



**COMMISSION
AGENDA MEMORANDUM**

Item No.

11a

BRIEFING ITEM

Date of Meeting

December 13, 2022

DATE: November 14, 2022
TO: Stephen P. Metruck, Executive Director
FROM: Lance Lyttle, Aviation Managing Director
Jeff Wolf, Senior Manager Aviation Business Development
SUBJECT: On-Demand Taxi/Flat Rate Program Briefing

EXECUTIVE SUMMARY

This briefing is to inform the Commission of the history of On-Demand Taxi/Flat-Rate (“On-Demand”) services, industry changes, establishment of a pilot program, stakeholder outreach and driver voice, and development of a post-pilot program and next steps moving forward.

In July 2019 the Commission passed Resolution 3759 (see attachment #1) establishing a Ground Transportation Directive and Principles at Seattle-Tacoma International Airport (“SEA” or “Airport”). The principles included in the Directive were the basis for development of a new On-Demand system at SEA in 2019 known as the Taxi Pilot Program (“Pilot”.) The guiding principles include the following:

- Reduce environmental impact
- Reduce roadway congestion
- Support customer choice
- Social equity
- Generate revenue for sustainable airport

Prior to implementation of the Pilot, SEA provided On-Demand services via competitively bid concession contracts held by taxi/flat-rate dispatch companies, dating back to the late 1980s. For a number of reasons, in 2019 SEA transitioned to a non-concession-based system with direct agreements and payment between SEA and vehicle owners/operators under a new Pilot.

Because of the novel nature of the Pilot, one key element of the system established by the Commission was the incorporation of a “driver voice”, through the formal recognition of a voluntary organization who could demonstrate support by the driver community. The formal arrangement with the voluntary organization included monthly meetings with SEA staff and structured feedback mechanisms associated with (a) the operation of the Pilot program, and (b) the opportunity for the volunteer organization to provide comments on the future, post-Pilot program. In addition, quarterly stakeholder outreach for all system operators was established as a key component of the Pilot. Together, the driver voice and outreach allowed for a feedback

Meeting Date: December 13, 2022

process for SEA staff to understand the performance of the Pilot and to inform and develop a more permanent post-Pilot program.

Post-Pilot Program Recommendation

The culmination of the stakeholder outreach, best practice/peer airport research, and internal discussions resulted in the following recommendation for a post-Pilot program:

1. **Permitting/composition of fleet**
 - Three (3) year direct relationship between SEA and current medallion owners, free to affiliate with company of choice
 - No transferability of agreement without SEA approval

2. **Fee/cost to operate/technology**
 - Year 1: \$6/pick-up, then re-evaluate the fee level for years 2 and 3 to minimize increase (i.e.- no prescribed fee amount at this point for years 2 and 3)
 - Fees paid directly to SEA upon passenger pick-up
 - Explore virtual queue options with drivers, including education on program elements and comparison with peer airports' programs
 - SEA contracts and pays curbside management services

3. **Driver's voice future**
 - SEA continues quarterly stakeholder outreach sessions for all drivers and operators
 - SEA retains the Driver Voice element from the pilot program, including monthly meetings with VO
 - SEA works on development of a job training program for opportunities available to drivers at SEA or with other service providers

ADDITIONAL BACKGROUND

History

Taxi service accommodating on-demand pick-up trips has gone through several key changes over the last several decades. Prior to 1989, SEA allowed all individual owners/operators with valid operating permits from King County to provide taxi service at the Airport in what could be defined as an "open" system. In late 1989, SEA and a few key taxi owners collaborated on a plan to bring the owners together and create an association to provide enhanced taxi service to the traveling public. At that time, the individual owner/operator model provided transportation with what was considered poor customer service, inconsistent availability, poor vehicle conditions, and by drivers who would often aggressively compete for customer trips. Taxis are internationally

Meeting Date: December 13, 2022

understood by travelers with an expectation that vehicles be readily available on-demand and in the Pacific Northwest particularly, there is an expectation that vehicles will be environmentally friendly, along with safe drivers and high customer service.

As a result of the collaboration in 1989 and the expectations for taxi service, Airport staff implemented an exclusive arrangement for on-demand pick-up taxi service which allowed the Airport to require the highest standards to meet customer demand, which are more difficult to enforce in an open system. These standards included 1) 100% “green” fleets, 2) five-minute maximum wait times for customers, 3) timely customer complaint response, and 4) 24/7 availability, during both peak and non-peak periods, during inclement weather, and during other major events or conventions in the region. The first exclusive contract, established in August 1989, was held by Seattle-Tacoma International Taxi Association (“STITA”). STITA continued to provide exclusive on-demand pick-up service until 2010, when a competitive selection process was undertaken and the contract was awarded to Puget Sound Dispatch, dba Yellow Cab, who held the contract into 2016. After a new competitive selection process, Eastside For Hire (“ESFH”) was chosen as the next concessionaire beginning October 1, 2016.

Industry Changes

Leading up to and while SEA contracted with ESHF, two major shifts in the industry occurred that had significant impacts on how On-Demand services were provided at the airport.

Transportation Network Companies (TNCs)

Beginning in 2013, and with significant ramp-up throughout 2014 and 2015, TNCs entered the market and started to become a significant provider of transportation to the traveling public, both generally in the Puget Sound area and specifically at SEA. The TNC model, based on utilization of a smartphone application to procure rides, and the fulfillment of the rides by privately-owned vehicles (non-commercially licensed vehicles), introduced a transportation alternative that was similar to, but separate and distinct from On-Demand services. In response, SEA staff negotiated a pilot agreement with TNC providers which commenced on March 31, 2016. A new agreement was negotiated in 2020 and commenced January 1, 2021. Since their introduction in 2016, TNC pick-up activity at SEA has gone from zero to now comprising approximately 50-60% of all ground transportation pick-up trips for the traveling public. Total annual TNC pick-up trips are approximately 2-3 million per year. While TNC trips have increased, On-Demand trips have declined over the same period. Total pick-ups were just under 1 million per year in 2015 (peak year) and dropped to just over 270,000 in 2021.

King County/City of Seattle Regulation of Taxicabs/Flat-Rate For-Hires

Concurrent with the introduction of TNCs in the Airport transportation landscape, another change in the industry occurred causing disruption. Regulations within King County and the City of Seattle were (and remain) very unique with the separation and distinction between taxi and

Meeting Date: December 13, 2022

flat-rate for-hire vehicles. County and City codes separate the two types of services with different definitions and regulations. For example, taxi vehicles must be one solid color (not multiple) and include a meter within the vehicle to calculate fares for customers. Flat-rate for-hire vehicles must be two or more colors (not one solid color) and fares are pre-defined for given destinations and must be available to customers upon request.

As a result of the distinction between taxi and flat-rate for-hire vehicles established by County and City regulations, several new for-hire service providers entered the transportation landscape, including ESFH and others. Despite regulatory differences, customers often-times view the two provider types similarly (just as “taxis”) and may not understand the distinction between the two services, especially associated with fares (variable taxi meter vs. flat-rate).

Commission Approved Relief

The impacts of the introduction of TNCs and the regulations within the County/City, along with other factors, were significant on ESFH and its ability to fulfill negotiated obligations as part of its contract with SEA that commenced in 2016. On September 26, 2017, the Commission voted to provide relief to operators within the ESFH fleet, including lowering the per-trip fee paid to SEA from its scheduled increase from \$7.00 to \$7.50 per trip, down to \$6.00 and relaxing vehicle miles per gallon (MPG) standards to allow for Prius V vehicles to operate in the fleet. Subsequently, on July 10, 2018, the Commission approved the transfer of curbside management/oversight responsibilities from ESFH to SEA, including payment for services at a cost of approximately \$1.9 million per year.

Pilot Program

In anticipation of the expiration of the ESFH contract on September 30, 2019, the Commission directed staff to undertake an extensive outreach process to help develop a new On-Demand system at SEA. Beginning in October 2018 and throughout Q1 2019, with the assistance of outside consultants, staff hosted several stakeholder outreach sessions with the On-Demand community which provided key insights and feedback to help inform a new program.

In addition to and in conjunction with the stakeholder outreach effort, in 2018 and early 2019 staff was also finalizing the Ground Transportation Access Plan (“GTAP”) with its consultant, Ricondo, which resulted in the development of ten key transportation related strategies. The plan also included a set of guiding principles for ground transportation services at SEA ranging from reducing environmental impacts and roadway congestion, to supporting customer choice and equity issues (see above). Together with the input from the stakeholder outreach efforts, a foundation for a new On-Demand system was established.

On May 28, 2019, staff briefed the Commission on a proposed pilot program for On-Demand services based on the Commission’s guiding principles and stakeholder outreach feedback. The Commission passed Motion 2019-03 (see attachment #2) formally establishing a two-year pilot

Meeting Date: December 13, 2022

program which began on October 1, 2019. The Pilot was a shift away from the exclusive dispatch company concessionaire-based model, was developed to incorporate several areas identified through driver outreach, and included the following main elements:

- Retention of the then-current owners from ESFH with non-transferable agreements (approximately 409);
- Direct agreement with SEA and direct payment of all-inclusive \$6.00 per trip fee;
- Open dispatch company affiliation;
- SEA manages and pays for curbside management services;
- Recognition of a voluntary organization with monthly meetings and feedback opportunities; and
- Quarterly stakeholder outreach.

The Pilot was extended one year to September 30, 2022, per Commission Order 2021-04 (see attachment #3) as a result of the negative effects of Covid. The Pilot is currently in a month-to-month holdover status.

Stakeholder Outreach

With the help of an outside consultant, SEA staff undertook an extensive stakeholder outreach process as part of the Pilot program. A total of 17 outreach sessions were held throughout the Pilot, consisting of 12 in-person sessions and five via zoom during the height of the pandemic. In addition, three online surveys were conducted as a supplemental and alternative method for stakeholders to provide feedback to SEA. Staff also met monthly with the voluntary organization and interested owner/operators throughout the Pilot to discuss the operation and solicit feedback.

Although the feedback was very diverse on a variety of topics pertaining to the Pilot, some main themes emerged, outlined below:

- Concerns over short trips/fares and requests to implement a minimum fare from SEA;
- Among the approximately 400 vehicle owners/drivers that had been part of the exclusive pool of owners/drivers authorized to pick up On-Demand passengers at the Airport since the ESFH agreement, there was support for the existing fleet size and composition, including ability to affiliate with dispatch companies of choice;
 - Among outreach to other drivers and dispatch companies not currently involved in the Pilot, as well as City of Seattle and King County representatives, there was support for modifying fleet size and/or composition;
- Consideration of transferability of agreements;
- Support for SEA overseeing curbside management functions;
- Support for direct payment to SEA and pay-as-you-go system;
- Concerns over increases in fees, especially as it compares to TNCs;
- Concerns about regulated fare differences between taxis and flat-rate for-hire vehicles;

Meeting Date: December 13, 2022

- Requests to continue coordination with voluntary organization;
- Questions and concerns over concept of “virtual queue” systems associated with On-Demand; and
- Mixed opinions regarding passing along additional fees to customers through a surcharge.

In conjunction with the stakeholder outreach, SEA staff also hired a consultant to provide an industry best practice report and peer airport review to support development of a post-Pilot program recommendation. The consultant identified the industry as continuing to be in transition, especially with declining passenger demand leading to fewer revenue trips, as well as increased costs of operating On-Demand vehicles. As a result, the consultant did not anticipate that a competitively bid agreement (as in years past) would generate sufficient interest by bidders and that SEA would need to continue to financially support On-Demand services at the Airport.

Staff also regularly briefed Commissioners throughout 2022 as part of the overall feedback and communication process. Based on feedback from outreach, the consultant’s analysis and identification of an industry that continues to be in transition, SEA staff recommends the proposed On-Demand program (described above) to best meet the Port’s guiding principles for ground transportation as identified in Resolution 3759.

Next Steps

After briefing the Commission, SEA staff intends to conduct outreach sessions with owners/operators to educate and socialize the elements of the recommended post-Pilot program in preparation for implementation. Staff expects to be able to transition to a post-Pilot program in Q1 2023 and will continue with the month-to-month holdover of the current program until that time.

ATTACHMENTS TO THIS BRIEFING

- (1) Resolution No. 3759- SEA Ground Transportation Principles and Goals Policy Directive
- (2) Motion 2019-03- Establishment of a Two-Year Pilot Program
- (3) Order 2021-04- Extending the On-Demand Pilot Program to September 30, 2022
- (4) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- April 13, 2021 – The Commission adopted Order 2021-04 extending the pilot program for on-demand taxi/flat-rate for-hire services at SEA through September 30, 2022.
- July 9, 2019 – The Commission adopted Resolution 3759 establishing ground transportation goals and guiding principles.
- May 28, 2019 – The Commission adopted Motion 2019-03 establishing a two-year pilot program for on-demand taxi/flat-rate for-hire services at SEA.

Meeting Date: December 13, 2022

July 10, 2018 – The Commission authorized the Executive Director to (1) execute a Second Amendment to Concession Agreement Between the Port of Seattle and Eastside for Hire Inc. and (2) assume the subcontract between Eastside for Hire Inc. and SP Plus Corporation for related curbside management services.

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.