

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>4d</u>
Date of Meeting	<u>July 12, 2016</u>

DATE: July 5, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Michael Ehl, Director Airport Operations
David Crowner, Manager, Airport Operations

SUBJECT: Procurement of and Award Seattle Ramp Tower Operations Services Contract

Amount of This Request: \$12,941,000 **Source of Funds:** Airport Development Fund

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for the operation and management of the Seattle Ramp Tower for an estimated cost of \$12,941,000 for up to 8 years (5-year initial with 3 1-year options).

SYNOPSIS

The Seattle Ramp Tower has been operated by the Port of Seattle under two successively bid multi-year terms with Robinson Aviation Inc. (RVA) for the past 11 years. This contract will end on December 31 of this year. In order to ensure continuous operation of this tower and the associated operational and safety benefits, the Port must initiate a new competitive procurement process to retain a Ramp Tower services operator.

Incorporation of a Ramp Tower at major airports increases safety, minimizes taxi times, saves fuel, reduces emissions, and significantly reduces airline costs. Costs associated with this contract are fully recovered via a dedicated existing per-operation tariff and does not affect landing fees.

Key Benefits:

- Supports airline on-time performance
- Ensures efficient and effective aircraft traffic management and flow control
- Provides impartial sequencing of aircraft
- Keeps airline costs low via reduced delays and irregular operations
- Complements Airport gate management efforts
- Provides positive guidance of aircraft to ensure safe operations

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BACKGROUND

The Federal Aviation Administration (FAA) provides positive control of aircraft activity on the runways and taxiways at the Airport. This positive control does not extend to the remaining paved areas for aircraft, known as ramps and aprons. Although the FAA Air Traffic Controllers can provide an advisory service to aircraft moving on the ramp, this is not part of their core mission and is deemed secondary in their overall responsibilities.

Utilization of a Ramp Control Facility provides advisory control of aircraft movements because it more effectively choreographs aircraft movement to and from the airport runways and taxiways, provides impartial sequencing of aircraft, and avoids “gridlock.” Ramp Control Facilities at large airports are essential services in daily operations, and have demonstrated to the satisfaction of airline and airport operators that ramp control incrementally reduces aircraft taxi times, thus reducing airline costs.

The National Transportation Safety Board, in its report on a 2001 runway incursion incident at Sea-Tac, recommended that the Airport implement ramp control as a means to reduce the potential for future runway incursions. The operation of a Ramp Control facility is also fully supported by the air carriers that operate at the Airport.

PROJECT JUSTIFICATION AND DETAILS

Project will maintain and improve operational continuity, reduce costs to the airlines, reduce emissions, and will ensure the ongoing delivery of safe and efficient traffic management.

While a formal analysis has not been conducted, conservative estimates utilizing airline taxi time savings data provided by the current contractor and the FAA suggest that annual operating costs are recovered if only one percent of flight operations (10 daily) benefit from the existence of the ramp tower. Sea-Tac witnessed more than a thousand operations per day in 2015.

Annual Costs Recovered if only 1% (10 daily) Operations Benefit

2017

5 minutes (conservative estimate)

x \$81.18/minute

\$ 405.90

x 10 aircraft/day

\$ 4,059.00

x 365 days

\$1,481,535 Airline Cost Savings

vs

\$1,455,000 2017 Cost

Project Objectives

- Maintain safety initiatives and flow
- Further improve upon efficiencies
- Ensure equitable traffic management

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Scope of Work

The Operator shall manage and operate the Ramp Tower on behalf of the Port and the participating air carriers in providing effective management and expertise in overseeing a highly trained, courteous and efficient staff. The Operator will be expected to provide the specified services on a continuous and uninterrupted basis.

Schedule

Commission Approval	July 12, 2016
Transition of Services	October 1, 2016 – December 31, 2016
Service Begins	January 1, 2017

FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The 2017 costs associated with this contract will be included in the annual operating budget. Corresponding revenues, based on a cost recovery rate model, will also be included in the annual operating budget.

Financial Analysis and Summary

Costs for 2017 are estimated at approximately \$1.4 million.

Costs are estimated based on historical and projected cost as follows:

Contract 1	Ramp Tower	
9 Controllers	Contract Cost	Annual Operations
2006	\$1,013,223	340,058
2007	\$1,056,104	347,046
2008	\$ 985,000	345,047
2009	\$ 860,557	317,873
2010	\$ 810,544	313,954

Contract 2	Ramp Tower		
11 Controllers	Contract Cost	Annual Operations	
2011	\$ 869,612	314,947	
2012	\$ 911,501	309,597	
2013	\$ 938,039	317,186	
2014	\$ 965,610	340,478	
2015	\$1,165,159	381,408	
13 Controllers	2016	\$1,412,715	393,613

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New Contract		Ramp Tower	Estimated
13 Controllers		Contract Cost	Annual Operations
Initial Term	2017	\$ 1,455,000	SAMP
Initial Term	2018	\$ 1,499,000	SAMP
Initial Term	2019	\$ 1,544,000	SAMP
Initial Term	2020	\$ 1,590,000	SAMP
Initial Term	2021	\$ 1,638,000	SAMP
1-Year Extension	2022	\$ 1,687,000	SAMP
1-Year Extension	2023	\$ 1,738,000	SAMP
1-Year Extension	2024	\$ 1,790,000	SAMP
	Total	\$12,941,000	

The airlines support the ongoing cost and operation of the ramp tower recognizing its value, in reducing operating costs.

STRATEGIES AND OBJECTIVES

This program aligns with, and supports, the Port's Century Agenda strategies and objectives by:

- **Meeting the region's air transportation needs for the next 25 years**
Through the efficient use of our facility and resources.
- **Promotes stewardship of our environment, reduces our environmental footprint, and air pollutant emission** - Through reduced delays and shorter taxiing times.
- **Workforce retention of port-related jobs**
Through the ongoing employment of 13 high wage employees.

This initiative also supports division strategies:

- **Ensuring safe and secure operations.**
- **Keeping airline costs as low as possible without compromising operational and capital needs.**

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 - Revert Ramp Tower Operations to FAA Air Traffic Control

Cost Implications: \$0

This alternative would close the Ramp Tower operation and discontinue the practice of controlling aircraft activity on the ramps and aprons at the Airport. It would further burden the FAA controllers with 'advisory' ramp control service, diminishing their focus on active runways and taxiways. Inefficiencies in flight operations caused by aircraft movement conflicts would increase, as would the risk of incursions.

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Pros:

- Airport no longer responsible for administration of contract

Cons:

- \$1.5M opportunity cost to airlines due to slower taxi times and delays
- Increased congestion, bottlenecks, delays
- Loss of confidence in system/airport reputation
- Inability to effectively manage growth

This is not the recommended alternative.

Alternative 2 – Transition Ramp Tower operations to a specific airline or airline consortium.

Cost Implications: Unknown

This alternative would turn over the operations of the Ramp Tower to the Sea-Tac airline community to be managed either by a selected carrier or an airline consortium.

Pros:

- Reduced Airport administrative coordination

Cons:

- Potential loss of airport-wide focus
- Potential lack of continuity and ability to forecast operational conflicts
- Loss of trust and confidence between Ramp Tower and ATCT
- One-airline operator option may not be acceptable to remaining airlines
- Airline Consortium model requires immediate formation of such, as no such organization currently exists, possibly delaying service implementation.

This is not the recommended alternative.

Alternative 3 - Operate Ramp Tower with Port of Seattle Staff

Cost Implications: Estimated at \$1.63M annually; \$8.75M – 5 years; \$14.77M – 8 years)

This option results in additional operational and administrative costs and foregoes the opportunity for competition in future procurements. Staffing the Ramp Tower via third-party operator, affords the Port certain managerial and cost containment advantages that may not be realized if operated with Port employees.

Pros:

- Continuity of organizational objectives.

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Cons:

- Not core competency.
- Increased FTEs and management of FTEs
- Lack of employee hiring flexibility and requirement to hire consistent with POS practices may result in significantly higher pay rate than contract.

This is not the recommended alternative.

Alternative 4 – Procure third-party contract or services to manage and operate the SEA Ramp Tower

Cost Implications: Estimated \$12,941,000 over 8 years

This alternative will provide personnel to staff and operate the Ramp Control Tower facility, providing the coordinated flow of aircraft to and from the runways, increasing the safety and efficiencies for the FAA, the Airport and the airlines, resulting in reduced taxi times, better traffic coordination and reduced fuel emissions.

Pros:

- Maintains impartiality in traffic sequencing
- Retains safety and efficiency levels
- Ensures ongoing on-time performance and airline punctuality
- Strengthens airport's performance standards
- Maintains trust and professionalism between the FAA Air Traffic Control Tower (ATCT) and Ramp Tower

Cons:

- Associated administrative oversight

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- June 22, 2010 – The Commission authorized execution of a three-year PSA, with an optional 3-year extension for a total estimated cost of \$9,400,000.
- September 22, 2009 – The Commission authorized execution of the second one-year extension to the PSA for the operation of the Airport Ramp Control Tower Facility, for an estimated \$1,019,000.

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- November 11, 2008 – The Commission authorized execution of the first one-year extension to the PSA for the operation of the Airport Ramp Control Tower Facility, for an estimated cost of \$1,019,000.
- November 22, 2005 – The Commission authorized execution of a three-year PSA, for an estimated cost of \$3,675,000, with provisions for two one-year extensions, for the operation of the Airport Ramp Control Tower Facility.