

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kim Becker Aguirre

**SUBJECT: AIR SERVICE DEVELOPMENT  
CONSULTANT AGREEMENTS**

**DATE:** July 28, 2014

Approved



Date

8/7/14

## RECOMMENDATION

- (a) Approve master agreements with Seabury APG and AviaSolutions to provide on-call air service development consultant services for the Norman Y. Mineta San Jose International Airport (SJC) in an amount not to exceed \$975,000 with a total budget for both agreements not to exceed \$975,000 and for a term of three (3) years from the date of Council approval, with the City's option to extend each agreement for up to two (2) additional one-year periods.
- (b) Adopt a resolution authorizing the Director of Aviation to exercise options to extend the agreements with Seabury APG and AviaSolutions to provide on-call air service development consultant services for up to two (2) additional one-year periods at no increase in total compensation.

## OUTCOME

Rather than choose a single company to fulfill the requirements of the agreement, the selection of two firms provides the SJC management team substantial flexibility with respect to dedicated air service development consulting resources. It is anticipated that the firms' relative strengths and key executive airline contacts will be used to determine specific domestic and international assignments, in addition to providing greater resource options and depth of overall experience.

## BACKGROUND

Mineta San José International Airport is a strategic asset for achieving the City's economic development goals, and the combination of domestic and international airline service plays a critical role in the development of business across a broad spectrum of industries.

With the combination of record oil prices and the recent economic downturn, the commercial airline industry has seen a major transition through mergers, acquisitions, and global alliances. Airline capacity growth within the United States has diminished rapidly, and large multi-airport

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regions including the Bay Area have had substantial shifts among their respective airports. Like many others including Sacramento, Oakland, Reno, Tucson, Ontario, Burbank, and Orange County, SJC is still significantly below pre-recession capacity levels and must compete vigorously to recapture service and expand into new markets.

To support its airline recruitment initiatives, SJC has long used professional air service consultants. Currently, only a short term consulting agreement is in place for ad hoc activities, while the selection of the two recommended firms will allow for the establishment of longer term partners who can also assist in the development of broader strategic plans.

## **ANALYSIS**

### **Air Service Development Consulting Services**

A formal Request for Qualifications (RFQ) was issued on January 10, 2014, and distributed through both domestic and international aviation publications and electronic newsletters as well as through Bid Sync. Several companies submitted materials prior to the March 10, 2014 deadline, and a review panel subsequently narrowed the field to four candidate firms. The panel was comprised of the Airport Deputy Director of Business Development, the Air Service Manager, the Director of Marketing and Customer Services, the Airside Operations Manager and an industry expert from outside the City. The firms were evaluated on criteria outlined in the RFQ: Experience; Content, including plan to address the scope of services, the sample proposal and the firm's allocation of staff to SJC; Customer Satisfaction/Firm Reputation and Fee Structure (Cost), with additional consideration given for Local Business Enterprise and Small Business Enterprise status.

The three highest ranking companies in terms of total scores were invited to meet with the selection panel for interviews. Those interviews took place on July 18, 2014, with all members of the panel present. Following the full interview process, all of the selection panelists were in agreement that dividing the consulting services between two firms provided the best combination of resources, talent, contacts, and expertise. Those two firms were as follows:

Seabury APG. This consultancy is heavily staffed by former airline network planning executives who clearly understand the process of making route decisions and the challenges of competing with other markets for scarce airline assets. The Seabury APG team has worked with SJC on prior assignments and their work has been highly professional and has been well received by domestic and international airline executives.

AviaSolutions. As a stand-alone business unit owned by General Electric, AviaSolutions has acted as an advisor to a wide range of U.S. and foreign airlines and has a broad network of key executives. GE is one of the largest manufacturers of jet engines that are used by airlines across the globe, and the relationships with these airlines span many disciplines. London-based AviaSolutions has established a U.S. office and continues to perform air service consulting services around the world.

### **EVALUATION AND FOLLOW-UP**

This item requires no further evaluation or Council follow up.

### **POLICY ALTERNATIVES**

Approval of these two firms to provide on-call consulting services to Mineta San José International will allow the SJC team to develop a longer term strategic partnership and move beyond the current ad hoc project approach. These two companies, offering a blend of domestic and international talent and skill sets, provide a combined solution optimal for flexibility and depth of overall resources.

### **PUBLIC OUTREACH**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1,000,000 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)**

The Request for Qualifications process has been completed and no further public outreach is required. This memorandum will be posting on the City's website for the August 19, 2014 Council agenda.

### **COORDINATION**

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's Office.

### **COST IMPLICATIONS**

Each master agreement will cover a three year period, with up to two additional one year options to extend the agreement. The option years are at the sole discretion of the Director of Aviation, with no increase in total compensation and subject to the continued approval of funding by the City Council. In order to provide flexibility to allocate tasks between the two consultants, total

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compensation for each agreement will not exceed \$975,000. However, the total budgeted compensation for both agreements also will not exceed \$975,000. SJC is not required to expend the maximum funds to these consulting services, and the allocation of funds between the two selected firms within total \$975,000 budget will be managed by Airport staff and remain at the discretion of the City.

**BUDGET REFERENCE**

| Fund # | Appn # | Appn. Name                           | Total Appn.  | Amount for Contract | 2014-2015 Adopted Budget Page | Last Budget Action (Date, Ord. No.) |
|--------|--------|--------------------------------------|--------------|---------------------|-------------------------------|-------------------------------------|
| 523    | 0802   | Non-Personal/<br>Equipment - Airport | \$31,939,717 | \$195,000*          | XI-3                          | 6/17/14,<br>Ord. No. 29431          |

\* \$195,000 is recommended to fund this contract in 2014-2015 and funding for subsequent fiscal years (not exceeding \$975,000) is subject to appropriation of funds by City Council.

**CEQA**

Not a Project, File No. PP10-066(d), Consultant Services for Design/Study/Research/Inspection.

/s/

Kim Becker Aguirre

Director of Aviation

For questions, please contact Kim Becker Aguirre, Director of Aviation at (408) 392-3610.

