



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8c

ACTION ITEM

Date of Meeting November 13, 2018

DATE: November 5, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Michael Ehl, Director Aviation Operations
Daniel Zenk, Senior Manager Airport Operations

SUBJECT: Centralized International Support Service Contract Amendment

Amount of this request: \$3,220,000

Amended contract cost: \$11,920,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a contract amendment with VIP Hospitality (VIP) (Contract Number S-00318180) for support services in the International Arrivals Facility at Seattle-Tacoma International Airport for an estimated amount of \$3,220,000, effective through December 31, 2019.

EXECUTIVE SUMMARY

The purpose of this request is to amend the VIP Hospitality contract for an estimated amount of \$3,220,000 to cover the remainder of the contract term, which expires December 31, 2019. Due to the growth of international passenger traffic, in combination with constrained facilities and a required operational/customer service need, the Port has required VIP Hospitality to increase the number of employees to provide a high level of customer service and to assist with passenger and baggage processing in the International Arrivals Facility. In doing so, the Port will exhaust the planned budget amount. The Port is requesting Commission approval for VIP to continue providing services for our international passengers through end of 2019.

JUSTIFICATION

Seattle-Tacoma International Airport (SEA) is one of the fastest growing international gateway airports in the country. In 2017 alone, international travel through SEA increased 11% from the prior year, to almost 5 million passengers, and the Port is experiencing close to a 12% growth rate so far in 2018. Since 2016, SEA has added nine new international airlines (Aeromexico, Volaris, Xiamen, Virgin Atlantic, Eurowings, Norwegian, Aero Lingus, Air France, and Thomas Cook) with direct nonstop service to over nine destinations. In 2019, we anticipate at least three new international air carriers to announce service.

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Following the award of the contract to VIP Hospitality in 2015, international traffic continued to grow much faster than the anticipated contract budget projections. The traffic increase required additional VIP staffing and a greater level of customer service, which was identified by the Port and requested of VIP for 2015, 2016 and 2017, and to be maintained in 2018/2019.

Additionally, in August 2015, the City of SeaTac's Proposition 1 minimum wage rate went into effect for Sea-Tac Airport workers. VIP complied with the law and paid their employees the new rate and the Port issued an amendment (in 2016) to comply with Proposition 1 and to pay a retroactive payout to VIP for the difference between Port Resolution 3694 and the City of SeaTac's Proposition 1 wage rate. Again, the Port continued to use authorized contract funds until exhausted, knowing this would shorten the total funding amount for the life of the contract.

In 2016, at the Port's request to improve customer experience, VIP continued to add staff to the passenger processing and baggage handling areas. From contract inception to today, VIP increased staff from approximately 18 to over 35 employees during peak hours. Again, this is due to facility constraints and the volume of passengers required to be processed, the increase in the number passengers being held in the International Corridor and on board aircraft. In some instances (1,222 flights in 2018 so far), it was necessary to have held passengers in the International Corridor for up to 2.5 hours, which resulted in an increase in customer complaints.

With the expected opening of the new International Arrivals Facility (IAF) to guests in August of 2020, the utilization of such services may be anticipated to evolve. Preparation of a new contract and associated revised scope would thus be conducted in 2019 with operations continuing without impact under this budget increase.

DETAILS

Since 2015, the Port has utilized the services of VIP Hospitality to assist in the facilitation of international guest arrival in the Federal Inspection Service (FIS) facilities of the South Satellite. With the growth has come an increase in need and demand for additional staff by VIP, at the Port's request, in areas of passenger service and baggage handling. Passenger services in the existing International Arrivals Facility include customer service, foreign language interpretation, crowd control, queue management, holding flights and passengers for processing, access control and assisting passengers with CBP documents and new automated passport control technologies. This service significantly increases the processing rate through passport control and reduces costly hold-on-board situations by providing the necessary staff to accommodate waiting passengers inside the terminal rather than on board the aircraft. Without these services, passengers would experience slower processing times through the facility, overcrowding in passport control and baggage claim, process confusion, and an increase in hold-on-boards and unnecessary delays.

Baggage Services include repositioning baggage at international carousels to maximize capacity, assisting passengers with placing baggage on recheck belts, recirculating baggage carts, and

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manually handling baggage too large to fit through conveyor belt systems. These controls are needed to keep baggage moving in and out of the facility. Without these services, delivery of baggage would not be coordinated with the arrival of passengers to claim their baggage. The result would be jammed claim devices and dangerous crowding in the international baggage claim hall. Without staff assistance and guidance, passengers attempt to carry multiple oversized bags onto the Satellite Transit System (STS) train, slowing down the boarding process and causing dangerous conditions on escalators at the main terminal train station.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 - Discontinue existing contract with VIP due to lack of funds

Cost Implications: \$0

Pros:

- (1) None

Cons:

- (1) Services are no longer provided.
- (2) The lack of services during a 14-month period would result in a complete degradation of the FIS, extensive passenger and airline delays, and major negative effect on the passenger experience.

This is not the recommended alternative.

Alternative 2 - Cancel existing contract and issue Request for Proposals (RFP) to provide services in the International Arrivals Facility to replace VIP Hospitality

Cost Implications: \$0

Pros:

- (1) None

Cons:

- (1) RFP process and potential transition to a new contractor would require at least 4 to 5 months to complete, and duration of the new contact may be less than 1 year, depending on need. Port staff is in process of evaluating the required scope of services needed after the new International Arrivals Facility is open.
- (2) The lack of services during a 4- to 5-month period would result in a complete degradation of the FIS, extensive passenger and airline delays, and major negative effect on the passenger experience.
- (3) Current contract period of performance concludes in December 2019.

This is not the recommended alternative.

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Alternative 3 - Amend existing contract with VIP Hospitality for baggage handling and passenger services in the International Arrivals Facility

Cost Implications: \$3,220,000

Pros:

- (1) Provides for continued services and continuity of operations.

Cons:

- (1) Spending \$3,220,000.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The annual cost of this contract is included in the Aviation operating budget. For 2018, the budget is \$2.592 million. The costs are assigned to the Federal Inspection Services (FIS) cost center and all costs are paid for by the airlines that use the FIS facility.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

September 30, 2014 – The Commission authorized execution of a contract for Centralized International Support Services in the Federal Inspection Services (FIS) Facility at Seattle-Tacoma International Airport for up to five years (2015-2019) for an estimated amount of \$8,700,000.