



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8d

ACTION ITEM

Date of Meeting July 10, 2018

DATE: July 3, 2018
TO: Stephen P. Metruck, Executive Director
FROM: Thomas Tanaka, Deputy General Counsel
SUBJECT: Contract for ground transportation services at Seattle-Tacoma International Airport concession agreement amendment and assumption of subcontract

Amount of this request: \$1,900,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) execute a Second Amendment to Concession Agreement Between the Port of Seattle and Eastside for Hire Inc. for on-demand, metered, and flat-rate for-hire transportation services at Seattle-Tacoma International Airport and (2) assume the subcontract between Eastside for Hire Inc. and SP Plus Corporation for related curbside management services.

EXECUTIVE SUMMARY

This action will address certain issues that have caused unrest in the Eastside for Hire (“ESFH”) on-demand taxi and flat rate services at the airport. These actions will provide stability to the current fleet of owners and drivers by establishing certainty with respect to fees and continued operation for the duration of this agreement. The amended agreement will clarify the contractual rights of ESFH to adjust its fleet size as well as restricting its right to impose additional fees on the taxicab and flat rate owners. The Port will assume the ESFH subcontract with SP Plus for curbside management. Taking on this subcontract will remove a financial burden to ESFH to allow it to achieve its own financial stability. The action also reduces a portion of the weekly fees on the taxicab owners in the final four months of the contract, resulting in reduced operating expenses for them.

JUSTIFICATION

The taxicab industry in our region has been deeply affected by the introduction of the transportation network companies. This change in the way many customers use transportation has disrupted an established transportation system that had existed for decades. At the airport, this has meant a decline in market share for on-demand taxicabs, meaning fewer on-demand trips. On-demand taxicab service has lost market share. In response, ESFH considered reducing its fleet size. This reduction proposal led to unrest among the taxi fleet owners who

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were concerned that they could be dropped from the fleet. The taxicab owners were also concerned that ESFH might impose additional fees connected to the fleet reduction. The Port and ESFH disagreed over whether or not the concession agreement allowed ESFH to reduce the fleet size and to impose additional fees. The Port contemplated litigation over these issues. The Port and ESFH subsequently met and negotiated the terms of this proposed Second Amendment that are designed to address the issues of not only the Port and ESFH, but also those of the owners and drivers.

The Port can assume the SP Plus subcontract without going to competitive bid because it is considered a purchased services agreement that does not have to be bid under state law or Port bidding policies.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not enter into the proposed Second Amendment and do not assume the SP Plus subcontract.

Pros:

- (1) The Port does not take on the additional cost of the SP Plus subcontract.

Cons:

- (1) The current unrest within the on-demand fleet will continue, potentially affecting service to passengers at the airport.
- (2) The Port and ESFH may get involved in costly litigation.
- (3) Taxicab owners may be subjected to additional fees and termination within the airport fleet.

This is not the recommended alternative.

Alternative 2 – Enter into an amendment that provides all of the provisions of the proposed Second Amendment but has a shorter term, expiring in May 2019 instead of September.

Cost Implications: The Port takes on the costs of the SP Plus subcontract, estimated at \$1.3 million.

Pros:

- (1) The amendment addresses the issues causing the current unrest by establishing clear boundaries for how fleet size is handled as well as preventing ESFH from charging additional fees on the on-demand fleet owners.
- (2) The ESFH concession agreement ends sooner, allowing the Port to implement the next on-demand concession agreement.
- (3) The Port avoids potential litigation.

Cons:

- (1) If the ESFH agreement ends in May 2019, that leaves only 10 months for a review of the Ground Transportation Access Plan and to integrate those findings and Commission policy into the next on-demand agreement.

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- (2) If the contract ends in May, the taxicab and flat rate owners will not be able to take advantage of the decrease in the weekly fees that would occur between June and September under the proposed amendment; as a result, the taxicab owners will not be able to earn an incremental increase in revenue for four months.
- (3) If the contract ends in May, the Port would have to manage the on-demand concession either on its own or to hire an outside company to manage the operations for the period between June and September.
- (4) The Port will incur an unbudgeted cost by assuming the SP Plus subcontract.

This is not the recommended alternative.

Alternative 3 – Enter into the proposed Second Amendment to the on-demand concession that expires in September 2010.

Cost Implications: \$1.9 million.

Pros:

- (1) The amendment addresses the issues causing the current unrest by establishing clear boundaries for how fleet size is handled as well as preventing changes to the fee structure assessed to the vehicle owners.
- (2) The 14 month period provides much needed time for staff to complete and review the Ground Transportation Access Plan and to integrate those findings with Commission priorities into the next on-demand agreement.
- (3) There will not be a gap in on-demand service management between the end of the current ESFH agreement and the new service.
- (4) The Port avoids potential litigation.

Cons:

- (1) The Port will incur an unbudgeted cost by assuming the SP Plus subcontract.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The Port will assume the SP Plus subcontract. The estimated cost of that contract for the remaining term of the concession agreement is \$1,900,000 and is unbudgeted. The source of the funds to pay this subcontract cost is Ground Transportation.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Second Amendment to Concession Agreement between Port of Seattle and Eastside for Hire, Inc.
- (2) Draft Assignment of Subcontract between Eastside for Hire, Inc., the Port of Seattle, and SP Plus Corporation.

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

September 26, 2017—The Commission authorized the First Amendment to the Concession Agreement to the Eastside for Hire concession agreement.

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.