



Los Angeles World Airports

Item Number: 10

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Approved by: Dave Jones, Director, Terminals Business Management

Reviewed by: Debbie Bowers, Deputy Executive Director

Timothy J. J...
City Attorney

Gina Marie Lindsey - Executive Director

Meeting Date:

6/4/15

CAO Review:

☐ Completed
☒ Pending
☐ N/A

Reviewed for	Date	Approval Status	By
Capital Budget	3/17/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	3/18/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	3/18/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	3/12/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT
Guest Experience	5/26/2015	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY

SUBJECT: Award of a Concession Agreement to Boingo Wireless, Inc.

Award a seven-year Concession Agreement to Boingo Wireless, Inc. to upgrade, manage and operate the Wi-Fi network at Los Angeles International Airport that will expire on June 30, 2022 and generate a minimum of \$800,000 in revenue in the first year and \$5,900,000 over the term.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f. of the Los Angeles City CEQA Guidelines.
3. FIND that the Request for Proposal process used in this competitive award process satisfies the requirements of Administrative Code Section 10.17 and is compatible with the City's interests.
4. FIND that Boingo Wireless, Inc. is responsive and responsible, that entering into this agreement is in the best interest of the City, and waive any informality in the proposal.
5. APPROVE award of the agreement with Boingo Wireless, Inc. to upgrade, manage and operate the Wi-Fi Network at Los Angeles International Airport.

6. AUTHORIZE the Executive Director to execute an agreement with Boingo Wireless, Inc. upon approval as to form by the City Attorney and approval of the Los Angeles City Council.

DISCUSSION:

1. Purpose

Provide Wi-Fi service for passengers using Los Angeles International Airport (LAX).

2. Prior Related Actions

June 4, 2012 – Board Resolution No. 24815

The Board of Airport Commissioners (Board) approved a three-year concession agreement with Advanced Wireless Group LLC (AWG) for upgrade, operation, and maintenance of the public wireless internet system at LAX. In 2013, Boingo Wireless, Inc. (Boingo) acquired AWG, and on October 9, 2013, the Executive Director consented to assignment of the concession agreement to Boingo.

3. Current Action

The public Wi-Fi service at LAX is currently provided by AWG/Boingo through a concession agreement. Under the current Wi-Fi concession agreement, passengers can access free Wi-Fi by viewing a short advertisement, or select premium Wi-Fi service for a fee or through a subscription account.

Over 30% of LAX's enplaning passengers access the free Wi-Fi currently. AWG/Boingo invested approximately \$1,500,000 in infrastructure to provide the capacity needed to support free Wi-Fi on this scale. The current concession agreement will expire June 25, 2015.

To ensure continuous Wi-Fi service for the travelling public, Los Angeles World Airports (LAWA) staff conducted a competitive process for a Wi-Fi concession operator. Boingo's was the successful proposal to upgrade, manage, operate, maintain and market the Wi-Fi network at LAX. Boingo currently provides Wi-Fi service at 30 of the top 49 airports in the United States.

The proposed Concession Agreement is for seven years with LAWA having a right to terminate after two years with a six-month written notice. If LAWA terminates the Concession Agreement, LAWA will acquire the undepreciated amount of LAWA-approved investment, with the depreciation amount calculated based on the useful life of the installed assets or on the expiration of the Agreement's term, whichever is shorter. The anticipated investment to provide the service level required in the Concession Agreement is \$1.5 million.

The proposed Concession Agreement will require Boingo to provide free advertising-supported Wi-Fi at LAX at speeds more than four times faster than today as shown in the table below. All passengers will be able to access the free Wi-Fi by viewing a static advertisement or video clip of no more than 30 seconds. The free Wi-Fi speed of service is appropriate to, at a minimum, retrieve email and browse the internet. Premium service, which will provide acceptable speed of service to download video and stream content, will

be available to individual users for a fee. Also, subscription account holders will get automatic access to the premium service without being required to view any advertisements. Further, through agreements that Boingo is negotiating with telecom providers, mobile device users may be automatically connected to the premium Wi-Fi using Wi-Fi Passpoint technology. Boingo will manage all aspects of operating, maintaining, and upgrading the Wi-Fi network.

Wi-Fi Service	Current Agreement	Proposed Agreement
Free (45 mins/session)	1.2 Mbps	5 Mbps *
Pay for Use	6 Mbps	10 Mbps
Premium Pay for Use	N/A	20 Mbps
<i>* Speeds to be reviewed annually and upgraded based on industry trends</i>		

Pursuant to the terms of the proposed Concession Agreement, Boingo will pay LAWA a Base Annual Fee of \$800,000, to be escalated annually by the greater of 2% or the Consumer Price Index (CPI), and an Annual Contingent Fee equal to 50% of the annual Gross Revenue exceeding \$1,400,000.

Procurement Process

On November 7, 2014, LAWA released a Request for Proposals (RFP) for interested parties to provide Wi-Fi service at LAX. On February 13, 2015, Boingo submitted the only proposal for the Wi-Fi Internet Access Service opportunity. The five-member evaluation committee consisted of the following:

- Chief Operating Officer
- Deputy Executive Director, Commercial Development Group
- Chief Information Officer
- Customer Service Director
- Director of Terminals Business Management

The Evaluation Criteria, published in the RFP and shown below, were used to rank the proposals.

Evaluation Criteria	Criteria Weight
Qualifications and Experience	15
Proposed Services	25
Management and Operations Plan	15
Capital Investment and Implementation Plan	20
Financial Capability	10
Financial Return to LAWA	15
Total Points:	100

Action Requested

Staff requests the Board award the proposed Concession Agreement to Boingo to upgrade, operate, manage, maintain and market the Wi-Fi Internet Access Service at LAX, and to

authorize the Executive Director to execute the Agreement upon approval as to form by the City Attorney and approval by the Los Angeles City Council.

Fiscal Impact

Awarding the proposed Concession Agreement will generate a minimum of \$5.9 million in revenue to LAWA during the seven-year term.

4. Alternatives Considered

- ***Do not award Agreement***

Staff does not recommend this because Wi-Fi service is highly valued by our guests, who consider it essential to a quality travel experience. Award of the proposed Concession Agreement provides the amenity and provides revenue to LAWA.

- ***Reissue an RFP to Attract Competitors***

While having more than one proposer is more desirable than awarding the Concession Agreement based on receipt of only one proposal, staff does not believe reissuing the RFP, even with modifications, would produce a different result. In 2013, Boingo acquired its primary competitor providing airport Wi-Fi, namely AWG, resulting in Boingo providing Wi-Fi service at 30 of the top 49 United States airports. As a result, no major competitor is present in the airport marketplace. Other potential competitors, such as the major telecommunication companies, have intermittently indicated interest in providing Wi-Fi Services and Distributed Antenna System Services at LAX. The Distributed Antenna System Request for Qualifications was recently issued by LAWA. Regardless, the single proposal received by LAWA does offer a better outcome for both LAX passengers and LAWA than the circumstances existing today and staff has no reason to believe the Boingo proposal was submitted without concern for potential competition.

APPROPRIATIONS:

Approval of this action will not require an appropriation of funds from LAWA's Capital or Operating Budget.

STANDARD PROVISIONS:

1. This action, as a continuing administrative activity, is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f. of the Los Angeles City CEQA Guidelines.
2. This contract is subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 606.
4. Boingo will comply with the provisions of the Living Wage Ordinance.

5. Procurement Services has reviewed this action (File No. 6820). No Airport Concession Disadvantaged Business Enterprise (ACDBE) goal was set for this project, as no subcontracting opportunities were identified.
6. Boingo will comply with the provisions of the Affirmative Action Program.
7. Boingo has been assigned Business Tax Registration Certificate number 0002274391-0001
8. Boingo will comply with the provisions of the Child Support Obligations Ordinance.
9. Boingo will have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to contract execution.
10. As this is a concession agreement, the CAO has determined that this action is exempt from the provisions of Charter Section 1022 (Use of Independent Contractor).
11. Boingo has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Boingo must be determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance prior to contract execution.
13. Boingo will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Boingo has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.