

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	6b
Date of Meeting	January 12, 2016

DATE: January 5, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Michael Ehl, Director Aviation Operations
SUBJECT: Ground Transportation Proposal to Address On-Demand Operators and Transportation Network Companies (TNCs)

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for on-demand metered and flat-rate for-hire transportation services at Seattle-Tacoma International Airport.

SYNOPSIS

On May 26, 2015, the Port of Seattle Commission directed Aviation Division staff to conduct a comprehensive analysis of ground transportation operations at Seattle-Tacoma International Airport (Airport). This request was driven by the rapidly evolving market conditions, changes in consumer behavior, and the diversification of ground transportation modes occurring at airports across the nation. Prior to the Commission's direction, staff had anticipated the release of a Request for Proposal (RFP) for a successor contract for on-demand transportation services at the Airport. That contract, held by Puget Sound Dispatch from November 1, 2010 to October 31, 2015, is now under contractual holdover pending the authorization requested in this memo.

Based on the results of a Ground Transportation (GT) outreach initiative, the findings of a peer airport review, and extensive ongoing discussions following the conclusion of those efforts, Port staff recommends issuing an RFP for on-demand transportation service at the Airport that includes on-demand metered and flat rate (Taxi and For Hire) services in a single contractual agreement. This RFP will create economic opportunity for on-demand operators and provide additional on-demand options and continued high level of service for an increasingly discerning traveling public.

At this time, flat rate (for-hire) providers are constrained in operating at the Airport. The proposed RFP would allow the for-hire providers to pick up and drop off passengers as do traditional metered taxis at the Airport. Both services would pick up passengers on the third floor of the parking garage.

In addition, the established and growing public demand for the introduction of Transportation Network Companies (TNC), such as Uber, Lyft and Wingz, into the Airport's pre-arranged ground transportation system was reviewed during the six-month study period. Port staff has

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initiated and is currently engaged in negotiations with several TNC entities. Implementation of TNC operations will be determined by the willingness and ability of the operators to satisfy the guidelines established by the Commission.

Finally, to ensure transparency and fairness across the on-demand spectrum of operators, Airport staff also intends to issue a RFP for on-demand limousine services during the first half of 2016 to complete a coordinated process of soliciting open, competitive bids for all on-demand services at Sea-Tac.

Given the magnitude of Airport revenue generated from ground transportation providers, and the Port's inherent obligation of fiscal stewardship, both the RFP and TNC operating agreements will include stringent terms that require specific methods for the reporting of operational activity, and frequent auditing of financial reporting. Port staff has now received four responses to a Request for Information (RFI) released on November 11, to understand the capabilities of software that integrates tracking, enforcement, and appropriate revenue reporting to enable the highest levels of transparency, accountability, and contract compliance. Staff is currently evaluating the responses and intends to proceed with a procurement in the near future to select a technology for TNC tracking and reporting. The selected system as well as future technology solutions may also provide tracking and reporting benefits to the entire ground transportation system at the Airport.

Today's request for authorization reflects the Commission's direction to create a level playing field for ground transportation providers at the Airport wherever legally and practically possible, which will provide equitable allocation of access to the Airport that is desired by operators and consumers alike.

To this end, staff examined a wide range of options, from a completely open operating environment where all licensed GT operators have access to the Airport, to various scenarios incorporating traditional and hybrid contracting mechanisms. Ultimately, it was recognized that use of a contractual mechanism is the only practical way to ensure that the objectives discussed by the Commission are realized. Among these objectives are: ensuring quality transportation service for the travelling public; supplying capacity to meet the dynamic Airport operating environment; minimizing environmental impacts; expanding economic opportunities for small businesses; creating stable revenue to support Airport operations; and ensuring effective management and accountability.

To facilitate the implementation of the revised ground transportation business model requires several modifications to the third floor of the public parking garage and ancillary facilities. Facility challenges must be resolved to accommodate the changes recommended in today's request for authorization, as well as those driven by Sea-Tac's extraordinary growth and the physical relocations of existing operations made necessary by planned and future capital improvement projects. The preliminary findings of a comprehensive facility analysis covering the third floor of the public parking garage, lower drive, and related vehicle staging areas was

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completed December 31, 2015. While the final report will not be complete until the first quarter of 2016, the findings indicate sufficient capacity within the garage to accommodate a larger fleet of on-demand metered and flat-rate for-hire vehicles and TNC vehicles, in addition to existing ground transportation operators. Striping of both the 160th Street holding lot and third floor operating area of the public parking garage has been completed in anticipation of the start of these operations. Similarly, work orders have been submitted for changes in wayfinding, customer service, and informational signage.

Today's requested actions are reflective of significant changes made to fundamentally transform the on-demand ground transportation system at the Airport. These changes are explicitly intended to expand economic and small business opportunities, increase customer choice, enhance consumer protection, strengthen our commitment to the environment, maintain an important non-aeronautical revenue source, introduce technological business intelligence advancements, and demand a new level of financial accountability.

BACKGROUND

In 2009, following a 23-year exclusive contract with Seattle-Tacoma International Taxi Association (STITA), the Port of Seattle competitively bid a contract for on-demand taxi service. Puget Sound Dispatch, dba Yellow Cab, was the successful proposer and is now operating under a five-year contract that began on November 1, 2010, and expired October 31, 2015. The agreement allows the concessionaire to remain in holdover status at the discretion of the Port. On-demand taxi activity was up nearly 10% in 2014 with more than 815,000 total trips from the Airport and has shown nearly 13% growth in trips through the third quarter of 2015.

At the time the RFP was issued in 2009, flat-rate for-hire operators were relatively limited in King County. Since that time, flat-rate for-hire providers have grown significantly in number and have demonstrated a customer following justifying their eligibility to compete when the Port issues an RFP for on-demand services.

Amidst this already dynamic market for ground transportation services, in which growth in both on-demand and pre-arranged services is occurring, three TNCs (Uber, Lyft and Wingz) have requested access to Airport property for the pick-up of passengers. Transportation Network Companies, which are currently authorized by King County and the City of Seattle under Chapter 46.72 of the Revised Code of Washington, provide transportation of passengers for compensation by connecting drivers of personal vehicles to passengers requesting transportation exclusively through use of mobile device application technology. Airport staff has been in regular communication with potential TNC operators throughout 2015 and are now seeking to finalize a TNC operating agreement.

On May 26, 2015 the Port Commission provided guidance by which staff was to establish the framework for determining the recommended business model for ground transportation operations at Sea-Tac. This guidance was based on both a philosophy of establishing a level

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playing field whereby similar requirements are made of both on-demand and pre-arranged ground transportation operators at the Airport as well as specific criteria to be used in making today's recommendation for authorization.

Over the last six months, Port staff has facilitated several work elements intended to inform the revised structure of a strengthened and enhanced ground transportation system at the Airport. That work included a comprehensive ground transportation outreach effort of more than 30 stakeholders -- conducted by Norton Arnold, an independent third-party facilitator -- to glean perspectives on the optimal operating model for the Airport. Additionally, a formal study was contracted to Leigh Fisher, an established aviation consulting firm, to provide information on best management practices at 15 peer airports.

Overview of "Level Playing Field" Framework:

- Insurance coverage
- Green vehicle fleet and deadheading
- Access for the Disabled
- Consumer protection and customer feedback
- Operational accountability via Trade Dress and enhanced technological tracking
- Financial accountability via enhanced technological reporting

Specific Criteria:

Provide quality GT service for the travelling public:

- Passenger safety
- Minimal wait times
- Menu of transportation options
- Highest standards of vehicle maintenance and appearance
- Reasonable access fees for operators
- Customer service training for all drivers

Provide adequate capacity to meet the dynamic Airport operating environment:

- Balanced diversity of ground transportation modes based on consumer behavior
- 24/7 availability inclusive of times of inclement weather and extraordinary conditions
- Balanced facility utilization for benefit of customers, operators, staff

Minimize environmental impact:

- 100% green fleet
- Minimize deadheading and dwell times

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Expand economic opportunity and promote small business:

- Equitable methodology for access to operators
- Commitment to small business

Revenue generation

- Support future Airport capital development needs:

Manageability and Accountability:

- Fair and equitable enforcement
- Transparent reporting of financial and operational data
- Rigorous and regular auditing of all operations
- Incorporation of latest technologies to advance business intelligence

PROJECT JUSTIFICATION AND DETAILS

On-demand transportation service at the airport is a vital option for our customers. The service ensures that travelers have access to a regulated, licensed, transportation provider 24 hours a day. In addition, using an RFP to select an operator(s) provides all on-demand operators the opportunity to compete for the contract and demonstrate their commitment to the framework and criteria above.

TNC operators offer customers an additional transportation choice enhanced via personal digital device technology. This app-based pre-arranged service expands the bounds of our traditional pre-arranged services for this group of transportation providers recently regulated under State Legislation.

Scope of Work

The successful on-demand respondent will provide consistent, regulated service via both flat rate and metered ground transportation offerings. The RFP will describe all applicable standards relevant to the solicitation.

Proposed Schedule

January 12, 2016	Request for Commission authorization
January 29, 2016	On-demand transportation RFP solicitation
April 4, 2016	On-demand ground transportation contract award
April 29, 2016	On-demand transportation awardee negotiations
July 1, 2016	On-demand transportation provider service commencement

FINANCIAL IMPLICATIONS

The on-demand metered and flat rate contract is expected to benefit the Port of Seattle at more than \$20,000,000 over the course of five years.

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Estimated revenue for TNC operations is hard to estimate since it will be a new type of service to the Airport. A rough revenue estimate is \$1,000,000 to \$2,000,000 per year.

Budget Status and Source of Funds

Both the on-demand metered/flat rate and the TNC contracts will produce non-aeronautical revenue through a per-trip fee.

STRATEGIES AND OBJECTIVES

This contract supports the Century Agenda objectives:

- To advance this region as a leading tourism destination and business gateway.
- Use our influence as an institution to promote small business growth and workforce development.
- Be the greenest and most energy efficient port in North America.

This contract supports the Airport's strategy to operate a world class international airport by:

- Ensuring safe and secure operations.
- Anticipating and meeting the needs of our tenants, passengers, and the region's economy.
- Becoming one of the top customer service airports in North America.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

On-Demand Transportation Services

Alternative 1) – Do Nothing – Provisions in place to holdover contract indefinitely. This is not the recommended alternative.

Pros:

- Maintains current high level of service and revenues to the Port

Cons:

- Adds risk to service quality as operator has indefinite contract term
- Limits economic opportunity for other on-demand stakeholders
- Doesn't accommodate customer demand for on-demand flat rate

Alternative 2) – Implement an open system of unrestricted on-demand ground transportation access. This is not the recommended alternative.

Pros:

- Provides open access to all licensed on-demand metered and flat-rate for-hire operators.

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Cons:

- Frequently leads to oversupply.
- Loss of customer service standards for wait time, vehicle condition, driver training.
- Increased enforcement requirements and increased resources.
- Increased facility requirements to accommodate oversupply.

Alternative 3) – Issue RFP for combined metered and flat-rate for-hire on-demand operator. This is the recommended alternative.

Pros:

- Provides consistency and compliance with Commission-established criteria for safety, customer service, environmental impact, small business opportunities, balanced supply, operator accountability, and revenue generation.
- Creates economic opportunity for both metered and flat-rate for-hire on-demand operators via contractual terms that protect stakeholder interests.
- Provides additional on-demand options at the Airport.

Cons:

- None identified

Transportation Network Companies

Alternative 1) – Do Nothing – TNCs are currently not allowed to operate pick-up service at the Airport. This is not the recommended alternative.

Pros:

- None identified

Cons:

- Fails to address consumer demand for new mode of ground transportation.
- Restricts access to this type of emerging licensed and regulated business model
- Loss of additional revenue opportunity
- Perpetuates need for enforcement in controlling unauthorized access

Alternative 2) – Implement Operating Agreements. This is the recommended alternative.

Pros:

- Responds to customer demand
- Recognizes emerging licensed and regulated business model
- Provides new source of non-aeronautical revenue

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Cons:

- Facility challenges in attempting to accommodate unknown demand
- May reduce Port revenues relating to on-demand taxis.

ATTACHMENTS TO THIS REQUEST

- PowerPoint presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- December 8, 2015 – Briefing on Introduction of Transportation Network Companies
- September 8, 2015 – Briefing on Options for Structure of Airport Ground Transportation System
- May 26, 2015 - Airport Taxi Service and Transportation Network Companies Briefing
- December 15, 2009 – Authorization to award Puget Sound Dispatch, Inc., dba Yellow Cab Taxicab Association, the contract for On-Demand Taxi Services at the Airport.
- November 30, 2009 – Briefing on status of RFP for On-Demand Taxi Service at the Airport.