

SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF DECEMBER 13, 2017

Ms. Merrick chaired the December 13 Business Administration Committee Meeting, calling it to order at 9:23 a.m. A quorum was present during the Meeting: Ms. Lang, Mr. Mims, Mr. Speck, Mr. Sudow, Mr. Tejada, and Mr. Session (Acting Chairman). Mr. Adams, Mr. Griffin, Mr. Lazaro, Mr. Pozen, Mr. Uncapher, and Ms. Wells were also present.

Pre-Solicitation Terms for Taxicab Concession Contracts at Washington Dulles International Airport. Ms. Merrick welcomed Mike Stewart, Vice President and Manager, Washington Dulles International Airport (Dulles International), and Colleen Von Hoene, Manager, Airport Administration, Dulles International. Mr. Stewart presented the pre-solicitation terms to select two firms to provide dedicated taxicab transportation services to and from Dulles International. He stated that each contract will include a two-year base period and three one-year option periods to be exercised at the discretion of the Airports Authority.

Mr. Stewart reported that the on-demand taxicab services at Dulles International is provided by three companies (Checker Airport Taxi, Inc., Dulles Airport Tax, Inc. and Regency Cab, Inc.) operating under Washington Flyer, which is required to provide 240 taxicabs from each company. He reviewed the operating requirements for each of the taxicab companies. Mr. Stewart advised that the Airports Authority has exercised both option periods extending the three contracts through September 30, 2018. He noted that the extensions are subject to earlier termination by the Airports Authority with 60 days prior notice.

Mr. Stewart recalled that effective November 1, 2015, the Airports Authority had issued regulations authorizing Transportation Network Companies (TNCs) and limousines to operate at both Airports with permits. He reviewed the significant impact that the TNC activity has had on taxicab operations at Dulles International with decreased outbound and inbound Washington Flyer taxicab trips in 2016 through September 2017. Mr. Stewart reported that in order to align with reduced taxicab demand, the new solicitation will reduce the fleet from 720 taxicabs provided by three companies to 600 taxicabs provided by two companies. The taxicab companies will be required to bid an annual per taxicab fee, with a minimum acceptable bid of \$3,300. Additionally, each selected taxicab company will be required to pay a per trip fee of \$3

for all trips to and from Dulles International and annual per driver fees of \$250 for each driver operating within the company's fleet.

Mr. Stewart reviewed the procurement process and noted that the Department of Supplier and Diversity reviewed the solicitation and determined that no Airport Concessions Disadvantaged Business Enterprise goal is applicable.

To ensure that the Board of Directors Meeting began timely, the Committee recessed its meeting at 9:27 a.m.

At 10:40 a.m., Ms. Merrick reconvened the Committee Meeting, with a quorum present.

Ms. Merrick stated that the motion to concur with the pre-solicitation terms for the taxicab concessions contracts at Dulles International had been offered. She invited Directors to discuss the agenda item.

Mr. Tejada asked if the individual taxicab companies would have an opportunity to provide input during the evaluation process. Mr. Potter explained that exclusive rights are given to taxicabs at Dulles International that operate under the Airports Authority's brand and are available at the Airport 24 hours a day. He further explained that in exchange for the exclusivity, the taxicab companies offer their availability. Mr. Potter advised that over the years demand was growing and service increased from two to three taxicab companies. He reported that economic models and analyses showed that 240 taxicabs per company were needed to provide efficient service at an efficient rate to be profitable. Due to a decrease in demand, Mr. Potter stated that fleet would be reduced to 600 cabs, and the Airports Authority would re-compete the solicitation for two cab companies.

Mr. Tejada observed that the Uber and Lyft options provide the essential services required by the customers. He reiterated his thought as to how the existing taxicab companies can provide input during the pre-solicitation process and express their opinions about the need to retain three taxicab companies and reduce the TNC activity. Mr. Stewart reported that meetings are held frequently with the existing three taxicab companies to solicit their feedback, and staff also analyzes their performance. He stated that the taxicab companies will have an opportunity to attend the pre-solicitation meeting and ask questions. It

would ultimately be up to each taxicab company what, if any, participation it chooses to have in the solicitation.

Mr. Tejada suggested that someone ask the taxicab companies what they are doing to mitigate their impact from TNCs or to compete with Lyft and Uber. He stated that it would be an opportunity for taxicab representatives to articulate their concerns to ensure that the opportunities are fair to all. Mr. Stewart acknowledged Mr. Tejada's concerns. He stated that some of that type of dialogue is already occurring and that staff will continue it. Additionally, staff is constantly reviewing the service standards and considering how the Airports Authority can help the taxicab companies. Mr. Stewart stated that the goal is to keep revenue up and make sure the taxicab companies and individual taxicab drivers are successful in the Airports Authority's venture, which is the reason for reducing the number of taxicabs from 720 to 600. Mr. Tejada thanked Mr. Stewart for clarifying the various details of the process. He noted that he is looking forward to the infrastructure update of the total taxicab review to determine whether the choice to lower the taxicab fleet service is substantiated.

Ms. Merrick requested that staff share the detailed information of the recent monthly update that was provided for her and Mr. Session (Business Administration Committee Co-Chairs). Mr. Stewart reported that the three taxicab companies are invited to participate in quarterly taxicab meetings. He advised that staff also communicates consistently with the taxicab drivers at the Airport's taxi stands. Mr. Stewart recalled that years ago there was a lot of strife with the taxicab fleets at Dulles International and noted that this has not occurred with the last two contracts that span approximately 10 years. He stated that the Airports Authority is making sure that there are enough trips to be equitable for taxicab drivers to make a good living and also be fair to the taxicab companies to enable them to have profitable businesses. Mr. Stewart further stated that taxicab drivers have options to work at any of the three existing taxicab companies or with TNCs to meet their personal financial needs. Ms. Merrick reaffirmed what Mr. Stewart had reported – the Airports Authority gives the taxicab drivers more options in terms of where they can work, and which companies, including TNCs, may present better options.

Mr. Uncapher referred to the \$250 per driver fee and asked the purpose of the fee. Mr. Stewart stated that the fee is charged on a per-driver basis because the taxicab companies, in some cases, have more than one

taxicab driver per vehicle. Therefore, the fee is charged on a per driver basis as 60 of the taxicabs can be leased vehicles. The per-driver fee ensures that all drivers pay their way and covers administrative and training costs, as well as other miscellaneous expenses.

Ms. Von Hoene stated that training expenses are absorbed by the taxicab company which represents a small portion of the revenue. She further stated that the revenue is derived from the per-cab-fee, and if there are multiple drivers on a single taxicab, the additional revenue is shared. Ms. McKeough added that a third party is used to create a credential [badge] for every taxicab driver assigned to a taxicab. She noted that the \$250 fee covers the third-party costs.

Mr. Uncapher asked about the number of accredited drivers for the entire taxicab operators' contract. Ms. Von Hoene stated that she would provide the requested information at a later date.

Ms. Wells complimented the quality of the taxicab fleets at both Airports. She inquired whether there are certain specifications and requirements to maintain the fleets. Ms. Von Hoene stated that the Airports Authority has tight standards in terms of the drivers and vehicles. She advised that the taxicab companies must inspect the vehicles regularly and that there is also an age limit provision and no smoking is permitted inside the vehicles. Additionally, the drivers are tested on their knowledge of the metropolitan area, and the taxicab companies are responsible for administering drug/alcohol testing and criminal background checks. Ms. Von Hoene stated that these standards have been built into the Airports Authority contracts for several years. She advised that when she joined the Airports Authority 25 years ago those standards were already in place. Ms. Von Hoene stated that some modifications to the vehicle's standards had occurred with regard to the inclusion of hybrids. Ms. Wells inquired whether all vehicles are equipped with a Global Positional System (GPS) and shared her experiences of having to provide directions to taxicab drivers at other airports. Ms. Von Hoene noted that the installation of GPS devices in the back seat of a taxicab vehicle for the benefit of the passengers and the driver is an improvement being reviewed for the next iteration of the contract.

Mr. Speck asked if the two-year base contract with three one-year options to renew the pending procurement will be at the sole discretion of the Airports Authority, to which Mr. Stewart responded affirmatively. Mr. Speck then asked if there may be a reluctance to companies to

participate in a bid for such a short contract term. Mr. Stewart stated that Dulles International has a very strong market, and a number of bidders will participate, consistent with past taxicab operations' procurements. He explained that the selected contract terms are due to continuous change in the industry. Additionally, the Airports Authority is building flexibility into the contract to be able to reduce the number of taxicabs by approximately 120 taxicabs over the term of the lease, which would allow the Airports Authority to be fair with the taxicab companies and drivers. Mr. Speck inquired whether the Airports Authority would have the ability to adjust the contract to either increase or decrease the size of the taxicab fleet at the end of the two-year base contract or would any adjustments require that the contract be terminated. Mr. Stewart stated that the contract would be terminated and the solicitation would be put out for bid again, at which time the Airports Authority could adjust the contract terms.

Mr. Speck shared his thoughts on the changes in the ground transportation industry within the past ten years. With future changes expected, Mr. Speck inquired about the extent of limitations and flexibility to make necessary adjustments to taxicab operations. Mr. Speck noted that the decline in the taxicab operations is an indication of how rapidly the ground transportation industry is progressing. He stated that he is looking forward to the Airports Authority's ability to adapt quickly as situations continue to be fluid by keeping the base contract shorter. Mr. Stewart stated that a closed system taxicab operation continues at Dulles International because of the peak periods at the Airport, at which time 400 taxicabs may be needed to accommodate the needs at different times of the day. He further stated that without having a dedicated taxicab fleet at Dulles International, there are not enough taxicabs to handle the demand at the Airport without affecting Fairfax County. Mr. Stewart noted that demand is reviewed with each new contract in order to maintain the flexibility to adapt to industry changes.

With regard to Mr. Tejada's previous inquiries about the fair playing field, he asked how fees for TNC drivers compare to those for the taxicab drivers. He also asked how TNC drivers are tested to determine the level of security provided to customers and the quality of service that is provided. Mr. Stewart stated that the information would be provided at a later date.

Ms. Merrick asked for a comparison of the current contract revenue for the taxicabs versus TNCs. Ms. McKeough stated that the TNC revenue is

more than double the taxicab revenue. She further stated that earnings with the Airports Authority in that sector of the industry are significantly higher – as much as \$10 million from TNCs versus \$3 million from the taxicab operation. Ms. Merrick shared her appreciation for the regularly-held Taxicab Advisory Committee’s meetings with a variety of stakeholders whose thoughts and contributions are invited.

Mr. Speck referenced an article that he had asked Monica Hargrove, Vice President and Secretary, to share regarding how all airports are being affected by the growing demand and changes in the ground transportation industry.

The Committee concurred with the pending procurement.

The meeting was thereupon adjourned at 11:00 a.m.