

Memorandum

TO: TRANSPORTATION AND ENVIRONMENT COMMITTEE

FROM: William F. Sherry, A.A.E.

SUBJECT: AIRPORT GROUND TRANSPORTATION PROGRAM AND FEE ADJUSTMENTS

DATE: January 16, 2009

Approved

Date

1/21/09

COUNCIL DISTRICT: City-Wide
SNI AREA:

RECOMMENDATION

- (a.) Adopt a resolution:
 - (1) Revising Ground Transportation administrative fees and charges for trips to and from the Airport to be effective on April 1, 2009;
 - (2) Readopting all other Airport Rates and Charges; and
 - (3) Repealing Resolution No. 74655.

- (b.) Direct the City Attorney's Office to draft an ordinance to grant the Director of Aviation the authority to stop accepting applications for door-to-door shuttles for providing On-Demand service at the Airport and to establish and implement controls on the access, staging and quantity of door to door shuttle vehicles serving the Airport, including alternate day or reduced day access options

OUTCOME

Approval of these recommendations will provide the Airport with the opportunity to attain cost recovery of the Ground Transportation Program and more effectively manage the vehicles that use the Airport for commercial purposes. The modifications to the On-Demand Door-to-Door Shuttle Program will adopt a program similar to the current taxicab model, reduce the numbers of vehicles waiting extended periods of time for a limited number of passenger trips, expand the number of trips per vehicle per day and reduce the staging space required for the door-to-door shuttle vehicles.

BACKGROUND

The Commercial Ground Transportation Program (GT Program) at Mineta San Jose International Airport was established in 1993 to manage, direct and control the activities, designate the pick-up and drop-off locations and to assist with the provision of customer service by commercial ground transportation providers to the passengers of the Airport. Commercial operator industries included in the Program include: limousines, courtesy vehicles (such as hotel and motel shuttles and off Airport Parking shuttles), charter buses, scheduled buses, parcel couriers, taxis and door-to-door shuttles. Administrative fees and trip fees, paid by the commercial operators as a method of funding the GT Program, were established by City Council resolution (currently included in Resolution No. 74655) and have not been changed since their implementation in June 1994.

The estimated GT Program expenses for this fiscal year are approximately \$1.64 million and the GT Program deficit is approximately \$800,000, due in part to the lack of increases in the administrative and trip fees since the Program inception. The GT Program expenses include staffing of the GT Unit, maintenance of the Automatic Vehicle Identification (AVI) system and an allocation of the costs of maintenance of the pavement and equipment used by the ground transportation industries. Increases were not recommended in the past, as a means to encourage the use of the Airport and reduce the economic impacts of increases to the industries and operators serving the Airport. To address budgetary issues and to bring the GT Program in line with other Airport programs, the Airport is interested in obtaining cost recovery of the GT Program.

In 2005 the On-Demand Dispatch Services model was implemented for the taxicab and door-to-door shuttle industries. The number of taxicab permits was limited to 300 and the permits were allowed to provide service to the Airport on an alternate day basis. The door-to-door shuttle services were not limited in quantity or required to work on an adjusted daily access plan as their trip volume and the number of vehicles and companies was not beyond the needs of the Airport passenger requirements. Since implementation of the model, the number of door-to-door shuttle companies operating at the Airport has increased by 66% to 53 and the total number of door-to-door shuttle vehicles operating at the Airport was up to 66 as of October 31, 2008. The industry averages less than 55 trips per day. The increase in companies and vehicles has created waiting times for operators of door-to-door shuttle vehicles of over 5 hours for a trip from the Airport and an overflow of door-to-door shuttle vehicles in the staging areas of the Airport.

ANALYSIS

Commercial ground transportation operators provided over 593,000 trips to passengers arriving to the Airport this last fiscal year. They operate out of specific pick-up and drop-off locations and are managed through contracts and permits administered by the Ground Transportation Unit of the Airport Operations Division of the Airport. They are important to both the Airport's operations as well as the business and tourism industries in the San Jose area. They serve our visitors and our local residents as they need to be transported to and from the Airport.

To address the deficit in funding of the GT Program, Staff is recommending the rate adjustments to the administrative and trip fees as shown in the table below. The proposed trip fees will be charged both on drop-off and for pick-up of passengers by commercial ground transportation operators at the Airport, as opposed to the current system that only charges for picking-up

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passengers. Staff had the option to only increase the pick-up trip fee, however it would then be placing the entire cost of the GT Program only on those operators leaving the Airport, not all of the operators who service the Airport. By maintaining the trip fees at a lower level, yet charging for both directions of commercial travel, it can assist in attaining cost recovery, while appropriately charging the cost of the program to the actual commercial users of the Airport. One result of charging trip fees for both directions of travel will be the ability to require all commercial ground transportation operators to obtain an Airport permit, which requires proof of insurances, vehicle inspections and other requirements. Other airports around the nation have charged similar fees, including Miami International Airport which has had their pick-up and drop-off fee structure in place for over ten years.

Additionally, Staff is recommending implementation of a rate differential for larger size commercial GT vehicles, which would include those seating 25 or more passengers. These vehicles, while providing an opportunity to serve a large volume of passengers in one vehicle, also create more of an impact on the Terminal curbs, through their size of vehicle and length on the curb and the amount of time necessary to load or unload their passengers and baggage. The trip fee for these operations is proposed to be \$5.00 per trip for either a pick-up or a drop-off at the Airport.

As an incentive to attain a greener environment at the Airport and in our City, Staff is recommending an incentive rate for commercial GT vehicles certified to provide service in a clean fuel vehicle. The trip fee for these clean fuel vehicles would be reduced to \$1.00 per trip for vehicles under 25 passengers and to \$4.00 per trip for the larger vehicles.

Annual Permit Fees are proposed to be assessed to all operators in the GT Program, including limousine operators, who currently do not have an annual fee assessed. The limousine operators, numbering over 450 companies, are charged this type of fee at both of the other Bay Area airports and Staff proposes to assess limousine operators the \$200 per year Annual Permit Fee charged the other commercial operators permitted at the Airport. Additionally, Staff recommends changing the current deposit for Automatic Vehicle Identification (AVI) tags into a non-refundable fee and charging a Missed Appointment fee of \$50 to ensure that scheduled meetings for inspections are maintained.

	Current Fees	Proposed Fees
Trip Fees	\$1.50 per pick-up \$.75 per pick-up - courtesy vehicles	\$1.50 per trip - Pick-up and drop-off \$1.00 per trip – clean fuel
Trip Fees 25+ Passengers Vehicles	\$1.50 per pick-up \$.75 per pick-up - courtesy vehicles	\$5.00 per trip - Pick-up and drop-off \$4.00 per trip – clean fuel
Annual Permit Fee	\$200 per year – except limousines	\$200 per year – all operators
AVI Tag Fee	\$25.00 refundable deposit	\$25.00 non-refundable Fee
Missed Appointment Fee	None	\$50 Fee

On-Demand Door-to-Door Shuttle Program

The On-Demand Door-to-Door Shuttle Program, due to the increase in the operators and vehicles is causing strains on the facilities and the operations of the Program. The shuttle industry and Taxi San Jose, the Dispatch Service Company managing the taxis and door-to-door shuttles, have requested the Airport control the number of companies and vehicles in operation through the On-Demand Program so that there could be shorter waiting times, better control over the staging areas and a higher trip volume per company. Of the 53 companies in the Program, six have more than two vehicles, ten have two vehicles each and the remaining 37 have only one vehicle. The industry averages less than 55 trips per day in the On-demand Program, far below the total number of vehicles in the Program.

Staff has held several meetings with the Door-to-Door industry and with Taxi San Jose to determine the appropriate action to take to address the issues. Council Resolution No. 72867 authorized the City Manager or designee "to negotiate and execute agreements with commercial ground transportation operators, including taxi and door-to-door shuttle companies, to provide on-demand services at Norman Y. Mineta San Jose International Airport, for a term beginning September 7, 2005 to September 30, 2007 with up to five one (1) year options that may be exercised at the sole discretion of the City."

Staff is recommending authority be granted to the Director of Aviation to stop accepting applications for On-Demand door-to-door shuttle operators, as needed and determined by the needs of the Airport and to grant the ability for the Director to establish and implement the controls necessary to effectively manage the companies and vehicles operating at the Airport, which may include alternate day or reduced day access in the On-demand operation.

This action does not eliminate the opportunity for any company currently in the On-Demand Program or a new company from operating on a Pre-Arranged or reserved trip basis. This limitation in issuance of agreements only applies to the On-Demand Program that services customers who have not made previous arrangements for transportation from the Airport.

EVALUATION AND FOLLOW-UP

The recommendations included in this memorandum will assist in improving the customer service provided passengers at the Airport, assist the Airport GT Program to attain cost recovery and provide incentives to work towards attaining the City Goal of a greener environment. Staff will review the rate structures for the GT Program every two years to ensure attainment of cost recovery and to further develop the customer service to the Airport passengers. Staff will continue to meet with the door-to-door shuttle industry stakeholders to set in place the appropriate operational controls and will reevaluate the number of door-to-door shuttle vehicles required with-in the Program on an annual basis.

POLICY ALTERNATIVES

Alternative #1: Rejection of Fee Increases

Pros: Maintains current fees to commercial operators.

Cons: Does not address deficit in funding of GT Program. Does not spread costs over all operators using the Airport.

Reason for not recommending: The deficit needs to be reduced to maintain a sound fiscal program. Fees have not been increased since 1994, while expenses have risen greatly. Equal fee charges to all operators provide an even field for commercial competition.

Alternative #2: Allow Door-to-Door shuttle vehicle operation to remain in current open status

Pros: Allows all companies to operate every day, does not limit current operators operations

Cons: Continues to challenge the control of the staging and dispatching functions and customer service provided passengers.

Reason for not recommending: Will not reduce vehicle staging problems and will continue to increase the strain and stress due to an overpopulated system with a limited number of passengers.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Staff held 14 stakeholder meetings regarding the Ground Transportation Program Fee increases between October 21 and 30. Additionally, prior to completion of the meetings, a letter was sent to all 826 commercial ground transportation companies requesting comments prior to submission of this memorandum.

Staff met with the door-to-door shuttle industry numerous times over the summer and fall to discuss their vehicle and dispatching issues. Three of the meetings were included in the meetings mentioned above and included a discussion of a draft of the Staff proposals for a solution.

The topics were discussed at the Airport Commission meeting on December 8, 2008. The Airport Commission supported the adjustment in fees and the Staff recommendations on door-to-door shuttles.

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COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Budget Office. The recommendation was discussed by the Airport Commission at their December 8, 2008 meeting.

FISCAL/POLICY ALIGNMENT

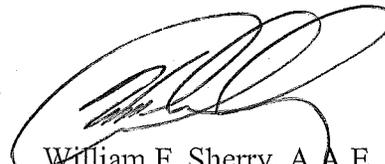
This recommendation provides to opportunity for the GT Program to attain cost recovery. While the volume of trips that will be assessed trip fees may vary, based on the current status of the airline industry and flight scheduling through the Airport, the trip volumes estimated will allow the GT Program to cover the expenses of the Program.

BUDGET REFERENCE

The Airport GT Program rates are set at a level that is not currently cost-recovery. The increases recommended in this memo will help to achieve the 100% cost-recovery goal and offset the Program's current deficit of \$800,000. Council approval of the new fee rates will allow the Airport to incorporate the new rates into the Rates and Charges on April 1, 2009 and incorporate additional fee revenue into the Airport Revenue Fund to offset program costs.

CEQA

CEQA: Resolution #'s 67380, 71451 , PP# - 09-009



William F. Sherry, A.A.E.
Director of Aviation

For questions please contact Bob Lockhart, Airport Operations Manager at 277-5249.