

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 6i

**Date of Meeting** December 15, 2009

**DATE:** December 10, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Michael Ehl, Director, Aviation Operations

**SUBJECT:** Request for Port Commission authorization to award the contract for On-Demand Taxi Services at Seattle-Tacoma International Airport

**REQUEST:** Authorization for the Chief Executive Officer to award Puget Sound Dispatch, Inc., dba Yellow Taxicab Association, the contract for On-Demand Taxi Services, effective September 1, 2010 through August 31, 2015.

**SYNOPSIS**

Twenty years ago, Seattle-Tacoma International Airport (Airport) had a poor reputation for customer service and reliability in the travel world. Taxi service was marked by deteriorating service by untrained drivers, no control over the number of available taxis, disputes among drivers, and poorly maintained vehicles. That environment changed dramatically in 1989 when the Port decided to institute an agreement with a single on-demand taxi concessionaire.

On September 25, 2009, for the first time in 20 years, the Port of Seattle released a Request for Proposals (RFP) for On-Demand Taxi Services at the Airport. Airport staff received six proposals on November 6, 2009, the response deadline. Proposals were submitted by: Orange Cab Company, Rainier Dispatch, LLC (dba Farwest), Seattle Tacoma International Taxi Association (STITA), Checker Cab of SeaTac Corporation, Puget Sound Dispatch (dba Yellow Taxi Association), and Airport Joint Venture Taxicab (Yellow, Farwest, Orange).

Airport staff from Operations, Business Development and Environmental departments participated in the review and evaluation of the proposals, with the assistance of Port Legal. The evaluation factors were: business, customer service and operational plans; revenue to the Port; deadheading reduction plans; financial stability; and experience and qualifications.

**BACKGROUND**

The STITA has held the exclusive contract to provide on-demand taxi services at the Airport since August 1989. That contract expires on August 31, 2010. With the endorsement of the Port

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Commission, Airport staff prepared an extensive RFP to ensure that for the first time in 20 years, there would be an open, competitive process to choose the next taxi concessionaire.

The Port's goal was to award the contract well ahead of the current contract expiration to allow ample transition time, especially if there were a new concessionaire(s) or the successful proposer(s) had to procure new environmentally green vehicles in advance of the contract.

### **PROJECT DESCRIPTION/SCOPE OF WORK**

The Airport's guiding principles throughout this process have been:

- Maintain safe, efficient service with maximum five-minute wait times;
- Operate an environmentally superior fleet and reduce deadheading;
- Provide economic benefit to taxi associations, operators, drivers and the Port;
- Standardize taxi rules and regulations within the Region to the greatest extent possible.

The recommendation of Yellow Taxicab Association as the on-demand taxi service provider reflects those principles. Below is a summary of key evaluation criteria.

#### **Business, Customer Service and Operational Plan**

- Appointment of an Airport Operations Manager who will supervise operations at the Airport;
- Accounting, marketing and government relations support from its central office, Puget Sound Dispatch;
- A marketing budget for its airport service of \$25,000 monthly to grow its market share of outbound Airport customers;
- Yellow Taxicab Association's dispatch center staffed by managers, supervisors, holding lot coordinators and curb coordinators.

#### **Revenue to the Port**

The Port set minimum guaranteed revenue at 10% of gross revenues. Yellow Taxicab Association has guaranteed 13% of gross revenues, or \$18,353,890 over the five-year term, for the exclusive right to provide on-demand taxi services at the Airport.

#### **Deadheading Reduction Plan**

The Puget Sound Region has been diligently working to improve air quality for more than a decade. Deadheading, which occurs when a taxi makes a return trip without a passenger, consumes fuel and generates exhaust emissions. Discussions continue among King County, the City of Seattle, and the Port to seek ways to minimize deadheading. Neither increased regulation nor the full abolishment of taxi regulation will eliminate deadheading. Any region-wide solution will require significant time and cooperation, with results likely coming in incremental steps. This Airport contract provides for an incremental improvement that will be realized in a relatively short period of time.

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Yellow Taxicab Association proposed a measureable plan to reduce deadheading to the Airport by 6% in the first contract year and by 11% by the end of the contract, with possible loss of the concession if the deadheading goals are not met. Yellow Taxicab Association's plan to achieve these goals includes:

- Provision for 210 dual-licensed taxis, Yellow Taxicab Association's "Dedicated Airport Fleet;"
- Predictive modeling and dispatching of its other 169 taxis;
- An "Airport Remote Dispatch Center" integrated into its primary dispatch systems;
- Enabling its inbound taxis with Airport passengers to move to the head of the outbound line, bypassing the holding area;
- A marketing campaign to increase its market share, including time-specific reverse flow targeted media advertising and advertising directed at pre-ticketed passengers; and
- Collaboration with the Port to obtain regional licensing for all taxis to aid in eliminating jurisdictional regulatory barriers that partially result in Airport deadheading, while at the same time protecting the Port's ability to control access to its facilities.

**Financial Stability:** An evaluation of Yellow Taxicab Association's financial records and five year pro formas demonstrated that it is a profitable financial organization with equity, positive cash flow and lines of credit to meet its financial obligations and availability of bank loans to make investments to support the operation of the Airport taxi concession.

### **Experience and Qualifications**

- Yellow Taxicab Association will meet the contractual environmental requirement. At least 50% of its dedicated Airport fleet will meet the standards on September 1, 2010, and 100% will meet the standards by September 1, 2011.
- Yellow Taxicab Association has extensive dispatching experience, handling more than 4,000 taxi dispatches daily over more than 10 years and has operated several large taxi concessions in the region.

Lastly, most of the City of Seattle taxi regulations incorporated into the RFP will become part of the Lease Agreement. This includes such important elements as vehicle lease agreement caps, digital security cameras, and silent alarms. This will allow the Port to continue to work collaboratively with the City of Seattle and King County on further standardization of regional taxi rules and regulations.

## **PROJECT JUSTIFICATION**

On-demand taxi services are essential to the operational integrity of an airport. Visitors and residents expect taxis to be readily available. At the Airport, they have also come to expect a green taxi fleet, safe drivers, and first-class customer service. Airport staff wants to ensure that the public is served with the highest customer service standards. We are confident that Yellow Taxicab Association, the association recommended for this contract award, will offer that level

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of service while also implementing an effective plan to reduce deadheading, providing additional non-aeronautical revenue to the Port, and maintaining the high environmental standards of the Airport's taxi fleet.

## **FINANCIAL IMPLICATIONS**

The revenue proposal submitted by Yellow Taxicab Association for the term of September 1, 2010 through August 31, 2015 is 13% of gross revenue, or minimum guaranteed revenue of \$18,353,890. This compares with revenues collected in 2004-2008 of \$10,587,199, or an increase of more than 70%.

## **SCHEDULE**

The present contract will remain in effect through August 31, 2010. The new contract commences September 1, 2010 and has a five-year term.

## **OTHER DOCUMENTS ASSOCIATED WITH REQUEST**

- Request for Proposal #090061
- Scoring Sheet with Evaluation Criteria
- Letters to Proposers dated December 11, 2009

## **PREVIOUS COMMISSION REVIEW/ACTION**

The Port Commission has been updated on a regular basis about the progress of the taxi RFP since April 2009 and was briefed on this request for authorization to award at its November 30, 2009 meeting.