

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting April 26, 2016

DATE: March 22, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Dave Soike, Director, Aviation Facilities, and Capital Program
SUBJECT: Contract for Airline Technical Representative Services at Seattle-Tacoma International Airport

Amount of This Request: \$2,000,000 **Source of Funds:** Airport Development Fund

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for Airline Technical Representative Services for an amount not to exceed \$2 million for a duration up to five years (three year base with two one-year options).

SYNOPSIS

The Airline Technical Representative (ATR) assists the Airport and airlines in their mutual efforts related to the implementation of the Airport's capital program. The ATR serves as an independent single point of contact for the Airport staff, consultants, and the airlines as it relates to coordination of airline involvement on assigned project or phases of projects such as planning, programming, pre-design, design, construction, tenant build out, commissioning and activation phases of capital projects.

BACKGROUND

The Seattle region is the fastest growing in the country. The region's growth is driving the rapid airline growth at the Airport. That growth is outstripping existing airplane, passenger, and infrastructure system capacity. Related passenger growth is surpassing terminal space and processing capacity, which in turn is exceeding various system capacities. Each of these growth related challenges generates the need for additional projects. Simultaneously, the Sustainable Airport Master Plan (SAMP) is going to generate additional large scale capital programs. The combination of the rapid need to modernize existing airfield, terminal, gate, and roadway areas plus the need to initiate temporary gates while also gaining traction on SAMP projects will result in many projects that require coordination by an independent entity in order to assure airline acceptance.

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The Airline Technical Representative will help keep the over two dozen airlines at the Airport engaged and aware of the rapidly progressing capital projects. Airline engagement is essential in being able to move projects forward. This is an independent contract held by the Airport that reports to both the Airport Director (or designee), and the airline Chairman of the Airline Airport Affairs Committee. An independent single point of contact for airline involvement ensures that all the airlines are equally represented and engaged. Ultra low cost, domestic, international, and cargo airlines each have varying viewpoints that need to be coalesced by this ATR single point of contract to allow airport projects to move forward expeditiously. The ATR will ensure that airlines are aware of projects coming forward and have input prior to the Majority-In-Interest (MII) ballots allowing them to vote on upcoming projects fully informed. Project delays due to airline concerns and negative MII votes are not tenable moving forward, as the Airport needs to be able to quickly address capacity issues over the next several years, and airline engagement via an ATR is essential to ensuring capital projects meet customer needs.

PROJECT JUSTIFICATION AND DETAILS

Scope of Work

Coordination Activities: The ATR serves as the single point of contact on assigned projects for the Airport staff and their consultants as well as the airlines, as it relates to coordination of airline involvement during the planning, programming, pre-design, design, construction, tenant build out, commissioning and activation phases of capital development projects. Coordination activities by the ATR include incorporating airline operational aspects into projects, providing technical reviews to improve project scopes of work, narrowing various airline comments into a focused set, and performing monitoring and reporting as necessary to the airlines.

Financial Services: The ATR will assist the Port and the airlines in financial related issues as assigned, both with the operating and capital components of the Airport.

Schedule

The contract is expected to commence in May and continue for 3 years with the option of two single year additions should both positive performance and available budget warrant and extension.

FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The Airline Technical Representative contract was included in the 2016 Aviation budget with an expense budget of \$164,000. A majority of the costs will be capitalized and those costs will be included in individual project budgets. Should additional capital costs be necessary, it will come from prior Commission approved allowance capital budgets.

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STRATEGIES AND OBJECTIVES

This contract will help meet the Century Agenda goal of advancing the region as a leading tourism destination and business gateway by allowing the Airport to fully engage the airlines in upcoming projects and facilitating projects moving forward without delays due to airline concerns.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Status Quo – Do not provide airline technical representative services

Cost Implications: While there would be zero dollars spent on this contract, there would be an increased risk of project delays. The cost of delayed projects can be large. For example, the International Arrivals Facility MII delay impact from an inflationary impact alone could have cost \$30,000 a day or \$5.4 million over a 6 month period if schedule effects could not be mitigated.

Pros:

- (1) Does not require expenditure of Port funds.

Cons:

- (1) Does not provide an independent single point of contact for airline engagement in capital projects that would be helpful to resolve concerns that arise.

This is not the recommended alternative

Alternative 2) Airlines provide their own Airline Technical Representatives

Cost Implications: No cost to Port of Seattle; \$2 million of airline funds

Pros:

- (1) An airline technical representative would be available to work with the Airport and the Airlines.

Cons:

- (1) The technical representative would not necessarily be equally engaged with all airlines, and not all airline views may be represented.
- (2) Different airlines may elect to have their own technical representative therefore no single point of contact would be provided.
- (3) Airlines have had difficulty over the years coming to agreement to expend their own money on technical services. While they are considering forming a consortium to facilitate joint responsibility for certain services and work at the airport such as this airline technical representative contract, they have not yet succeeded, but are still working towards that goal.

This is not the recommended alternative

Alternative 3) Hire internal Port staff

Cost Implications: \$1.05 million over 5 years

Pros:

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- (1) Port could establish the in-house capability to provide this service at a lesser cost per hour than hiring a consultant.

Cons:

- (1) Would not be an independent viewpoint and therefore the airlines would be hesitant to accept recommendations from Port staff.
- (2) Work is periodic and dependent on assignments and therefore doesn't provide full and stable workload.
 - o Consultants can better staff up on a rapid basis to meet peak assignment demands
- (3) Port staff do not have an airline industry experience and operational training that airlines and airports look for in these service providers.
- (4) Requires expenditure of funds (majority of which airlines would reimburse).

This is not the recommended alternative

Alternative 4) The Airport provides the Airline Technical Representative Services

Cost Implications: \$2 million over 5 years

Pros:

- (1) All airlines are equally represented and engaged.
- (2) The Airport has an independent single point of contact for all airline engagements.
- (3) Costly negative MII votes and contentious concerns may be avoided.
- (4) Has airline industry experience and operational training.
- (5) Able to staff up as needed depending on work load.

Cons:

- (1) Requires expenditure of funds (majority of which the airlines would reimburse through rates and charges once the applicable capital projects are completed where the ATR provided technical services).

This is the recommended alternative

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.