

**RECOMMENDATION TO THE
BUSINESS ADMINISTRATION COMMITTEE**

**TO AWARD A SOLE SOURCE CONTRACT FOR THE
AEROTRAIN SYSTEM OPERATIONS,
MAINTENANCE AND REHABILITATION SERVICES
AT
WASHINGTON DULLES INTERNATIONAL AIRPORT**

JULY 2014

Purpose

Staff requests that the Business Administration Committee approve and recommend to the Board of Directors that the Airports Authority enter into a 10-year sole source negotiated contract with Crystal Mover Services, Inc. (CMSI) of Miami, Florida, for the operation and maintenance (O&M) of the AeroTrain system at Washington Dulles International Airport (Dulles International). The total contract value is \$136,046,554 before annual Consumer Price Index adjustments, and includes \$31,325,366 in Capital Asset Rehabilitation Program (CARP) costs. A 15 percent LDBE requirement has been established for the O&M service portion of this contract.

Background

- Consistent with standard industry practice, the AeroTrain System was constructed using a DBOM contract (design, build, operate, and maintain) with Sumitomo Corporation of America and Mitsubishi Heavy Industries (joint venture).
- Crystal Mover Services, Inc. (CMSI), a wholly-owned subsidiary of this joint venture, has operated and maintained the AeroTrain System since it began operational service in December 2009.
- The current fixed five-year contract with CMSI expires on November 30, 2014 and cost the Airports Authority \$9,413,416 in 2013.

Background (continued)

The original DBOM contract provided for the following:

- A Wireless Communications-Based Train Control System operated 24/7
- 29 fully automatic driverless train vehicles, manufactured by Mitsubishi Heavy Industries, with a 25-year service life.
- One Maintenance Recovery Vehicle
- Two staffed control rooms
- Three power distribution stations
- Four operating passenger stations and one unfinished station (Tier 3)
- 64,000 square foot maintenance facility
- 5.5 miles of underground track

Background (continued)

Under the current contract, CMSI is responsible for providing all:

- Labor
 - A highly specialized staff of 62 Control Room Operators, Technicians, Maintainers et al, representing 70% of the total annual O&M cost.
- Supporting Contracts
 - 13 specialized sub-contracts, (8 proprietary), representing 15% of the total O&M costs.
- Parts and Materials
 - Most parts are unique and acquired through contracts with the original manufacturer, representing approximately 10% of the total O&M costs.
- Bond and Risk Insurance
 - Presently valued at 5% of the contract.

In anticipation of the current contract expiring on November 30, 2014, staff commenced an evaluation process in November 2012 of several options for the future operation and maintenance of the AeroTrain System. The following options were considered as part of the evaluation:

- Option 1: Full and open competition for all maintenance, operations, and refurbishment.
- Option 2: The Airports Authority performs all maintenance, operations, and refurbishment.
- Option 3: Negotiate a long term sole source maintenance, operations, and refurbishment contract with the manufacturer.

Procurement Methodologies

Airport Train O&M Contracts

Inductive Loop	Airport	Manufacturer	O&M Procurement Methodology
	Atlanta ATL - CONRAC System	Mitsubishi	2009: Manufacturer is performing services as part of DBOM.
	Houston Terminalink	Bombardier	2010: Sole source with the manufacturer after the third party provider was terminated for cause.
	Denver AGTS	Bombardier	2005 and 2010: Sole source contract with the manufacturer.
	Miami – North Terminal	Mitsubishi	2010: Manufacturer is performing services as part of DBOM.
Wireless	Las Vegas Monorail	Bombardier	2008: Solicitation generated no bidders other than the manufacturer.
	SFO Airtrain (Rubber Tire)	Bombardier	2008: Sole source contract with the manufacturer.
	DFW Skylink (Rubber Tire)	Bombardier	2011: Solicitation generated no bidders other than the manufacturer.
	Newark Monorail	Bombardier	2012: Sole source contract with the manufacturer.

Option 1: *Full and Open Solicitation*

- Marketplace conditions challenge the viability of this option
 - No Marketplace Interest Expressed.
- As provided for in the Airports Authority's Contracting Manual, Paragraph 2.9.3, notice of an intended sole source award to the incumbent was published on the Airports Authority's website on June 25 with a statement of capabilities deadline of July 10. Consistent with industry trends, we did not receive any expressions of interest from other manufacturers or third party providers.
- Most favorable business and financial terms for proprietary parts, technical support and CARP services not likely to be offered by manufacturer to competitor third parties.
- Would still require the negotiation of at least eight additional sole source contracts with an annual value of over \$1 million.

Option 2: *The Airports Authority*

performs all maintenance, operations, and refurbishment

- This methodology presents many challenges and risks for the Airports Authority
 - The vehicle refurbishment (CARP) can only be performed by either the Original Equipment Manufacturer (OEM) or approved OEM specially trained and equipped technicians, using proprietary parts.
 - The most favorable terms with Mitsubishi and their various subcontractors, for the purchase and timely delivery of required proprietary O&M parts and service not likely to be achieved.
 - Negotiate 8 sole-source service contracts at an annual cost of \$1 million.
 - Challenges in recruiting and retaining 66 highly specialized trained staff in a competitive labor market (i.e., WMATA).
 - The assumption of all liability and risk associated with the direct operation of the AeroTrain is significant and would necessitate greater general liability coverage (est. \$450,000 annual cost).
 - Risk of reduction in the currently high performance rates (>99.5%).

Option 3: *Negotiate a long term sole source contract with the incumbent*

- This methodology offers beneficial advantages for the Airports Authority:
 - The reliability, efficiency and operational benefits derived through a single point of contact for all maintenance and service concerns are invaluable.
 - The Contractor has met or exceeded the current contract performance terms.
 - The manufacturer's established working relationships with all of the sole source subcontractors supporting the AeroTrain benefits the Airports Authority.
 - Timely access to needed parts is greatly facilitated to maintain system performance reliability.

Negotiated O&M Contract Cost

- The negotiated price offered for the new contract with the incumbent contractor includes a 10% escalation (approximately \$1 million) from the existing contract cost. This increase is due to:
 - Increasing the staff end strength from 62 FTE to 66 FTE.
 - Adjusting staff salaries to remain competitive with the current labor market (i.e., WMATA).
 - The incremental cost increase for certain parts and materials since the AeroTrain's original construction in the mid 2000's.
- The negotiated rate compares very favorably to similar contracts at other airports.

CARP

- Capital Asset Rehabilitation Program
 - CARP is the manufacturer's minimum requirements needed to ensure the extended life of the AeroTrain vehicles and ancillary equipment.
 - Comprised of two major refurbishments and one minor overhaul.
 - Provides the disassembling and inspection of internal components to determine if they are within proper specification, and includes repair, adjustment or replacement of components that fail inspection.
 - Eighty percent of the negotiated \$31,325,366 price is for proprietary parts that must be procured from the manufacturer.
 - All of the labor needed to complete the CARP must be performed by Mitsubishi technicians.

CARP Pricing

- To date, no North American property with a similar wireless train system has performed a major overhaul of its vehicles; hence no specific market comparative pricing information is currently available.
- The proposed CARP estimate of \$31,325,366 is a not-to-exceed price based for fixed labor and parts. The actual CARP cost will be subject to adjustment based on actual vehicle condition at the time work is performed.
- The advantage of having a not-to-exceed price at this time is to avoid future escalations in labor and major components needed for the overhaul.

Recommendation

Staff requests that the Business Administration Committee approve and recommend to the Board of Directors that the Airports Authority enter into a 10-year sole source negotiated contract with Crystal Mover Services, Inc. (CMSI) of Miami, Florida, for the operation and maintenance (O&M) of the AeroTrain system at Washington Dulles International Airport (Dulles International). The total contract value is \$136,046,554 before annual Consumer Price Index adjustments, and includes \$31,325,366 in Capital Asset Rehabilitation Program (CARP) costs. A 15 percent LDBE requirement has been established for the O&M service portion of this contract.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

Proposed Resolution

Approving Award of Sole Source Contract for AeroTrain Operation and Maintenance Services at Dulles International

WHEREAS, The AeroTrain system at Dulles International was constructed under a design, build, operate and maintain contract with a joint venture consisting of Sumitomo Corporation of America and Mitsubishi Heavy Industries;

WHEREAS, The “operate and maintain” portion of that contract has been performed since the AeroTrain’s opening in late 2009 by Crystal Mover Services, Inc. (CMSI), a wholly-owned subsidiary of the Sumitomo-Mitsubishi joint venture;

WHEREAS, The Airports Authority’s contract with CMSI for the AeroTrain’s operation and maintenance will expire on November 30, 2014;

WHEREAS, Since November 2012, staff has been evaluating several options for operating and maintaining the AeroTrain system, as well as undertaking the required refurbishment of the system’s 29 vehicles and related services (collectively, the “Aerotrain O/M Services”), following expiration of the CMSI contract, including (i) having these AeroTrain O/M Services performed “in-house” through a combination of Authority employees and contracts with outside vendors, (ii) acquiring the services from a contractor selected through a full and open competitive procurement, and (iii) acquiring the services from CMSI through a sole source negotiated contract;

WHEREAS, For reasons presented at the July 2014 meeting of the Business Administration Committee, staff has recommended (i) that the services required for the operation, maintenance and refurbishment of the AeroTrain system following expiration of the current CMSI contract be acquired using a procurement procedure other than full and open competition and, more specifically, using the sole source negotiated contract procedure, as authorized in Paragraph 1.4.1 of the Contracting Manual, and (ii) that contract staff has negotiated with CMSI for the provision of these AeroTrain O/M Services, for a ten-year period, be awarded to CMSI;

WHEREAS, The Business Administration Committee has accepted the staff recommendation and has recommended that the Board of Directors approve the award of a sole source contract with CMSI for the AeroTrain O/M Services;

WHEREAS, the Board has determined that, based on staff's recommendation, acquiring these AeroTrain O/M Services using the negotiated sole source procurement procedure is warranted since there realistically is only one responsible and practicable source available to provide the services, and since the use of this procedure and the resulting contract with CMSI will deliver to the Authority the reliability, efficiency and operational benefits associated with having a single entity that is fully accountable for delivery of the wide range of AeroTrain O/M Services called for by the contract; and

WHEREAS, As required by the Contracting Manual, notice of this potential sole source contract award was published on the Authority's website for the required time period and, following this publication, the Authority did not receive a communication from any entity or individual expressing an interest in and ability to provide the AeroTrain O/M Services; now, therefore, be it

RESOLVED, That the use of the sole source procurement procedure in acquiring the AeroTrain O/M Services is approved and authorized;

2. That the award of a contract to Crystal Mover Services, Inc., for the provision of the AeroTrain O/M Services for a ten-year period commencing December 1, 2014, which includes a 15 percent Local Disadvantaged Business Enterprise requirement, and consistent with the terms presented to the Business Administration Committee at its July 2014 meeting, is approved and authorized; and

3. That the President and Chief Executive Officer is authorized to execute the contract for AeroTrain O/M Services that is referenced in paragraph 2.

*For Consideration by the Business Administration Committee
and Board of Directors on July 16, 2014*

[Sole Source Contract – recorded vote is required]