



**COMMISSION
AGENDA MEMORANDUM**

Item No. 3b

ACTION ITEM

Date of Meeting September 26, 2017

DATE: September 18, 2017

TO: Dave Soike, Interim Executive Director

FROM: Lance Lyttle, Airport Director
Thomas Tanaka, Senior Port Counsel

SUBJECT: First Amendment to Concession Agreement for On-Demand, Outbound Transportation Services between Port of Seattle and Eastside for Hire Inc.

ACTION REQUESTED

Request Commission authorization for the Executive Director to negotiate and execute an amendment to the concession agreement for transportation services between the Port and Eastside for Hire Inc. at Seattle-Tacoma International Airport.

EXECUTIVE SUMMARY

Staff is requesting authorization to enter negotiation to make modifications, including two immediate changes to the current taxi/flat rate for-hire concession agreement ("Agreement") with Eastside for Hire ("ESFH"), to address certain issues affecting the independent taxi and for-hire owners/operators contracted to drive for ESFH's on-demand Airport fleet.

In addition, the Executive Director will initiate negotiations with TNCs to consider various contract provisions and make modifications to those applicable TNC contracts in order to adjust fees to match the changing dynamics of customer services at the Airport and to provide closer comparability with some fees paid by ESFH.

JUSTIFICATION

Ongoing industry-wide disruptions as a result of the appearance of transportation network companies ("TNC") have led to a continuing decline in demand for taxi services that have affected the taxi owners and operators. There is also a need to provide greater transparency through the contract for independent subcontracted owners and operators. The proposals that staff would negotiate with ESFH to amend the Agreement are intended to offer some relief for owners/operators and provide some stability for the taxi business at the airport to maintain this transportation option for travelers.

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DETAILS

The Commission has expressed concerns over the situation ESFH taxi and flat rate for-hire owners and operators are facing in the current ground transportation environment at the Airport. Staff is requesting authority from the Commission to enter negotiations with ESFH to discuss provisions in the Agreement to provide some greater transparency in the system and relief for these owners and operators. Staff proposes to negotiate and execute an amendment as soon as possible.

Background.

The Port awarded ESFH the taxi concession for the airport after an RFP process in 2016. The contract was dated September 16, 2016 and commenced October 1, 2016. The Agreement is for three years, with two one-year options, exercised at the Port's sole discretion. During the RFP process, staff was aware of the growth of TNC activity at the airport and was concerned this would erode the taxi industry's market share, something that had been observed at other airports around the country where TNCs began operations. ESFH believed its model for operating would be successful in the face of the TNC competition and produced an offer that won the RFP.

Part of the challenge in trying to improve the situation for the owners and operators is that they are independent contractors and not ESFH employees. The majority of the taxi and flat rate vehicles are owned by entities or people who sign a one-year agreement (separate from the ESFH-Port Agreement) and pay fees to be affiliated with ESFH at the Airport. The vehicle owners may choose to hire operators for the different airport shifts and there may be more than one operator on any given day for some of the vehicles. This leads to uncertainty in trying to address the operator's economic situation because the Port, and even ESFH, cannot identify the operators by the shifts they worked. The Port will work with ESFH toward devising a system where the owners and operators receive the benefit of the measures being proposed under the amendment.

The following two items are modifications to be executed by 10/1/17:

- (1) Forego a \$0.50 per-trip fee increase (from the current \$7.00 fee) that is scheduled to go into effect on October 1, 2017 for one year, and reduce the current per-trip fee by \$1.00 (to \$6.00). This change will also require a modification to the minimum annual guarantee ("MAG").
- (2) Amend the Agreement to allow Prius V vehicles that are currently in the ESFH fleet to continue operating at the airport.

In addition to the two specific changes listed above, staff intends to discuss with ESFH provisions related to the following items and may recommend future changes that benefit owner/operators:

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- (3) Discuss the necessity of owner/operator contribution of \$0.10 per-trip to a community fund
- (4) Discuss alternatives to payment timing of fees/MAG owed to the Port of Seattle and reconciliation processes with owner/operators.
- (5) Work with ESFH to determine a system that mitigates the financial impact of short-haul trips.
- (6) Any other items that may provide economic benefit to owner/operators or improve the service to customers.

(1) Foregoing the per-trip fee increase and adjusting the MAG.

Section 4.2 of the Agreement sets forth the requirement for ESFH to pay the Port a certain amount for every passenger trip that departs from the Airport. ESFH collects this fee from owners/operators and those fees are applied towards meeting a minimum annual guarantee (“MAG”) in Section 4.1. ESFH pays the higher of the actual trip fees due (based on trip volume), or the MAG.

Staff proposes to amend the Agreement so that the Year 2 increase does not occur and that the per-trip fee is reduced by \$1.00. Based on staff projections, Year two revenue impact by reducing the per-trip fee from \$7.50 to \$6.00 is estimated at \$1,100,000.

Because of the uncertainty of taxicab demand, staff proposes that the Commission delegate to the Aviation Director the authority to adjust the per-trip fee and MAG as necessary.

The savings achieved through this measure should result in a financial benefit to the taxicab owners/operators. The Port will work with ESFH, the taxi owners, and the operators to devise a system to direct these savings to the owners/operators as much as possible.

(2) Inclusion of Prius V vehicles.

Section 6.9.3 of the Agreement specifies that ESFH would have 100% of all its vehicles either using alternative fuels or have US EPA combined city/highway fuel economy ratings of 45 miles per gallon or greater for each vehicle in the fleet. The Prius V was utilized by some taxi owners/operators during the holdover from the previous agreement. It has a fuel economy rating of 42 MPG, which is 3 MPG below what is required under the Agreement. There are 15 Prius Vs working for ESFH as part of the on-demand service. Some of the vehicles were purchased by independent owners in advance of the ESFH contract award. ESFH contacted Port staff prior to signing the Agreement and asked if the Port would not object to having the Prius Vs in the fleet. Staff initially declined the request, but later agreed to a one year waiver to allow time for the owners to switch over to vehicles that met the 45 MPG standard.

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The Prius V is a larger vehicle that may be beneficial to customers because of its larger capacity. Staff sees the benefit in allowing these vehicles to continue in the fleet. Staff did a study of the greenhouse gas impacts of allowing these vehicles to remain in the fleet and have determined that the greenhouse gas impacts are negligible. In addition to amending the Agreement to allow for Prius V vehicles, Port staff will also consider future minor modifications of the 45 MPG mileage requirement, should that be necessary.

(3) Discuss the necessity of owner/operator contribution of \$0.10 per-trip to a community fund.

ESFH's stated offer in its RFP submittal was that it would collect an additional \$.10 for every trip to be used for community benefit. While the Port applauds this community-focused effort, staff believes it would be better for the money to be used to increase the owners/operators' pay by reducing costs. As this fee is collected in addition to the per-trip fee, the savings should accrue to the owners/operators' benefit.

(4) Discuss alternatives to payment timing of fees/MAG owed to the Port of Seattle and reconciliation processes with owner/operators.

The Agreement sets forth the procedures for ESHF payments to the Port. Those procedures currently call for the monthly MAG payments to be made in advance. The Aviation Director should be delegated the authority to investigate and negotiate potential changes to the Agreement and process that makes transparent the collection and reconciliation process.

(5) Work with ESHF to determine a system that mitigates the financial impact of short-haul trips.

Trips taken to locations near the Airport result in lower fares which reduce the take home portion for owner/operators. Staff will work with ESHF to develop solutions to mitigate the economic impact of short-haul trips to owner/operators.

Additional measures to be taken

The Port has already undertaken action to address concerns regarding the condition of the bathrooms at the South 160th holding lot. Portable toilets have been installed and staff will discuss ESHF commitment regarding potential capital investment in the building in the holding lot.

One of the concerns expressed by vehicle owners/operators regarding the Agreement is that they aren't able to verify whether they are owed money by ESHF each month. The vehicle owners/operators pay ESHF \$340 in advance each week. This amount is based on the assumption that the vehicle will have 49 trips for the week, which is the calculated average number of trips a vehicle is expected to receive during the week. If the number of trips is less than what was assumed, ESHF remits to the vehicle owners/operators the trip shortfall

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multiplied by the per-trip fee then in effect. The Port is proposing to make it easier for the vehicle owners/operators to verify more quickly the number of trips their vehicles have taken. Each vehicle is equipped with an automatic vehicle identification (“AVI”) tag that automatically records each trip the vehicle makes departing from the airport. The Port intends to post this information to make it easier for the vehicle owners/operators to check on their trip numbers. Additionally, the Port will work with ESFH so that its process to reimburse owners/operators for excess fees charged is timely and accurate.

The Port is also renewing efforts to urge both ESFH and the Teamsters union to meet and try to conclude a labor peace agreement. This Agreement provision has not been fulfilled and staff will renew efforts to get the parties to complete this requirement.

Staff is giving a great deal of thought as to what the future for-hire contracts might look like. Staff will keep the Commission apprised and will seek its input into future plans.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

January 12, 2016 —The Commission authorized the Chief Executive Officer to execute a contract for on-demand, metered, and flat-rate for-hire transportation services at the Airport.