

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

**COMMISSION AGENDA**

**Item No.** 6c

**Date of Meeting** October 4, 2011

**DATE:** September 26, 2011

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

**FROM:** James R. Schone, Director, Aviation Business Development  
Jeff Wolf, Manager, Aviation Business Development and Analysis

**SUBJECT:** Second Amendment to Extend the License Agreement for The Wireless Communication Access System with New Cingular Wireless PCS, LLC, formerly AT&T Mobility, for Cellular Communication Service at Seattle-Tacoma International Airport

**ACTION REQUESTED:**

Request for authorization for the Chief Executive Officer to execute the Second Amendment (Exhibit A) for a seven (7)-year extension to the License Agreement (Exhibit C) for the Wireless Communication Access System (WCAS) with New Cingular Wireless PCS, LLC (AT&T), formerly AT&T Mobility, for installation of a cellular telephone system in the Rental Car Facility and the C-1 Building at Seattle-Tacoma International Airport, as well as an upgrade to the current Main Terminal cellular system. No investment will be required by the Port.

**SYNOPSIS:**

Port staff seeks approval for an extension to the License Agreement (Agreement) for cellular communication service at the Airport. The Agreement does not expire until December 31, 2014. The Licensee, AT&T, in cooperation with participating mobile telephone carriers (Carriers), will fund the installation of new cellular equipment at the Rental Car Facility (RCF) to provide cellular coverage, which is a requirement of the Lease and Concession Agreement with the Rental Car Companies. In addition, AT&T and the Carriers, including Verizon, T-Mobile and Sprint, will fund upgrades to the current Distributed Antenna System (DAS) in the main terminal to accommodate an upgrade from third generation (3G) cellular technology to fourth generation (4G) technology.

This upgrade will enhance the system to a broadband-based network, allowing for faster and more data-rich cellular coverage. Included in the upgrade will be the expansion of the cellular system to the C-1 facility, located at the corner of Concourses C and D, which up until now has not had adequate cellular service. The extension of coverage to the RCF and upgrade to the main terminal DAS will cost in excess of \$3 million, which amount will be completely borne by

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AT&T and the Carriers. As such, this Amendment will extend the current Agreement by seven (7) years from the date the new/upgraded system is operational, but in no event will the revised termination date be later than July 31, 2019. In addition, one five (5)-year option will be included, requiring the Port's approval to be exercised.

### **ADDITIONAL BACKGROUND:**

In early 2003, the Port initiated a process to establish a dedicated wireless communication system at the Airport in an effort to provide improved cellular telephone coverage at the Airport. The new system was to provide consistent, seamless coverage for cellular telephones at the Airport, including the terminal building, as well as landside and airside facilities. Up until that time, cellular telephone coverage was based on the availability of signals generated from antennas located off Airport properties, and was neither consistent nor reliable. The Port initiated a Request for Proposals (RFP) process to design, install, and operate a radio frequency voice and data system at the Airport called the Wireless Communication Access System (WCAS). This was an intentional effort to enhance the availability of cellular and data services to passengers at the Airport. The WCAS contains two components, the Wireless Cellular Network (WCN) and Wireless Data System (WDS), and utilizes a series of antennas, network and cabling infrastructure called the DAS. The WCN enables wireless communication for paging devices, cellular telephone service, as well as radio and cellular data service, i.e. data transmission utilizing cellular telephones (text messages). The WDS is comprised of a Wi-Fi system which allows laptops and other mobile devices to connect to the internet. Upon installation of the WDS, ownership immediately transferred to the Port, and the Wi-Fi is now owned and operated by the Port's Information and Communication Technology (ICT) team.

As part of the RFP and WCAS License Agreement, the selected respondent was required to design and operate the WCN to function as a non-exclusive, hosted intermediary between participating wireless communication providers and allow WCN access to all providers in a non-discriminatory fashion. In addition, some of the key goals contained within the RFP for the WCAS included (as stated in the RFP in 2003):

1. Establish reliable seamless wireless communications coverage through the creation of a common, non-discriminatory, comprehensive communications access system using state-of-the-art technology within the Airport premises.
2. Enable equal access to all wireless service providers within the constraints of space available for communications equipment within the Airport's facilities and the financial viability of operating the WCN as a for-profit interest.
3. Provide comprehensive WCAS coverage for use by Airport operations, airline operations, tenant and concessionaire operations, and passengers.

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Through the RFP process, the Port selected AT&T to establish the WCAS and entered into the WCAS License Agreement. The original term of the WCAS License Agreement terminated December 31, 2009.

The build-out of the WCAS required a substantial investment by AT&T, initially estimated in the RFP response at \$2.7 million, with a final cost exceeding \$5 million. This amount was funded entirely by AT&T.

In its effort to successfully implement the WCAS and allow for shared access to the system, AT&T structured a business model commonly utilized in the wireless industry. The model enacted by AT&T to account for the shared responsibility of initial cost and use of the network includes sub-License Agreements between the Carriers and AT&T, the Licensee. This type of agreement required each of the Carriers to pay for its pro-rata share of the WCAS installation. Although the wireless industry is extremely competitive, the Carriers implement this shared model and commonly co-locate antennas on towers and at important venues across the country, like the Airport, to provide cellular telephone coverage to their customers. In addition, through the WCAS sub-License Agreements, each of the Carriers is responsible for paying equal license fee amounts, thus leveling the playing field and allowing open and equitable use of the system. In the case of the Airport, AT&T is the Licensee to the Port with the other Carriers acting as sub-Licensees to AT&T. At other locations, each operating independently of one another, Carriers other than AT&T act as the "lead" carrier and operate the wireless communications system, with AT&T a co-locating participating carrier. In this way, each of the Carriers is allowed access to networks without being required to bear the burden of the entire capital costs of the systems. Currently, Verizon, Sprint and T-Mobile have sub-License Agreements with AT&T to provide cellular wireless service through the WCN, all utilizing the same DAS system. All of the Carriers were responsible for their portion of the original build-out costs and pay equal fees to utilize the WCN. Further, if an additional Carrier signs on to the network, it too would be required to contribute its pro-rata share of system costs and pay the current license fee.

In 2009, Port staff recommended, and Commission approved, a five (5)-year extension to the WCAS Agreement (Exhibit B) which extended the term to December 31, 2014. Port staff believed that extension of the WCAS Agreement was the best option for continued cellular service at the Airport. In return for the Agreement extension, license fees were increased to \$100,000 per year, per carrier, from approximately \$85,000 per year, per carrier.

Since the Agreement extension in 2009, two significant developments have occurred which necessitates this request for Amendment authorization. First, AT&T approached the Port in early 2011 regarding its interest in upgrading the current main terminal DAS system to accommodate the industry-wide transition from 3G technology to 4G technology. An upgraded system in the main terminal will benefit all cellular customers, including passengers, visitors and Airport employees. This upgrade will increase the broadband capabilities of the DAS system, allowing for much faster and richer data transmission over the cellular network.

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Second, in anticipation of the scheduled 2012 opening of the RCF, Port staff had been analyzing various options for providing cellular service throughout the facility. In addition, staff had also been discussing alternatives to extend coverage to the C-1 facility at the Airport. The C-1 facility, located at the corner of Concourses C and D, is a multi-story building that includes baggage handling facilities on the lower levels and Transportation Security Administration offices above. In many areas of the C-1 facility, cellular service is non-existent.

Per the current WCAS Agreement, staff approached AT&T about extending coverage of the cellular system to the RCF and C-1 facility. Upon review, AT&T developed a plan to extend coverage to these areas and proposed including the system expansion with the main terminal DAS upgrade, as mentioned above.

Port staff believes the current Amendment request accommodates both the Port's needs, and AT&T's needs moving forward. First, the Port will benefit from an improved cellular system in the main terminal through enhanced customer service to passengers. Second, cellular service will be provided at the RCF and service at the main terminal will be extended to cover the C-1 facility. Finally, no out-of-pocket expenses will be required of the Port as AT&T and the Carriers will fully fund both the expansion and upgrade projects.

AT&T and the Carriers will also benefit from an improved cellular system at the Airport as customers will be able to utilize cutting edge technology, including enhanced voice services and enhanced broadband-based data transmission.

### **AMENDMENT SCOPE AND JUSTIFICATION:**

Approval of this Amendment will allow for installation of a required cellular system at the RCF and improve the already-existing DAS system in the main terminal, including expansion to the C-1 facility.

With approval of the Amendment, AT&T will begin installation of a cellular DAS on floors one and five of the the RCF to ensure adequate cellular coverage throughout the facility in time for opening day. AT&T, the Carriers, the Port and the rental car companies expect that this infrastructure investment combined with cellular coverage provided through the macro network (antenna's located off of Airport property) that is already in place, will provide acceptable service throughout the building. The improvements will be fully funded by AT&T and the Carriers.

Following completion of the RCF cellular DAS, AT&T will begin the main terminal upgrade project, upgrading the technology to 4G and expanding to the C-1 facility. This work is scheduled to be completed no later than August 1, 2012 and will be fully funded by AT&T and the Carriers.

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### **FINANCIAL IMPLICATIONS:**

Per the terms of the Amendment, AT&T and the Carriers will be responsible for all costs associated with the expansion and upgrade of the cellular DAS system, both at the main terminal and at the RCF. In exchange, the Amendment will grant AT&T a seven (7)-year extension from the date of completion, with one, five (5)-year option, requiring the Port's approval to be exercised. As the current Agreement is not set to expire until 12/31/2014, this seven (7)-year extension, in essence, is guaranteeing only an additional five (5)-years beyond the current Agreement. All other terms of the Agreement, including license fee, will remain the same. As such, no material financial implications will result from approval of this Amendment.

The chart below outlines the original, current, and proposed Agreement terms:

	<b>Original License Agreement</b>	<b>Current License Agreement</b>	<b>Seven (7)-Year Extension</b>
<b>Term</b>	Five (5)-years from 1/1/2005 through 12/31/2009	Five (5)-years from 1/1/2010 through 12/31/2014	Seven (7)-years from 8/1/2012 through 7/31/19
<b>Extension</b>	Yes. One, five (5)-year option requiring Port's approval from 1/1/2010 through 12/31/2014.	Yes. One, five (5)-year option requiring Port's approval from 1/1/2015 through 12/31/2019	Yes. One, five (5)-year option requiring Port's approval from 8/1/19 through 7/31/24
<b>MAG (Minimum Annual Guarantee)</b>	\$14,000/month or \$168,000/year, based on two carrier minimum at \$7,000/carrier, per month.	MAG set at \$200,000/year with annual escalation	No change
<b>License Fee</b>	\$7,000/carrier, per month.	\$8,333/carrier per month	No change
<b>Escalation</b>	Equivalent to enplanement growth, maximum of 3% and minimum of 0%, per year	No change	No change
<b>On-going cost responsibility</b>	AT&T	AT&T	AT&T
<b>Port Investment</b>	None	None	None
<b>AT&amp;T Investment</b>	> \$5 million	None	> \$3 million

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

With approval of this Amendment, technology will be enhanced at the Airport and RCF with state of the art improvements thus allowing for excellent customer service.

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### **STRATEGIC OBJECTIVES:**

This proposal supports the strategy of “Ensuring Airport and Seaport Vitality” by continuing and enhancing necessary services, such as cellular telephone service, at the Airport.

### **TRIPLE BOTTOM LINE:**

Upgrading to, and expanding, cutting-edge cellular technology will improve customer service for the travelling public both in the main terminal and in the RCF.

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

- Alternative 1: Construction of a cellular system by Turner  
The Port could authorize the design of a new cellular system at the RCF, and authorize Turner, the RCF general contractor/construction manager, to construct this system. Upon installation, a contract would need to be negotiated with the various cellular providers to activate the system. There is no guarantee that an agreement would be reached with the cellular service providers, thus resulting in inadequate cellular coverage at the RCF. This work would require the procurement of an outside consultant to design these improvements. Also, this would be a change in scope to Turner’s contract and would potentially result in a request to extend the duration of the construction contract, thus delaying the opening of the RCF. In addition, a separate Amendment would need to be negotiated with AT&T solely addressing the upgrade request in the main terminal. This alternative is not recommended.
- Alternative 2: No cellular system expansion or upgrades  
Do not approve this Amendment, or any other additional amendments to the contract addressing expansion or upgrades at this time. Cellular service would continue to be available at the Airport but would not likely accommodate new technology for customers/passengers. The C-1 facility would continue to lack cellular coverage. As technology continues to advance, cellular service at the Airport would likely lag behind. Pertaining to the RCF, cellular service would still be required and a solution similar to Alternative 1, listed above, would need to be pursued. This alternative is not recommended.
- Alternative 3: AT&T proceeds with expansion and upgrade  
Approve this Amendment which supplies adequate cellular coverage at the RCF at no cost to the Port. In addition, the main terminal cellular DAS system will be upgraded to 4G technology and expanded to include the C-1 facility, at no cost to the Port. This alternative relies on AT&T’s use of its existing cellular equipment located at the Airport. AT&T’s term will be extended in consideration of the expansion and upgrade investment. **This is the recommended alternative.**

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

Exhibit A: Proposed Second Amendment to WCAS License Agreement

Exhibit B: First Amendment to WCAS License Agreement

Exhibit C: WCAS License Agreement

### **PREVIOUS COMMISSION ACTION:**

On January 27, 2004, the Commission approved execution of the WCAS License Agreement with AT&T.

On December 15, 2009, the Commission approved execution of the Amendment to extend the License Agreement for The Wireless Communication Access System with New Cingular Wireless PCS, LLC, formerly AT&T Mobility, for Cellular Service at Seattle-Tacoma International Airport.