

MEMORANDUM

January 20, 2015

TO: AIRPORT COMMISSION
 Hon. Larry Mazzola, President
 Hon. Linda S. Crayton, Vice President
 Hon. Eleanor Johns
 Hon. Richard J. Guggenlime
 Hon. Peter A. Stern

15-0098

Jan. 20, 2015

FROM: Airport Director

SUBJECT: Application-Based Commercial Ground Transportation ("ABCT") License and Services Agreement (No. 50037) with Airport Research and Development Foundation ("ARDF")

DIRECTOR'S RECOMMENDATION: AUTHORIZE A LICENSE AND SERVICES AGREEMENT (NO. 50037) WITH AIRPORT RESEARCH AND DEVELOPMENT FOUNDATION ("ARDF") TO PROVIDE ARDF WITH A LICENSE TO USE THE CITY'S INTELLECTUAL PROPERTY FOR APPLICATION-BASED COMMERCIAL TRANSPORTATION TRIP FEE COLLECTION SERVICES FOR SFO AND OTHER AIRPORTS, WITH SERVICE DEVELOPMENT FEE PAYMENTS TO SFO OF 25% OF ADMINISTRATIVE FEES PAID TO ARDF BY PARTICIPATING AIRPORTS AND WITH ADMINISTRATIVE FEE PAYMENTS TO ARDF OF 5% OF ABCT TRIP FEES COLLECTED ON BEHALF OF SFO, WITH NO PAYMENTS DUE IN THE FIRST YEAR OF THE AGREEMENT.

Executive Summary

The entry of Transportation Network Companies ("TNCs") into the commercial transportation market necessitated a new management system to track and invoice TNCs, which typically involve non-commercial vehicles. SFO's ITT and Landside Operations staff has developed a proprietary management system to track pick-ups and drop-offs by these companies at the Airport for the collection of trip fees. The new management system potentially has a broader application than TNCs and is capable of supporting all ground transportation providers that use applications and mobile devices for commercial transportation transactions. The new management system therefore uses the more generic term Application-Based Commercial Ground Transportation ("ABCT"). Commission approval is now being requested to enter into a sole source agreement whereby ARDF would license City intellectual property in order to provide trip fee collection and clearinghouse services to airports, including SFO. After the first year of the agreement, ARDF will pay SFO 25% of the total administrative fees ARDF charges participating airports for ABCT collection and clearinghouse services. SFO will pay ARDF 5% of the TNC trip fees collected on behalf of SFO.

THIS PRINT COVERS CALENDAR ITEM NO. 7

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

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JOHN L. MARTIN
AIRPORT DIRECTOR

Background Information

The California Public Utilities Commission regulates TNCs, or application-based ground transportation services where drivers may use their personal, non-commercial vehicles, for commercial transportation. SFO regulates the use of its roadways to maintain a safe and efficient environment for the traveling public and issues permits for commercial transportation. One challenge in developing a TNC permit was establishing a method to track non-commercial vehicles engaging in commercial transportation in order to charge the proper trip fees. To address the challenge, SFO developed an Application-Based Commercial Ground Transportation (“ABCT”) Management System. The ABCT Management System is protected by copyright and is patent pending.

SFO has issued commercial ground transportation permits to three TNCs: Uber, Lyft, and SideCar. These permits allow for an initial manual reporting of vehicle trips to/from SFO, moving to electronic reporting under the SFO ABCT Management System.

Other airports have expressed interest in using the SFO system. SFO would like to make this technology available to other airports as they start issuing their own permits for ABCT.

Collection and Clearinghouse Service Provider

SFO investigated companies that could serve as its licensee/service provider and determined that a not-for-profit, 501(c)(3) organization representing the interests of the airport industry was the only option because such an organization could use SFO’s technology to provide services to other airports at reasonable rates in a manner consistent with a not-for-profit mission of providing services and representation to the airport industry. Of the not-for-profit trade organizations representing the interests of the airport industry, SFO determined that ARDF is the only such organization with the proven infrastructure, technological capabilities, expertise, and existing clearinghouse capabilities to adequately provide the desired services.

ARDF is a subsidiary of the American Association of Airport Executives, an airport industry trade group. ARDF currently provides employee applicant security background checks for SFO and other airports, and can provide collection and clearinghouse services to collect ground transportation trip fees from TNCs for SFO, as well similar charges on behalf of other airports.

As a clearinghouse for collection of ABCT permit fees, ARDF would set-up the ABCT Management System at a participating airport, receive real-time trip data from the TNC or ABCT Provider (the generic term for a TNC), reconcile payments to airports and permit fees charged to each ABCT Provider and support local auditing of ABCT revenues.

Key Terms of the Proposed Agreement

The proposed License and Services Agreement provides for a revocable license to ARDF to use, reproduce, modify and create derivative works of SFO’s technology for the purpose of providing trip fee collection and clearinghouse services for other airports and to support other airports’ management of ABCT. The License would be exclusive to ARDF for the first two years of the agreement and then non-exclusive for the life of the proprietary system.

Payment of any fees under the proposed agreement shall commence after the first year the agreement is in effect. The reason for the delay is that TNCs and the ABCT Management System are new for SFO and other airports and the transition, testing, and implementation of the ARDF service using the City's technology will require an investment of time and resources. Once in effect, fees shall be calculated consistent with general industry practice for license fee arrangements, as follows: (1) ARDF will pay SFO a Service Development Fee equal to 25% of the total administrative services fees ARDF receives from participating airports. (2) SFO will pay ARDF an Administrative Services Fee equal to 5% of the ABCT trip fees ARDF collects on behalf of SFO.

To support the transition, SFO will provide ARDF with technical consulting services for the first 45 days of the Agreement and then will charge ARDF a consulting services fee based on a blended hourly rate of \$200/hour.

The term of the license, unless revoked by the City, is the life of the intellectual property. ARDF would provide tracking, trip fee collection, and clearinghouse services to SFO for two years plus three one-year options to extend at the discretion of the Airport Commission.

The Airport is seeking approval from the Office of Contract Administration before entering into the sole source agreement. Approval by the Board of Supervisors would be required as revenues may exceed \$1,000,000.

Recommendation

I recommend that the Commission adopt the attached Resolution authorizing a License and Services Agreement with ARDF, subject to the approval of sole source by the Office of Contract Administration, and direct the Commission Secretary to seek approval by the Board of Supervisors.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachment