



09/22/2015

Commissioners, Port of Seattle
Chief Executive Officer Ted Fick

*Public testimony, 09/22/2015
Port Commission Special Meeting*

With reference to the correspondence attached, between **Q** and the Office of the State Auditor, we question the continuing operation of Puget Sound Dispatch LLC dba Yellow Cab at Sea-Tac International Airport under an exclusive contract with the Port of Seattle for Sea-Tac outbound taxicab on-demand dispatch curb management operations. Please note that the dispatch services company and the actual Yellow Cab taxicab owner/operators are separate entities; we are not concerned with the independent contractor taxicab operators.

The correspondence notes irregularity in data reported to the Port by Puget Sound Dispatch LLC. For example, \$2.3 million in gross passenger revenue is shown to have been generated by 61,051 outbound taxicab trips in November 2011, and again, \$2.3 million by 77,014 trips in July, 2014. The gross revenue generated by an average taxicab trip has declined from about \$38 in the first year to less than \$31 in 2014. 13.5% of the reported revenue is payable by PSD LLC to the Port of Seattle. The data indicate underreporting may have resulted in underpayment of over \$4 million, and underreporting was highly likely not the result of a computer glitch or programming error.

Although the Port contract with PSD LLC expires on October 31, 2015, the Port has taken no reported action to replace that contractor, while the matter is under investigation, nor even upon contract expiration. The Port has no obligation to continue its relationship with PSD after October 31st. Port commissioners and officers do, however, have a statutory and fiduciary obligation, under federal and state law, to take reasonable action to prevent or stop the misapplication of funds by Port contractors or as seems to be the case here, any misrepresentation or lack of accounting control that may result in significant underpayment of a contractor obligation to the Port.

The Port is, in effect, allowing a cashier to remain at the till, having been made aware of the underreporting of transactions at that till, while the cashier continues filing unaudited reports as to the cash count at the till.

The irregularity in the data was discovered as we have prepared for the Port's open and transparent, competitive public bid process for this contract; a decision to extend the contract without bid and delay that process was made, abruptly, last May. We have had no other reason to look closely at taxicab dispatch curb management at Sea-Tac---so as bidders, we hope for, applaud and thank you for your continuing commitment to that process, and believe that we have a duty, under the law and as good corporate citizens, to report the irregularity noted to you.

Given the scope and duration of the under-reporting, it seems that the holder of this outbound taxicab services contract – the cashier -- seems to have misrepresented sales and shorted the till to the tune of about \$1 million per year. What with the cashier being the contract gatekeeper for some \$40 million in annual passenger revenue, earned by independent contractor taxicabs operating under sub-contract to it, we can appreciate that this matter will have your very close attention, and that of the Audit Committee of the Commission.

Please feel free to contact me, for further information or explanation, at any time. On behalf of Quality Ground Transportation Management LLC, I am,

Sincerely yours,


Chris Van Dyk
General Manager

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Did Yellow Cab Shortchange Port of Seattle \$4 Million at Sea-Tac?

From: **Chris Van Dyk** (cvandyk5@msn.com)

Sent: Mon 9/14/15 12:55 PM

To: Tammy.Bigelow@sao.wa.gov

Cc: merritt.m@portseattle.org

7 attachments

Revenue Underreporting Summary.pdf (317.1 KB) , Revenue Relationships & Cumulative Loss Chart.pdf (760.6 KB) , Fare Rate Region Distribution Chart.pdf (452.6 KB) , Deadheading Analysis Updated for Revenue.pdf (115.0 KB) , STI 2011 Sales Reports.pdf (833.5 KB) , Summary of Review of Outbound Passenger Services Contract Process -- Updated SeaTac 09_7_2015.pdf (435.3 KB) , Review of Outbound Passenger Services Contract Process -- SeaTac 09_07_2015 Final.pdf (624.5 KB)

Office of the Washington State Auditor

Audit Manager, Port of Seattle Accountability Audit

Ms. Tammy Bigelow

(206) 615-0555

Tammy.Bigelow@sao.wa.gov

Dear Ms. Bigelow:

Our understanding from your presentation on August 11, 2015 before the Audit Committee of the Seattle Port Commission is that you are charged with oversight of the current Accountability Audit of the Port of Seattle, for the fiscal year 2014. This is a matter, related to that audit, requiring your immediate attention.

The current contract for outbound taxicab services at Sea-Tac International is held by Puget Sound Dispatch LLC dba Yellow Cab; the current five year contract expires this year, on October 31, 2015. The value of the contract to the Port has been some \$18.6 million, at minimum; the value to airport taxicab operators is with "gateway access" to airport passenger revenue of approximately \$200 million for the term; and, the value to Puget Sound Dispatch LCC, both direct and indirect, is also significant, and in the millions of dollars. Our understanding up until mid-May of this year was that a new outbound passenger services contract would be let, as was this current contract, subject to public RFP and/or bid. In mid-May, that course of action was abruptly changed.

In preparation, and continuing hope, for a public bid process, we have been closely examining the public records including monthly revenue reports submitted by the current contractor. The data submitted indicate certain irregularities; in fact, analysis of the irregularities indicate that the Port of Seattle may have been underpaid by the current contractor, over the term of the contract, in excess of \$4 million. We are most concerned that Port staff, at the most recent Port Commission meeting, seemed to indicate a willingness to extend this current contract some eleven months beyond its expiration, with the current contractor, without public bid or even a full and public examination of the data that might lead an outside, objective observer to this conclusion.

Please know that as a potential bidder on the outbound taxi services contract, we have an interest here. That said, because we have an interest, we need to know all bids at the Port of Seattle are and will be treated equally, and fairly. If contractors are not held to bid terms, or contract terms, over the long-term of a contract, how can anyone be expected to bid, at all, or to put it more bluntly, honestly? Why not just game the bid yourself, if you figure is the way the public agency plans on enforcing – or not enforcing – contract terms? Worse, to justify the expense of bidding--- one would have to bid by the rules----on non-rules---extant at the time.

The data as analyzed in the attached, indicate a possible underpayment by the contractor in excess of \$4 million over the term of the contract. At the most basic, the monthly revenue reports submitted show that the passenger revenue generated by an average outbound taxicab trip declines from a low reported \$38 per trip in 2011, to as little as a reported \$30 per trip in 2015. This is impossible (have taxicab prices to downtown Seattle declined 2011-2014?) and it is important, simply because contract payment is obligated at 13.5% of reported gross passenger revenue. Put a bit differently, \$2.3 million in gross passenger revenue is shown to have been generated by 61,051 trips in November 2011, and also by 77,014 trips in July, 2014. This could be a simple reporting error, were an inverse relationship --- noted in the attached --- not indicated over the term of the contract, by the data. That relationship has the monetary value of each trip in inverse relationship to the gross number of trips, over the term of the contract, with a major shift having occurred in July of 2012. Again, since this is simply not possible in the real world, the data indicate that they may have been manipulated, to reduce the 13.5% payable to the Port of Seattle.

Given that the Port Commission is making a decision on the contract extension at this time, we hope and trust that this will receive your immediate attention. The data indicate that continuing operation of this exclusive contract by the current operator, may very well be, as you expressed it in your engagement letter with the Port, putting "...the management, use and safeguarding of public resources..." at risk.

Please feel free to contact me, for further information or explanation, at any time. On behalf of Quality Ground Transportation Management LLC, I am,

Sincerely yours,

Chris Van Dyk
General Manager,
Quality Ground Transportation Management LLC
206-965-0086
cvandyk5@msn.com

