AGENDA REPORT

Ordinance: Approval of *Amendment No. 1 to Space Use Permit* with Boingo Wireless, Inc. to provide Wireless Internet Access at Oakland International Airport **(Aviation)**

MEETING DATE:	6/8/2017
AMOUNT:	$125,000 Minimum Annual Guarantee FY/2017/2018
PARTIES INVOLVED:	**BOINGO WIRELESS, INC.** Los Angeles, California – David Hagan, CEO
SUBMITTED BY:	Bryant L. Francis, Director of Aviation
APPROVED BY:	J. Christopher Lytle, Executive Director
ACTION TYPE:	Ordinance

EXECUTIVE SUMMARY

This action would adopt an Ordinance to approve *Amendment No. 1 to Space Use Permit* with BOINGO Wireless, Inc. to (i) extend the term of the current *Space Use Permit* on a month to month basis from July 1, 2017 through June 30, 2018, and (ii) authorize the Executive Director to execute *Amendment No. 1* and such additional documents necessary to effectuate the approval.

BACKGROUND

Staff seeks Board approval of *Amendment No. 1 to Space Use Permit (Amendment No. 1)* with BOINGO Wireless, Inc. ("Boingo") to provide wireless fidelity communication services ("Wi-Fi'") at Oakland International Airport (the "Airport").
The chronology of the relationship:

✈ On April 5, 2012, the Board adopted Ordinance No. 4118 to enter into a *Space Use Permit* (*Permit*) with Advanced Wireless Group ("AWG") to operate and provide Wi-Fi services throughout the Airport. The term of the *Permit* commenced on July 1, 2012 and is scheduled to expire on June 30, 2017.

✈ In 2013, AWG sold and transferred over 51% of its company's shares to Boingo. The *Permit* was transferred from AWG to Boingo as a part of the sale; the Board consented to the assignment.

✈ Since 2013, Boingo has served as the provider of Wi-Fi services to customers traveling through the Airport terminal complex.

Boingo is a federally regulated, American company that provides wireless broadband technology and services for large public venues including Wi-Fi, distributed antenna systems (DAS), and mobile internet access for wireless-enabled consumer devices. Boingo is listed on the NASDAQ Composite Index: (NASDAQ:WIFI).

ANALYSIS

Existing Wi-Fi service at the Airport is currently available on a tiered structure:

- Option 1 consists of an advertising based, limited-duration, and complimentary (no cost) access and service. It requires viewing a 30 second video ad at regular intervals (every 45 minutes) at a moderate rate of data transmission speed (5-10 megabits per second ("Mbps").

- Option 2 consists of premium service (faster data transmission speeds) offering the choice to pay $7.95 for a 24-hour period for a faster speed of 10-20 Mbps, or, purchase a monthly Boingo subscription at $9.95 per month for the fastest speed of 20-50 Mbps. No advertising videos are presented for paid subscriptions.

- Option 3 consists of passengers connecting to premium service through a roaming partner. Boingo has agreements in place with various partners, such as NTT Docomo, Oi, British Telecom, Skype, iPass and others. Subscribers of these services can enter into a Boingo serviced venue for free, and can login with existing credentials, and access the premium tier of Wi-Fi service.
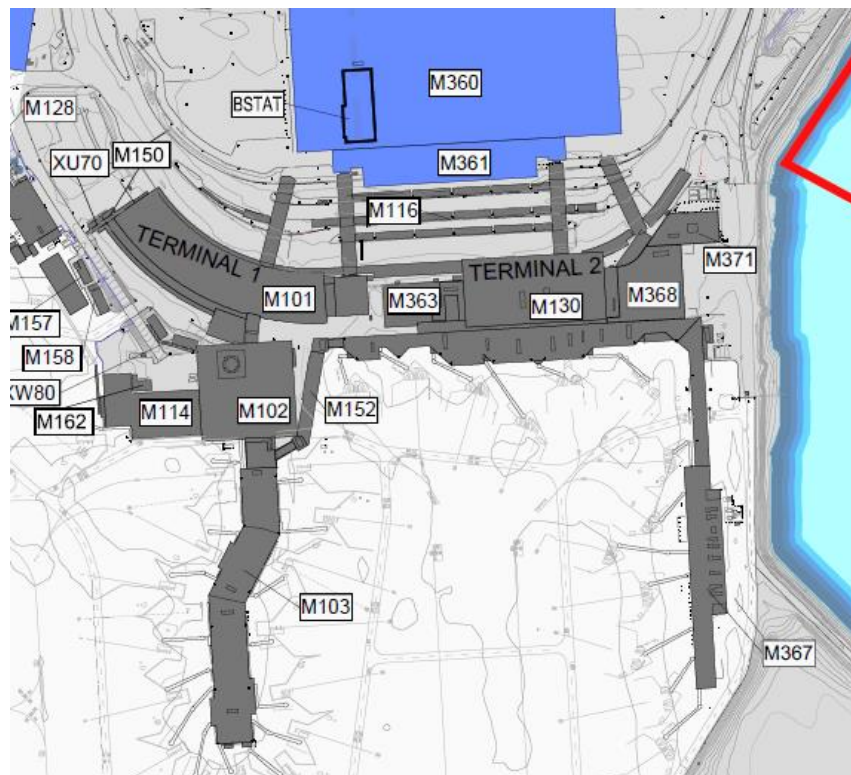
Illustration of Terminal Complex at Oakland International Airport

Wi-Fi usage and operations at OAK

Average Wi-Fi usage (complimentary) at the Airport ranges from 2,000 to 5,000 daily connections. Paid Wi-Fi usage at the Airport ranges from 1,400 to 1,900 connections per day. Average duration of Wi-Fi access and usage is equal (approximately 40 minutes) for either the complimentary, or paid service mode. This is consistent with the approximate one (1) hour timespan for passengers that are departing from, or making flight connections at the Airport.

Throughout the 5-year term of the *Permit*, Boingo has invested in infrastructure and equipment updates, upgrades and replacements to maintain and enhance the Wi-Fi experience at the Airport. In addition, Boingo has introduced and is implementing the Websheet and *Passpoint* features at the Airport.

The Websheet feature enables passengers to locate and connect to the Airport Wi-Fi network, a page automatically pops up on the device that prompts the authentication/login process. This process simplifies the previous process for having to launch a web browser (e.g., Safari, Google Chrome, etc.) prior to the authentication/login process. This was developed in response to passengers that were unaware of the browser activation requirement, and attempting to access the "OAK Free W-Fi" network. Customer complaints have dropped significantly since the Websheet feature was implemented in September 2016.

Boingo also introduced a feature known as *Passpoint*, which is a wireless industry standard allowing passengers to readily, and securely connect to Wi-Fi networks without having to go through an authentication/login process. This is possible with roaming agreements in place with partners such as Sprint and other Tier 1 cellular carriers, along with Time Warner Cable/Spectrum that allow passengers to access the Airport's Wi-Fi network, for free. When passengers with *Passpoint*-enabled devices enter one of Boingo's venues (like the Airport), they are automatically online. There is no requirement to watch an ad, login to an account, or pay for service. Roaming partners pay Boingo for the usage of their networks, and Boingo in return, shares a portion of that revenue stream with the hosting venue, like the Airport.

Customer Care at OAK

In calendar year 2016, there were approximately 1.9 million connections at the Airport, generating 221 customer contacts with Boingo's Customer Care Team (about 0.01% of total connections). Approximately half of the customer contacts focused on account support such as billing and password questions. The remainder focused on the customer experience or requests for technical support. The low volume of customer contacts, compared to the number of annual connections, appears to indicate general satisfaction with Boingo.

For calendar year 2017, as of mid-May, there have been approximately 1.4 million connections at the Airport, generating 34 customer contacts with Boingo's Customer Care Team (about 0.002% of total connection). Approximately 10 of the customer contacts focused on account support such as billing and password questions. The remainder focused on the customer experience or requests for technical support. The low volume customer contacts in 2017 (to date), compared to the number of connections, to date, appears to indicate improving customer satisfaction with Boingo.

Boingo provides customer support 24 hours a day, 7 days a week, year-round. Customer service is available in a variety of forms (phone, chat rooms and the Boingo website). In addition, Boingo monitors social media channels such as Twitter and Facebook to discover

incidents and respond to customer needs. Boingo utilizes software that automatically scans social media sites and filters terms that indicates a potential customer issue. In those cases, a Boingo Customer Support Team Member sends a direct message to the passenger.

Considerations

An issue consistently communicated is that passengers and customers at the Airport prefer not to watch an ad, or pay a fee for Wi-Fi internet access, at either a moderate, or premium levels of access and service.

Wi-Fi service delivery at the Airport was discussed with the Aviation Airline Affairs Committee (AAAC), by sharing similar experiences at other airports that deliver Wi-Fi services. The business practice and overwhelming preference is for the Airport to provide free, high-speed Wi-Fi services. It was acknowledged that this method of delivery could eliminate concession-based revenues, in favor of incurring costs related to providing terminal passengers with Wi-Fi services to be included in the Terminal rental rate calculation.

Currently, approximately seventy percent (70%) of airports (globally) provide unlimited internet access, via Wi-Fi services. These same airports are currently evaluating the needs of their customers to determine the most effective business model to adapt (free and unlimited, or paid for premium service delivery).

Prior to a clear recommendation to the Board, staff must evaluate two (2) primary options around providing "free Wi-Fi services" at the Airport:

1. Aviation Information Technology staff to upgrade, replace infrastructure, maintain and operate all equipment to ensure delivery of Wi-Fi services throughout the Airport Terminal Complex.

2. Contract with a third-party Wi-Fi service provider that will invest in upgrading, replacing infrastructure, maintain and operate all equipment to ensure delivery of Wi-Fi services throughout the Airport Terminal Complex.

Airports are also re-evaluating the primary business models (free Wi-Fi, hybrid Wi-Fi, and paid Wi-Fi) that are the most responsive in delivering Wi-Fi services. Customer needs appear to be expanding with the simultaneous use of multiple devices (business and personal/entertainment purposes). It is important to select the best service delivery method that can address ever changing and growing needs of the Airport's customers, converging technologies, and increasing demands on infrastructure dedicated to Wi-Fi services.

An immediate determination by Aviation management is that the level of complexity and expertise that is required to provide this amenity is in the Wi-Fi service provider marketplace. During Fiscal Year 2017-18, staff will solicit bids via the Request for Proposals (RFP) process from the Wi-Fi services and telecommunications services provider marketplace to identify the most responsive and competitive third-party provider. While the RFP process is underway, it is recommended that Wi-Fi service delivery at the Airport continue to be provided through Boingo, under the same terms and conditions of the existing *Permit*.

The proposed *Amendment No. 1* will extend the existing *Permit*, on a month-to-month basis, under the same terms and conditions, from July 1, 2017 through June 30, 2018. Monthly rents will continue at $10,416.67 or $125,000 annually. When the RFP process is completed, staff will present a recommendation for the Board to review and take further action.

BUDGET & STAFFING

Revenue for Boingo Wireless has not not included in the proposed FY 2018 Aviation Revenue Budget. Approval of this action will result in a favorable revenue variance in FY 2018. There is no staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The proposed action is not within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Plan

(http://www.portofoakland.com/pdf/about/strategicPlan2011-2015.pdf)

Goal A: Create Sustainable Economic Growth for the Port and Beyond
- Goal A: Objective 1: Affirm Port identity as a public enterprise
- Goal A: Objective 2: Maximize use of existing public assets

Goal B: Maintain and Aggressively Grow Core Businesses

- Goal B: Objective 1: Retain existing customers and tenants
- Goal B: Objective 5: Enhance customer services (i.e., market intelligence, technical knowledge, strategic advice and problem solving).

LIVING WAGE

Living Wage Requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply as the tenant does not employ 21 or more employees working on Port-related work. However, the tenant will be required to certify that should Living Wage obligations become applicable, the tenant shall comply with the Living Wage Regulations.

ENVIRONMENTAL

California Environmental Quality Act (CEQA) Guidelines Section (15738 (2) states that "Project" means the whole of an action with the potential for causing significant effect to the environment, or a reasonably foreseeable indirect physical change in the environment. The general rule in section 15061(b) (3) of the Guidelines additionally states that CEQA applies only to activities that have the potential for causing a significant effect on the environment. Because it can be seen with certainty that there is no possibility that *Amendment No. 1* will have a significant effect on the environment, the "Project" is not subject to CEQA under the general rule Exclusion. No further review of this action under CEQA is required.

GENERAL PLAN

This action does not change the use of the existing leased property, make alterations to an existing facility, or create a new facility; therefore, a general Plan conformity pursuant to Section 727 of the Oakland City Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)/ PROFESSIONAL LIABILITY INSURANCE PROGRAM (PLIP)

The proposed action is not within the scope of the Port's Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

1. Approve the terms and conditions of *Amendment No. 1 to Space Use Permit* with Boingo Wireless, Inc. that provides an extension of the *Space Use Permit*, and authorizes the Executive Director to execute *Amendment No. 1* and such additional documents necessary to effectuate the approval of *Amendment No. 1*. This is the staff recommendation, or,

2. Approve *Amendment No. 1 to Space Use Permit* with Boingo Wireless, Inc. but subject to different terms and conditions than those described in this Agenda Report, or,

3. Do not approve *Amendment No. 1 to Space Use Permit* with Boingo Wireless, Inc., jeopardizing the continuation of Wi-Fi services at the Airport commencing July 1, 2017.

RECOMMENDATION

Adopt an ordinance approving *Amendment No. 1 to Space Use Permit* with Boingo Wireless, Inc. to extend the term of the *Permit* on a month to month basis from July 1, 2017 through June 30, 2018; and authorize the Executive Director to execute *Amendment No. 1,* and such additional documents as may be necessary to effectuate the extension of the *Permit*, subject to the Port Attorney's approval as to form and legality.