring." Van Dyk is General Manager of Quality Ground Transportation Management LLC, a flat-rate for-hire and taxi dispatch management company which seeks to reopen the Yellow Cab airport outbound taxi contract to competition.

"Given the sole source nature of the Yellow Cab outbound taxi services contract, trust and reliance on the contractor was at its heart," said Van Dyk, "Unfortunately, this audit fails to hold the contractor sufficiently accountable for the incomplete, inaccurate reporting. Change at Sea-Tac is not only called for, it is mandatory."

Added Van Dyk, "I am the consultant to Yellow Cab referred to on P. 5 of the report. The inaccurate data were generated by dispatch operations at Yellow Cab, and presented to Yellow Cab management, which included me for a portion of the contract term, and to Port airport management. My focus at that time, as with Port staff, was on customer service—so I take my share of responsibility for lack of critical oversight, at the time these reports were issued to the Port—that said, ***there is no excuse whatsoever, for what is noted at P. 9 of the Audit:***

'....a sudden increase in local trips from an average of 8% to 18% with the corresponding decrease in Seattle trips. The trend suggests that Gross Receipts were shifted downward by decreasing trips in a higher average fare zone (i.e., Seattle \$39/trip) and concurrently increasing trips in a lower average fare zone (i.e., Local \$9/trip). The shift resulted in an overall decrease in Gross Receipts reported to the Port....' (Audit, P. 9)"

Since Yellow Cab is required to pay the Port 13% of gross passenger receipts, the shift reduces the money Yellow Cab owes the Port. "This is the anomaly that I discovered, in August of 2015, and brought to the Port's attention," said Van Dyk. "Port staff had recommended an extension of the Yellow Cab contract, without competitive bid, in May of 2015. I was asked to look closely at performance under that contract as my clients—competitors to Yellow Cab—thought they could do better." As a baseline, Van Dyk used promised performance in the Yellow Cab response to the Port 2009 RFP. "I had written that response, for Yellow," said Van Dyk. "Inquiry into deadheading reduction caused me to look at the revenue, and to notice the data were suspect."

The Audit notes that airport management is working to prevent the problem from recurring. "The Port Commission itself has already begun that process, by way of reintroducing competition into the airport taxicab marketplace," said Van Dyk. "The Port Commission has told staff that they want open, fair competition, that Commissioners want an open public bid on the contract. The simple reason is that the public interest is better served, as this report shows, with the pressure of competition on vendors at the Port; at the very least, with that pressure, the Port and the marketplace and the public, will be honestly served, by all of us."