Port of Seattle

COMMISSION

<u>**AGENDA MEMORANDUM**</u>

ACTION ITEM

Item No.	4e
Date of Meeting	March 28, 2017

DATE: March 20, 2017

TO: Dave Soike, Interim Chief Executive Officer

FROM: Michael Ehl, Director, Aviation Operations
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Automated Passport Control Kiosks Phase 3

Amount of this request:	$1,400,000
Total estimated project cost:	$1,400,000

<u>**ACTION REQUESTED**</u>

Request a single Commission authorization for the Chief Executive Officer to: (1) proceed with design of the Automated Passport Control (APC) Kiosks Phase 3 project at the Airport; (2) purchase kiosks, additional software upgrades for existing kiosks, and additional agent podiums; (3) procure required software, vendor services, and maintenance to expand the APC Kiosk System; and (4) use Port crews to perform work related to demolition, relocation, and installation of the new electronic kiosks. The total estimated project cost is $1,400,000.

<u>**EXECUTIVE SUMMARY**</u>

The purpose of this project is to speed up passport control processing times for international passengers in the Federal Inspection Services (FIS) area at the South Satellite via the installation of more APC kiosks and the optimization of the APC kiosk layout. This is the third phase of work that began in 2014 with 14 kiosks in the FIS area of the Airport. These kiosks were designed to automate and improve the immigration processing system for U.S. and Canadian citizens. Twelve more kiosks were installed in the second project phase in 2015 to further improve the processing capacity in Passport Control. We now need to further expand and update the APC Kiosks and related equipment and software in a third project phase. In 2016, the APC Kiosk program eligibility was expanded to U.S.-bound passengers travelling on B1 or B2 visas and foreign crew members. This change increased user eligibility from 50-65% up to 85% of all international travelers.

Since the life of these assets is expected to be less than three years (International Arrivals Facility will open in late 2019), the cost will be charged to expense. This cost was not anticipated when the 2017 operating budget was developed. The Port charges airlines that use the FIS a fee that fully recovers all expenses in the cost center. Staff will evaluate whether a mid-year FIS rate adjustment is warranted.

JUSTIFICATION

Passenger processing times in the FIS are daily and sometimes multiple times per day exceeding 60 minutes. This very often results in passengers missing connecting flights because the total passenger processing times exceed our published 90-minute minimum connect times for international arrivals. Each time kiosks have been added, processing rates in Passport Control have improved and wait times have decreased.

In 2015, the FIS passenger volume increased 18.5%, in 2016 volumes only rose 4.4%, yet the need to stop traffic flow and queue arriving passengers in the International Corridor (called hold-in-corridor events) increased from 700 to 809. Each day, the noon peak includes 50% of all flights and typically runs from 11:00 am to 2:00 pm. In 2016, the congestion hit record levels with 8 to 10 hold-in-corridors being the new norm during the noon peak and an overall increase in average minutes held from 20 minutes in 2015 to 23 minutes in 2016.

The increased throughput in Passport Control will not only decrease congestion in the FIS area, but also help alleviate the growing congestion in the Baggage Claim. As travelers get through Passport Control faster, they are waiting at their baggage carousel closer to when the bags start arriving, which is preferable. This is because as bags pile up without being claimed it becomes increasingly difficult for passengers to locate and claim their bags in the pile-up.

Both the FIS Lean Review and the Improving the FIS Experience workshop recommend an increase in APC kiosks to improve wait times, reduce congestion, and increase capacity in the FIS until the new International Arrivals Facility (IAF) is built.

DETAILS

To cope with the yearly increase in passenger volume as well as the additional passengers the upgraded APC kiosks will be able to process, this third phase of the APC kiosk project will upgrade the existing kiosks (for expanded eligibility) and install additional kiosks to process passengers more efficiently through the FIS corridor. The additional APC kiosks will also require additional Document Verification Officer (DVO) podiums to keep up with the processing capacity. Space limitations in the FIS corridor coupled with additional APC kiosks will require the overall layout of APC kiosks to be analyzed and optimized to maximize passenger throughput. An upgrade to the software on our current APC kiosks is required before we can begin to process the newly eligible visitors at our kiosks.

The 12 APC kiosks will be procured by the Port and installed by Port crew, and small works contractors, who are typically small businesses. The eight DVO podiums (an increase of three) will be designed to meet CBP's standards. New and existing power and data will be relocated for the re-designed and optimized layout of both APC kiosks and DVO podiums.

Scope of Work

   (1)   Procure 12 APC kiosks.
   (2)   Install data and wire for new kiosks.
   (3)   Optimize APC kiosk layout
   (4)   Demolish and reconfigure queuing posts for the optimized APC kiosk and DVO podium layout
   (5)   Install 12 APC kiosks.
   (6)   Procure 8 DVO podiums and make modifications as required for MPC scanners and CBP usage.
   (7)   Relocate data and power for DVO podiums.
   (8)   Install new podiums and relocate equipment from existing podiums to new.
   (9)   Remove and replace signage as necessary.

Schedule

Activity

Design start	2017 Q1
Construction start	2017 Q2
In-use date	2017 Q2

Cost Breakdown   This Request and Total Project

Design	$224,000
Procurement	$522,000
Construction	$654,000
Total	$1,400,000

<u>ALTERNATIVES AND IMPLICATIONS CONSIDERED</u>

Alternative 1 – Procure and install only 6 APC Kiosks instead of 12.

Cost Implications: $1,100,000

Pros:
   (1)   The addition of APC kiosks will help alleviate congestion and increase usage.
   (2)   6 kiosks will not take up as much space as 12.
   (3)   Some cost savings as compared to alternative 3.

Cons:
   (1)   Installing only 6 APC kiosks does not utilize to the maximum available floor space that could accommodate 12 kiosks.
   (2)   Adding 6 kiosks will not get the efficiency needed to keep up with volumes and additional traveler types (B1/B2 visas).
   (3)   The savings in this option are attributed only to savings in the cost of purchasing kiosks. The incremental cost for construction is minimal for twice as many kiosks.

This is not the recommended alternative.

Alternative 2 – Don't add any more APC kiosks, add CBP Officer staffing instead.

Cost Implications: $0 Initial Cost to the Port

Pros:
  (1) Additional CBP officers will slightly increase passenger throughput during peak hours and more significantly during off-peak hours.
  (2) No construction required.
  (3) Significant short-term cost saving.

Cons:
  (1) Increases to CBP staffing requires congressional approval. Furthermore, all currently authorized document processing positions are being utilized during peak hours. Therefore, the additional staffing would increase throughput only during off peak times. Additional positions would be needed to increase throughput during the peak hours.
  (2) APC kiosks require less space to process passengers than additional CBP Officer Booths. Since there is a limited amount of space available in the FIS, more APC kiosks can be added than CBP Officer Booths. Therefore, additional APC kiosks will improve throughput more than additional CBP staffing.
  (3) Without the addition of APC kiosks and the increasing volumes, wait times will grow, throughput will decrease, holds will increase, and the passenger experience will continue to suffer.

This is not the recommended alternative.

Alternative 3 – Add 12 APC kiosks and 8 Document Verification Podiums

Cost Implications: $1,400,000

Pros:
  (1) The addition of any APC kiosks maximizes utilization of available floor space.
  (2) Increases throughput of passengers through passport control to minimize wait times in corridor and on board aircraft.

Cons:
  (1) This facility is scheduled to close in less than 3 years and this solution will likely be decommissioned when it closes.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary	Capital	Expense	Total
COST ESTIMATE			
Original estimate	$0	$1,400,000	$1,400,000
AUTHORIZATION			
Previous authorizations	$0	0	$0
Current request for authorization	$0	$1,400,000	$1,400,000
Total authorizations, including this request	$0	$1,400,000	$1,400,000
Remaining amount to be authorized	$0	$0	$0

Annual Budget Status and Source of Funds

This project is considered as an operating expense due to the expected useful life of two years in the existing Federal Inspection Service (FIS) area. These systems can potentially be used in the new International Arrivals Facility (IAF). The expense project cost was not included in the 2017 Operating Budget. The project will be charged to the FIS cost center which will have an incremental FIS rate impact. Based on the Signatory Lease and Operating Agreement, the Port has discretion to make mid-year rate adjustment if the variance between the budgeted O&M expenses and actual results is expected to be ten percent (10%) or more. The Port shall provide the airlines with at least 30 days' advance written notice of rate adjustments to be made.

Financial Analysis and Summary

Project cost for analysis	$1,400,000
Business Unit (BU)	Federal Inspection Services
Effect on business performance (NOI after depreciation)	NOI after depreciation will decrease
IRR/NPV (if relevant)	N/A
CPE Impact	$0.03 FIS incremental rate increase of $0.72

Future Revenues and Expenses (Total cost of ownership)

Future maintenance costs for the additional APC Kiosks will increase incrementally.

ATTACHMENTS TO THIS REQUEST

　　Slide presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- July 12, 2016 – The On July 12, 2016, Commission approved accelerating the execution of an extension to the Concourse A sterile corridor, a portion of the Phase 2 work

planned for the IAF. The scope of this work includes 40 additional automated passport control (APC) kiosks and 11 additional CBP verification podiums.

- October 28, 2013 – The Commission approved Automated Passport Control Kiosks in FIS project at Seattle Tacoma International Airport (CIP #C800667).
- July 23, 2013 - Sea-Tac International Airport International Arrivals Facility Preliminary Authorization
- July 9, 2013 – Sea-Tac Airport International Arrivals Facility Briefing.
- July 9, 2013 – Alternative Public Works Contracting Briefing.
- April 9, 2013 – Sea-Tac Airport International Arrivals Facility Briefing.
- June 26, 2012 – Airport Terminal Development Challenges at Seattle-Tacoma International Airport.
- June 14, 2011 – International Air Service Growth and Future Facility.
- February 2, 2010 – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.