

Statement on Proposed PSD Settlement & Airport Ground Transport RFP

Chris Van Dyk, General Manager, Qride, (Quality Ground Transportation), 206-965-0086, cvandyk5@msn.com

Seattle Port Commission, 01/12/2015

Attached please find our statement on the Port Audit of the Puget Sound Dispatch LLC airport ground transportation services contract. That audit found:

'...a sudden increase in local trips from an average of 8% to 18% with the corresponding decrease in Seattle trips...resulted in an overall decrease in Gross Receipts reported....' (Audit, P. 9)"

Required to pay the Port 13% of gross passenger receipts, the shift reduced the money PSD taxi operators owed the Port.

The Audit put responsibility on Port staff, for a failure of oversight. Three monthly reports from June to August, 2012, as submitted by the Dispatch Manager at PSD to the Port are attached. The numbers add up. Everyone was focused at the increase in passenger trips, up some 35% from the prior contractor. I checked to see that it matched the Port's reported AVI number, and it did. Where is the problem? Would you have noticed the reduction, month to month, of Seattle trips, as a percentage of gross passenger trips?

At the time, I was Assistant to the General Manager for Airport Operations and Regulatory Affairs, at PSD. These reports were sent by Dispatch to the General Manager, who forwarded them to the Port and cc'd me. I apologize to the Commission, and to Port staff, for my own lack of oversight---for trusting that these reports were reliable.

I have reviewed the staff analysis on which this settlement is based. I disagree with it---the numbers still seem low---but so be it. The settlement moves everyone forward.

The lessons learned are incorporated in the authorization for a Request for Proposal; taken together, the settlement and the proposed RFP serve well the interests of the public, the Port, and all of us who would contract to provide services to the Port. This is not a 'win' for taxi or for-hire; it is a 'win' for rational management of outbound ground transportations services at Sea-Tac; staff has turned lemons into lemonade.

Six years ago, the contract for outbound transportation services reflected a new approach. Obviously, errors, particularly with respect to reporting and accountability, have been made. This new Request for Proposal is really a Request for Progress---a challenge to vendors, to every operator, to deal with public demand for a broader range of services at Sea-Tac, and to accept much greater accountability.

Fair enough. With this, we can all focus our creative effort, on how we can best serve the public, the Port, and ourselves, going forward.

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

Chris Van Dyk, General Manager, Q, (Quality Ground Transportation), 206-965-0086, cvandyk5@msn.com

“.....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.”

STI Trip / Revenue / Dead Head
 June 2012

City	Area	Trips	Revenue	Returns
Seattle	1	50,452	1,967,628	
Bellevue	2	10,154	467,084	
Local	3	4,492	40,428	
Renton	4	2,110	40,090	
Tacoma	5	503	22,635	
Kent	6	561	14,025	
Issaquah	7	319	18,821	
Federal Way	8	387	13,158	
Auburn	9	68	2,312	
Everett	10	58	5,742	
Kirkland	11	339	16,950	
Puyallup	12	29	1,624	
Fort Lewis	13	29	2,726	
Olympia	14	0	0	
Bremerton	15	0	0	
S.W. Wash.	16	0	0	
Bellingham	18	0	0	
Woodinville	19	48	3,600	
Totals		69,549	2,616,823	3,591 5.16%

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Olympia	14	0	0	
Bremerton	15	0	0	
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Bellingham	18	0	0	
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Totals		69,549	2,616,823	3,591 5.16%

STI Trip / Revenue / Dead Head

July 2012

<u>City</u>	<u>Area</u>	<u>Trips</u>	<u>Revenue</u>	<u>Returns</u>	
Seattle	1	50,905	1,985,295		
Bellevue	2	9,589	441,094		
Local	3	5,751	51,759		
Renton	4	2,269	43,111		
Tacoma	5	434	19,530		
Kent	6	533	13,325		
Issaquah	7	197	11,623		
Federal Way	8	266	9,044		
Auburn	9	49	1,666		
Everett	10	109	10,791		
Kirkland	11	434	21,700		
Puyallup	12	10	560		
Fort Lewis	13	0	0		
Olympia	14	10	1,190		
Bremerton	15	10	1,290		
S.W. Wash.	16	0	0		
Bellingham	18	0	0		
Woodinville	19	59	4,425		
Totals		70,625	2,616,403	2,752	3.9%

