



**Recommendation to Execute
Agreement with JetBlue Airways for
Facility Improvements at Ronald
Reagan Washington National Airport**

November 2012

Purpose

- To request the Business Administration Committee recommend that the Board approve a business agreement between the Airports Authority and JetBlue Airways to construct approximately \$6 million of needed near-term baggage handling facility improvements in Terminal A to accommodate JetBlue's increased air service.
- This recommendation is consistent with section 1.2.5 of the Contracting Manual.

Background

- Existing baggage handling facilities are inadequate for the passenger volume being serviced by JetBlue. There is an immediate need for the improvements.
- Recommended expanded facilities include:
 - additional inbound baggage claim carousel
 - expanded baggage security screening area
 - expanded inbound and outbound baggage conveyance equipment



- The estimated total cost is approximately \$6 million
 - Facility modifications ~\$2.8 million
 - Inbound baggage claim carousel ~\$1.3 million
 - Baggage conveyance equipment ~\$1.5 million
 - Construction contingency ~\$0.4 million

- Funding is recommended in the draft 2013 budget, which will be considered by the Board at its December meeting. If adopted, the budget will be effective January 2013.

- JetBlue has agreed to procure and complete the design and construction of the upgrades for a reimbursement not to exceed \$6 million.
- JetBlue will be obligated under an Airports Authority agreement to competitively compete the work and to achieve the Airports Authority's LDBE goal.
- All costs associated with this project will be independently documented and be subject to review and approval by the Airports Authority for eligibility.



Recommendation

- The Committee is requested to recommend to the Board the execution of a business agreement for JetBlue Airways to competitively bid and construct baggage facility improvements in Terminal A for a maximum cost of \$6 million to be reimbursed by the Airports Authority.

REPORT TO THE BUSINESS ADMINISTRATION COMMITTEE

RECOMMENDATION TO EXECUTE AGREEMENT WITH JETBLUE AIRWAYS FOR FACILITY IMPROVEMENTS

AT

RONALD REAGAN WASHINGTON NATIONAL AIRPORT

NOVEMBER 2012

PURPOSE

To request the Business Administration Committee recommend that the Board approve a business agreement between the Airports Authority and JetBlue Airways (JetBlue) to construct needed near-term facility improvements to Terminal A to accommodate JetBlue's increased air service. The project cost is estimated to not exceed \$6 million and funds are included in the 2013 draft budget. This recommendation is consistent with Section 1.25 of the Contracting Manual.

BACKGROUND

In 2010 the Board authorized JetBlue to perform facility improvements in Terminal A to accommodate its startup of operations at Ronald Reagan Washington National Airport (Reagan National). The Airports Authority reimbursed JetBlue the cost of the improvements. At the time, JetBlue had nine flights. In June 2012, JetBlue doubled its flights to 18 and agreed to handle the flight of Sun Country Airlines for a total of 19 flights. Additionally, JetBlue converted half of its flights from regional jets with 100 seats to Airbus 319s with 150 seats which has significantly increased its passenger traffic and is exceeding the facility baggage handling capabilities. Current baggage screening capability and inbound and outbound baggage handling systems are over capacity and overwhelmed by this increase in passenger traffic. Expanded baggage facilities are required.

DISCUSSION

Staff has analyzed options for addressing JetBlue's facility needs. This review considered the need to preserve options for replacing the existing Terminal A and other objectives for the Reagan National Airport. A facility plan has been identified that preserves this future development flexibility, but also meets JetBlue's requirements.

The agreement will provide for the following improvements: installation of an additional inbound baggage conveyor and baggage claim carousel in the JetBlue baggage claim area at an estimated cost of \$1.3 million; relocation of the baggage service offices and expansion of the checked baggage screening area to accommodate an additional baggage security screening machine at an estimated cost of \$2.8 million; installation of an expanded outbound baggage

system at an estimated cost of \$1.5 million; and a construction contingency of \$.4 million. Staff estimates the total cost of these needed improvements not to exceed \$6 million.

To accommodate the short timeframe to deliver these needed improvements for JetBlue, management proposes to enter into a business arrangement providing for JetBlue to finance and construct the improvements subject to the Airports Authority's design and construction standards and reimbursement. The agreed upon cost will be reimbursed by the Airports Authority. This arrangement is permitted by the Contracting Manual and has been successfully used previously at both Airports. Staff agrees the improvements are needed as soon as possible and that JetBlue can complete the work faster than the Airports Authority. Similar to the Airports Authority's procurement policies and procedures, JetBlue will be obligated under the agreement to competitively compete the various segments of the work and to meet the Airports Authority's Local Disadvantaged Business Enterprise objectives and goal. All costs associated with this project will be reviewed and approved by staff. JetBlue will be required to submit originals of all paid invoices with a detailed accounting of the payments before the Airports Authority issues reimbursement.

The approved business arrangement with JetBlue will ensure that title to the improvements shall vest in the Airports Authority immediately upon substantial completion and acceptance by the Airports Authority. Notwithstanding substantial completion, acceptance, and the passage of title, JetBlue will remain responsible for completing punch list corrections and repairs covered by warranties on the improvements.

RECOMMENDATION

The Business Administration is requested to approve and recommend that the Board approve a business agreement between the Airports Authority and JetBlue for the construction of needed near term baggage facility improvements to accommodate JetBlue's increase in air service. JetBlue would procure the construction services and manage construction activity and be reimbursed up to \$6 million in eligible project costs by the Airports Authority.

Prepared by:

Airport Administration Department
Ronald Reagan Washington National Airport
November 2012