AGENDA REPORT

Ordinance: Approval of Port Staff's Recommended Awardee for the Request for Proposals for Wireless Fidelity Communication and Internet (Wi-Fi) Services at Oakland International Airport; Specifically, Approve a *Space/Use Permit* for Boingo Wireless, Inc. for Total Projected Rental Revenue of $17,500 in the First Full Year of Operations (Calendar Year 2019) For a Term of Five Years Through December 31, 2023. **(Aviation)**

MEETING DATE:	11/29/2018
AMOUNT:	$35,000 of Annual Revenue Commencing in FY2019-20 Revenue
PARTIES INVOLVED:	**Boingo Wireless, Inc.**, Los Angeles, CA Patrick Magnarelli, Business Development Manager
SUBMITTED BY:	Bryant L. Francis C.M., Director of Aviation
APPROVED BY:	Danny Wan, Acting Executive Director
ACTION TYPE:	Ordinance

EXECUTIVE SUMMARY

In September 2018, the Aviation Division released a Request for Proposals for Wireless Fidelity Communication and Internet (Wi-Fi) Services (the "RFP") at Oakland International Airport ("OAK" or "Airport"). A total of two proposals were received from two respondents. Port Staff reviewed both proposals and deemed them responsive; however, one respondent did not meet the Minimum Qualifications as set forth in the RFP, so its proposal was subsequently rejected. The remaining proposal was then reviewed by Aviation Information Technology and Aviation Properties to ensure that it satisfied all the requirements and responsibilities under the RFP. This action requests the Port Board of Commissioners' (the "Board") (i) adoption of an ordinance to approve the terms and conditions of a *Space/Use Permit* (the *2019 SUP*") with the recommended awardee of the RFP, Boingo Wireless, Inc.; and (ii) authorization for the Executive Director to execute the *2019 SUP* and other documents that may be necessary to effect this tenancy and operation.

BACKGROUND

I. Recent History of Wi-Fi Service Providers at OAK

✈ In 2005, Wireless Fidelity Communications Service and Internet ("Wi-Fi") was installed for passengers, tenants, and Port Staff at the Airport's Terminal Complex by Sprint Spectrum, L.P. ("Sprint") pursuant to a three-year Space/Use Permit. Utilizing Port

telecommunications infrastructure as a backbone and the unregulated 802.11 wavelength spectrum, Sprint installed equipment and antennas throughout the Terminal Complex and provided Wi-Fi service within the concourses and on the surrounding airfield.

✈ In October 2007, the Board authorized the Director of Aviation to use a Consent to Assignment Agreement to assign the existing space/use permit from Sprint to Boingo Wireless, Inc. ("Boingo"), through its wholly-owned subsidiary Concourse Communications SSP, LLC. This Space/Use Permit expired in August 2008.

✈ In August 2008, following a competitive process, the Board adopted an Ordinance approving a Space/Use Permit with FreeFi Networks, Inc. ("FreeFi") to provide Wi-Fi services at OAK through March 2012.

✈ In December 2011, a Request for Proposals for Wireless Fidelity Communication and Internet (Wi-Fi) Services ("Previous RFP") was issued for Wi-Fi Services at OAK which resulted in the awarding of a Space/Use Permit to Advanced Wireless Group, LLC ("AWG") to provide Wi-Fi services beginning in July 2012. The Previous RFP received three total responses, from AWG, FreeFi, and Boingo.

✈ In 2013, AWG sold and transferred over 51% of its company's shares to Boingo. In January 2014, the Space/Use Permit was transferred from AWG and assigned to Boingo as a part of the sale.

✈ Since 2014, Boingo has served as the provider of Wi-Fi services to customers traveling through the Terminal Complex under the Space/Use Permit that is set to expire on December 31, 2018, with no month to month holdover currently approved.

II. <u>Wi-Fi at Airports Nationwide</u>

Wi-Fi service delivery at OAK has been 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 airports to provide free, high-speed Wi-Fi services. It was acknowledged that this method of delivery would eliminate concession-based revenues, in favor of providing this service, as an expense item that could be incorporated into the methodology of how Rates and Charges at the Terminal Complex are determined.

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

Port Staff has evaluated the two (2) primary options around providing "free Wi-Fi services":

1. Aviation Information Technology staff upgrading, replacing infrastructure, maintaining and operating all equipment to ensure delivery of Wi-Fi services throughout the Terminal Complex.

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

The immediate determination by Aviation Properties is that the level of complexity and expertise that is required to provide this amenity, is in the Wi-Fi service provider marketplace, instead of using in-house resources.

III. **Wi-Fi Usage and Operations at OAK**

Boingo's existing Wi-Fi service at the Airport is currently available via the following options:

- Option 1 consists of an advertising based, limited-duration, and complimentary access and service. This may require viewing a 30-second video ad at regular intervals at a moderate rate of data transmission speed of 5-10 megabits per second ("Mbps"); if Boingo has not secured an advertising sponsor, there would be no ad to view and this step is skipped.

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

- Option 3 consists of passengers connecting to premium service through one of Boingo's various roaming partners. 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.

Average daily complimentary Wi-Fi usage at the Airport ranges from 2,000 to 5,000 connections. Paid Wi-Fi usage at the Airport, ranges from 1,400 to 1,900 connections daily. Average duration of Wi-Fi access and usage is approximately 40 minutes for either the complimentary or paid service mode. This is consistent with the timespan for passengers that are departing from, or making flight connections at, the Airport. Throughout the term of the Space/Use Permit, Boingo has invested $322,000 in infrastructure and equipment updates, upgrades, and replacements to maintain and enhance the Wi-Fi experience at the Airport.

Boingo provides customer support 24 hours a day, 7 days a week, year-round and is trained to answer consumer questions that may arise during the connection experience. In calendar year 2017, there were over 2 million connections at the Airport, generating less than 300 customer contacts with Boingo's Customer Care Team. The low volume of customer contacts indicates an overall satisfaction level with Boingo.

IV. **Goals for Future Wi-Fi Services**

In early 2018, with the pending expiration of the above-detailed Boingo Space/Use Permit, Aviation Properties began developing the terms and conditions of what became the RFP. The RFP was drafted to be consistent with the Port's overall business strategy for the Airport. The

Port's objective is to enter into the *2019 SUP* with an experienced, customer service focused, and financially sound wireless service provider at the Airport that meet the following goals:

A. Maximize user experience, therefore, user satisfaction;

B. Provide high quality user experience with a user-friendly Wi-Fi system that is intuitive for the user to operate, providing options for complimentary (no-cost) and options to provide paid higher speed/quality service;

C. The Successful Proposer will provide 24 hour, 7 days per week customer service to assist users with all service and access needs to OAK's Wi-Fi system. Any refunds due to service complaints shall be credited to the affected user's credit card within forty-eight (48) hours.

ANALYSIS

On September 28, 2018 Aviation Properties released the RFP, including postings on aviation-related and local business community-based websites. Proposals were due on October 26, 2018. A total of two proposals were received from two respondents. Port Staff reviewed both proposals and deemed them responsive. The following entities submitted proposals:

- Slice Wireless Solutions, Inc., d/b/a Smart City Wireless Solutions of Oakland, LLC ("Slice"), and

- Boingo Wireless, Inc. ("Boingo")

Port Staff further reviewed the proposals to determine if the respondents met the Minimum Qualifications ("MQs"). Through that review it was determined that Slice did not meet the minimum airport experience requirements as set forth in the RFP. Slice was notified that it did not meet the MQs and that its proposal had failed that step of the process and would not move on to the evaluation stage.

Port Staff then determined that with only one proposal remaining, and with that proposal being from the incumbent provider Boingo, an official Evaluation Committee would not be necessary. The remaining proposal from Boingo was then reviewed by Aviation Information Technology and Aviation Properties to ensure that it satisfied all the requirements and responsibilities under the RFP.
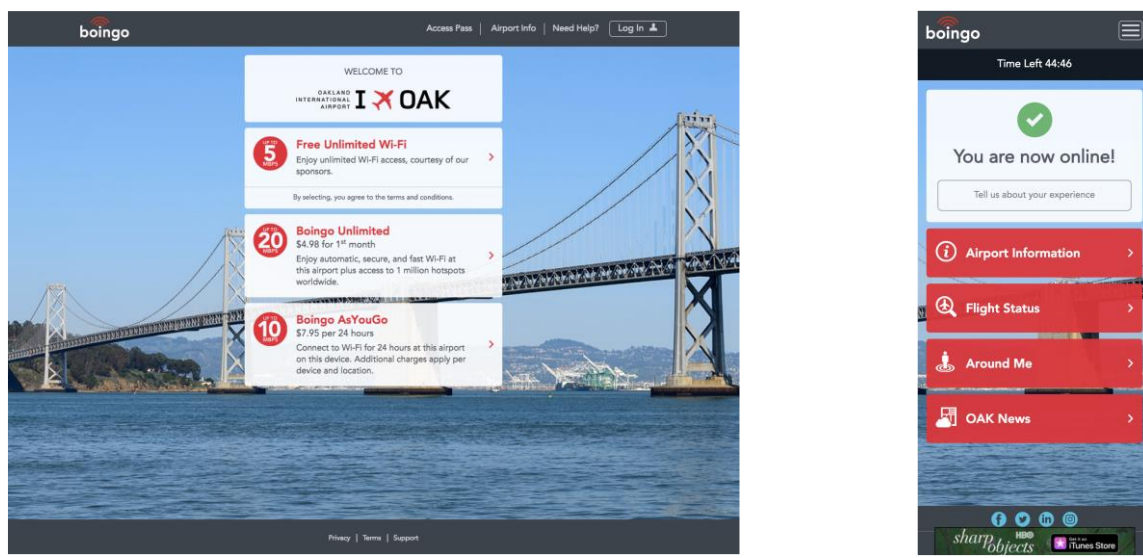

With the evaluation process completed, Port Staff is recommending the Board's approval of the recommended awardee and approval of the *2019 SUP* with Boingo that will incorporate the basic terms and conditions listed below:

Category	Details
Premises:	Core room: 15± square feet; various antennae locations throughout the Terminal Complex; connecting wiring
Term:	5 years

Options to Extend:	No options to extend
Commencement Date:	January 1, 2019
Expiration Date:	December 31, 2023
Monthly Rent:	The greater of $2,916.67 or 25% revenue share
Rent Adjustments:	None
Rent Credits: **Up to $80,000 for** **Equipment Upgrade**	Revenue share to OAK begins once Boingo has recouped the estimated upgrade investment of $80,000; these upgrades to include new IDF switches, an MDF switch, and redundant power supplies. The upgrades will allow for better performance and data transfer which will provide a better user experience, and will also allow for future upgrades, if necessary. Port Staff will review and approve the equipment prior to authorizing the Rent Credit.
Security Deposit:	$50,000.00
Possible Future Rent:	If the Scope of Service expands to include Distributed Antenna System ("DAS") rights at OAK, Boingo will fully fund the DAS upgrade and implementation, share a percentage of the revenue received by the carriers, and fund any future Wi-Fi upgrades.
Maintenance:	Boingo is responsible for all maintenance of Premises
Services:	Boingo will be providing Wi-Fi users unlimited free rolling sessions supported by advertising and retail, including unlimited free rolling 45 minute sessions and updated user experience design via the Modular Connection Portal (see photos below). Boingo will also provide network monitoring and maintenance, customer care, and analytical insights to OAK's passenger activities and experiences. Other optional revenue opportunities include offload (e.g., "Passpoint" services provided to cellular networks), roaming (deals with other companies not associated with Passpoint), advertising (via the Modular Connection Portal), retail sales (both subscription and day pass internet packages), and tenant services (such as concessionaires or the lounge operator at OAK that would require wireless connections with more bandwidth).

Connection Portal Design (laptop & mobile):

BUDGET & STAFFING

Approval of the *2019 SUP* will result in a revenue shortfall of $62,500 compared to the adopted FY 2018-19 Aviation revenue budget due to anticipated rent credits from January 2019 to June 2019. There is no staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included in this Agenda Report do not fall 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 Business Plan (2018-2022).

https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf

Goal: Grow Net Revenues

Goal: Improve Customer Service

Goal: Modernize and Maintain Infrastructure

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 to this agreement 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.

SUSTAINABILITY

Boingo has not proposed any physical development for the Premises. If Boingo decides to develop the Premises in the future, Boingo must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

This action has been determined to be categorically exempt from requirements of the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15301, Existing Facilities, which exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. No changes to the Premises or use are proposed.

GENERAL PLAN

Pursuant to Section 727 of the City of Oakland Charter, this project has been determined to conform to the policies for the transportation designation of the Oakland General Plan.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

This project is not subject to the Port's Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

1. Approve Port Staff's recommendation of Boingo Wireless, Inc. ("Boingo") as the Successful Proposer for the Request for Proposals for Wireless Fidelity Communication and Internet Services (Wi-Fi) Services at Oakland International Airport (the "RFP"); approve the terms and conditions of a Space/Use Permit (the *2019 SUP*) for Boingo Wireless, Inc. based on the proposed terms and conditions detailed above for a term of five years commencing January 1, 2019 through December 31, 2023; and authorize the Executive Director to execute the *2019 SUP*. This is Staff's recommendation; or

2. Approve Port Staff's recommendation of Boingo as the Successful Proposer for the RFP and approve a Space/Use Permit for Boingo, but subject to different terms and conditions than those described in this Agenda Report; or

3. Reject Port Staff's recommendation of Boingo as the Successful Proposer for the RFP, and also do not approve the proposed Space/Use Permit for Boingo, and either:

   a. Instruct staff to reissue the RFP under the same or different business terms and conditions, or

   b. Provide staff with the names of wireless companies who did not respond to the RFP and instruct staff to negotiate a Space/Use Permit with these companies to provide these services at the Airport.

As noted in the Background section, the existing contract with Boingo expires on December 31, 2018 (with no automatic month-to-month holdover), and it is questionable if Boingo would be interested in extending the current term of its *Space/Use Permit*. Therefore, if the Board chooses either Option 3a. or 3b., it is possible/probable, that in the absence of the Board approving the proposed *2019 SUP* with Boingo, as of January 1, 2019, there would be no wireless service provider to serve OAK's passengers, tenants and other users.

RECOMMENDATION

It is recommended that the Board adopt an ordinance:

- Approving Port Staff's recommendation of Boingo Wireless, Inc. as the Successful Proposer for the Request for Proposals for Wireless Fidelity Communication and Internet Services (Wi-Fi) Services at Oakland International Airport (the "RFP"); and,

- Approving a *Space/Use Permit* for Boingo Wireless, Inc. based on the proposed terms and conditions detailed above for a term of five years commencing January 1, 2019 through December 31, 2023;

subject to approval by the Port Attorney as to form and legality.