

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

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.:** 5j

**Date of Meeting:** June 14, 2011

**DATE:** June 3, 2011

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

**FROM:** James Jennings, Manager Aviation Properties  
Krista Sadler, Manager ICT Program Office

**SUBJECT:** Airline Activity Management Project – CIP #C800222

**Amount of This Request:** \$500,000

**Source of Funds:** Airport Development Fund

**State and Local Taxes Paid:** \$0

**Total Project Cost:** \$500,000

**ACTION REQUESTED:**

Request authorization for the Chief Executive Officer to approve all work and contracts, including executing and amending any and all necessary contracts and service directives for the Airline Activity Management Project in an amount not to exceed \$500,000.

**SYNOPSIS:**

Approximately 48% of Seattle-Tacoma International Airport's (Airport) aeronautical revenue, \$94.5 million, is derived from various airline activity fees, such as landing fees, gate usage, and common-use ticket counters. Per the Signatory Lease and Operating Agreement (SLOA), most of the activities on which the fees are generated are self-reported by the airlines themselves. If any airline over or under reports their activity, it disrupts the equity to other airlines in the distribution of airport costs. With current systems, it is impossible to fully ascertain the scale of the inaccuracy problem, but over the past several years staff has identified several significant discrepancies. In response to these concerns, the Port of Seattle Commission Audit Committee has included airline activity reporting as a key area of focus in its 2010 and 2011 work plans.

This project includes the consolidation of airline activity information from Port of Seattle systems to construct billing information for airline activity fees and the replacement of an aging system critical for providing activity information to our airline partners and to the public as necessary. Project costs are estimated to be \$500,000. This project was included in the 2011 Capital Budget and Plan of Finance as a business plan prospective project within CIP #C800222, Airline Activity Management.

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### **BACKGROUND:**

Across the nation airports frequently rely on airlines to report aircraft activity for billing purposes. This is also the case with this Airport. Airline submitted activity reports are typically reviewed by Airport staff prior to generating invoices, but the data is not always reliable or readily available to ensure accuracy. Because of the inability of airports to collect their own accurate data, and the often residual nature of airline/airport agreements where unrecovered fees are simply redistributed in future rates and charges, airports have typically considered the challenges to improve accuracy in this area difficult and financially inconsequential.

But with \$94.5 million of the Airport's revenue derived from these activity-based fees, and with improvements in technology and an increased need for audit ability, staff believes improved systems and processes are necessary to increase accuracy, improve management oversight, and facilitate the Airport's role in equitable treatment of airlines.

The following table shows the fees collected and the basis and source for those fees.

<b>Fee</b>	<b>Basis</b>	<b>Current Source</b>
Landing Fees	Landed Weight	Airlines
Joint User Area	Passenger Count	Airlines
Common Bag Makeup	Available Seating	Airlines
Ramp Tower	Landings	Airlines
Common Use Ticket Counter	Time used	Port of Seattle
Parking	Time at Gate	Airlines
Common Use Gate	Time at Gate and aircraft seating capacity	Airlines
Cargo	Time at Gate and Wingspan	Airlines
General Aviation Parking	Time on Ground	Port of Seattle
Tech Stop	Time on Ground	Airlines

The process of billing airline fees relies on several Port of Seattle systems including Flight Information Management System (FIMS), Flight & Fleet, Landings Database\Airline Activity Billing, Airport Statistics, PROPworks, and PeopleSoft. The integration of these systems to create billing data is currently a manual effort, with the airlines sending in activity data via email or fax to the Aviation Properties Billing Specialist, who then enters and reconciles the data, forwards that information to Accounting and Financial Reporting (AFR), who then upload the data to PROPworks and processes the invoices.

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### ***Critical Issues***

There are two critical issues with the current airline activity management process.

- The Airport's cost recovery financial model currently relies on the accurate self-reporting of airline activity. When even one airline over or under reports landings, landed weight, parking, passenger counts, cargo, etc., it disrupts the equity to other airlines in the distribution of Airport costs. A recent audit of 2008 and 2009 landing fees which is based on self-reported number of landings and aircraft landed weight discovered a 2- year combined revenue shortfall of \$480,821. Because some airlines under reported and some over reported, the actual inequity was much greater. Over the past several years there have been other significant reporting discrepancies including:
  - In the 1990's, \$3 million in Federal Inspection Services (FIS) activity was under-reported
  - In 2005, \$470,000 in FIS activity was not reported
  - In 2008, \$710,000 in gate usage was over reported

In 2012, an audit of common use gate usage is being planned, and the Port of Seattle Commission Audit Committee has included airline activity reporting as a key area of focus in their work plan.

- The Airport Statistics system was built eleven years ago in 2000. Because of its age, it is difficult to maintain and make changes to as business processes evolve. In addition, the system does not provide the flexibility to easily accommodate normal operations such as adding a new airline or detail for Aviation Planning's needs to respond to various requests for information. Airport Statistics is available to the public through our Port of Seattle website, and it is critical to continue to supply current, relevant information on aviation activities.

### **PROJECT JUSTIFICATION:**

With \$94.5 million of Airport revenue derived from airline reported activity based fees, and a gap in accuracy confirmed with preliminary audits, staff believes it is in the Port's best interest to take control of the collection of airline activity based data for invoicing. This will be done through creating an integrated system using existing Port owned data sources instead of airline provided reports, automating processes and improving the quality, accuracy and equity of airline charges.

There are several important benefits as a result of the implementation of the Airline Activity Management system.

- Generating fees using information from automated data sources and an industry standard fleet database will improve accuracy for all airlines. This is becoming more common among large hub airports.

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- The aging Airline Statistics application is a critical system for communicating airport activity to the public and our airline partners. This application must be replaced to ensure continued transparency.
- The Airline Portal, an externally facing web application, will be a valuable communication and collaboration tool for uses outside of the Airline Activity Management system. While the portal is mandatory for this project to replace the Airport Statistics System, collect activity information, and distribute billing reports for review, it can also be used to consolidate and distribute other information. The Airline Portal will be delivered using the existing External SharePoint platform implemented earlier this year.

### **PROJECT STATEMENT AND OBJECTIVES:**

#### ***Project Statement:***

Consolidate airline activity from existing Port of Seattle systems to generate billing information for invoices and activity reports for our airline partners and the public.

#### ***Project Objectives:***

- Automate collection and use of all airline activity data
- Replace current invoicing/billing process with automated systems that use Port of Seattle generated data where possible
- Upgrade aging technology to ensure continued availability of critical systems

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Scope of Work:***

This project will consolidate data from Port of Seattle systems to generate billing information for 65% of the revenue derived from airline activity including landings, ramp tower, common bag make-up, and common-use ticket counters. Future phases of this project will further reduce the Airport's dependence on airline-reported activity.

The recommended solution includes the following components.

- Airline Portal – This externally facing web application will allow airlines to enter activity that cannot be collected through Port of Seattle systems such as passenger counts, trade routes, cargo and airmail information. The secure portal can also be used to distribute airline specific reports or communications.
- Data Collection Interfaces – Data to produce automated, Port-initiated activity billing resides in several different systems. This project will gather common gate usage from FIMS, landing and fleet information from Flight & Fleet, Common-use ticket counter usage from UltraCUSE system and other information from the Airline Portal needed to generate a consolidated invoice for each airline.

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- Billing Reconciliation – After all data is collected, there will be an audit and reconciliation process to be performed by a billing specialist. This tool will consolidate the airline activity data collected, support data editing with the appropriate audit history, and apply billing rules to generate billing data.
- Airport Statistics – The current airport statistics systems include data entry, reports, and billing file generation. With the new proposed system, the input function will be moved to the Airline Portal and reports will be generated using data from Flight & Fleet, the common-use passenger processing systems, and the Airline Portal databases. The project changes this component from a full application to a simple collection of reports that will be available internally and externally on our Port website.

### ***Schedule:***

Commission Approval	June 2011
Phase I Implementation - Airline Portal	May 2012
Phase II Implementation – Data Collection Interfaces, Airport Statistics, Billing Reconciliation	November 2012
SLOA III Updates	May 2013

## **FINANCIAL IMPLICATIONS:**

### **Budget/Authorization Summary:**

Original Budget	\$500,000
Budget Increase	\$0
Revised Budget	\$0
Previous Authorizations this CIP	\$0
Current request for authorization	\$500,000
Total Authorizations, including this request	\$500,000
Remaining budget to be authorized	\$0

### **Project Cost Breakdown:**

Port of Seattle Labor or Contracted Services	\$423,000
Sales tax	\$0
Contingency – 20%	\$77,000
Total	\$500,000

### **Budget Status and Source of Funds:**

Project costs are estimated to be \$500,000. This project was included in the 2011-2015 capital budget and plan of finance as a business plan prospective project within CIP #C800222, Airline Activity Management. The source of funds is 100% Airport Development Fund.

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### **Financial Analysis and Summary:**

CIP Category	Renewal/Enhancement
Project Type	Technology
Risk adjusted Discount rate	7%
Key risk factors	N/A
Project cost for analysis	\$500,000
Business Unit (BU)	Airport Business Development
Effect on business performance	N/A
IRR/NPV	N/A
CPE Impact	Less than \$.01, but no change compared to business plan forecast as this project was included.

### **Lifecycle Cost and Savings:**

This project is required to ensure equitable distribution of airline fees and the continued transparency of airline activity to the public and our airline partners. There are no significant savings from the completion of this project. Annual labor costs for system maintenance will increase by \$10,000 per year to a total of \$20,000 and will be budgeted within the Information & Communications Technology Department.

### **ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:**

Proceeding with this project improves the equitable distribution of airline fees for our airline partners and ensures the continued availability of airline activity information for the public.

### **STRATEGIC OBJECTIVES:**

This project supports the following Port's strategic objectives:

- Ensure Airport and Seaport vitality by creating a more equitable distribution of airline fees.
- Enhance public understanding and support for the Port's role in the region by ensuring the continued availability of airline activity information for the public and our airline partners
- Be a "high performance organization" by eliminating manual entry allowing Port staff to concentrate on higher-value audit functions

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

The following alternatives were considered.

1. *Develop an airline activity management system:* Consolidate airline activity from existing Port of Seattle systems to generate billing information for invoices and activity reports for our airline partners and the public. **This is the recommended alternative.**
2. *Procure an airline activity management system:* While there are products available that will collect airline activity and bill for landing fees, there are no products available that

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cover the other nine airline activity fees. This alternative would also require a separate initiative to replace the aging Airline Statistics application. This is not the recommended alternative.

3. *Do nothing at this time:* Airline fees would continue to be generated based on individual airline provided activity. This alternative would not address the reporting errors that cause an inequitable distribution of airline fees and the availability of airline activity information is at risk due to aging technology. This is not the recommended alternative.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

None

### **PREVIOUS COMMISSION ACTION OR BRIEFING:**

No previous Commission actions or briefings for CIP #C800222, Airline Activity Management.