



STATE PROCUREMENT OFFICE
NOTICE OF REQUEST TO AMEND AN EXEMPTION
FROM HRS CHAPTER 103D CONTRACT

TO: Chief Procurement Officer
FROM: Transportation
Name of Requesting Department

Pursuant to HRS §103D-102(b)(4) and HAR section 3-120-5(d), the Department requests to amend an exempt contract as follows:

1. SPO-007, Exemption Reference (PE) Number: 15-013K
2. Vendor/Contractor/Service Provider Name: Airlines Committee of Hawaii

3. Describe the goods and/or services:
See attached supplemental sheet.

4. Explain in detail what is being amended:
See attached supplemental sheet.

5. Amended contract price for this request: \$ \$0.00

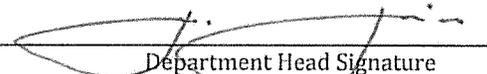
6. Explain in detail why the amendment(s) are necessary:
See attached supplemental sheet.

7. Identify the primary responsible staff person(s) conducting and managing this procurement. Appropriate delegated procurement authority and completion of mandatory training required.)

*Point of contact (Place asterisk after name of person to contact for additional information.)

Name	Division/Agency	Phone Number	Email address
Ross Higashi	DOT	838-8602	ross.higashi@hawaii.gov
Jeff Chang	DOT	838-8835	jeff.chang@hawaii.gov

All requirements/approvals and internal controls for this expenditure is the responsibility of the department. I certify that the information provided is to the best of my knowledge, true and correct.



 Department Head Signature

3.1.16

 Date

For Chief Procurement Officer Use Only

Date Notice Posted: 3/03/2016

Submit written objection to this notice to issue an exempt contract within seven calendar days or as otherwise allowed from date notice posted to:

state.procurement.office@hawaii.gov

Chief Procurement Officer (CPO) Comments:

This request is disapproved as it lacks sufficient justification to amend the original exemption request to: 1) include the outbound BHS at LIH, KOA, and ITO; 2) include the Passenger Loading Bridges at HNL, OGG, LIH, and ITO; and 3) extend the exemption an additional two years through October 14, 2021.

SPO recommends the following for each of the three parts mentioned in the amendment request:

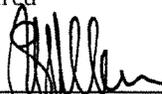
1. Outbound BHS at LIH, KOA, and ITO: Maintain the system under a State maintenance contractor or revise the revocable permits to include clearer individual BHS requirements.
2. Passenger Loading Bridges at HNL, OGG, LIH, and ITO: Extend Oxford's PLB contract for its fifth and final year, then use the appropriate method of procurement to solicit a new contractor.
3. Exemption extension request for Additional Two Years through October 14, 2021: The procurement exemption was suggested as an interim measure so it is not advantageous for the State to extend the original exemption past 2019. During the final year of the original exemption, DOT-A can either put out a solicitation for a new contractor or keep ACH and submit justification for a new exemption.

SPO requests DOT-A submit additional information on the partially terminated Oxford contract and the information requested in respect of your department's policies and procedures on contract management and oversight by July 29, 2016.

In order for the existing exemption to continue, DOT-A will have six (6) months from the signature date of this disapproved request to demonstrate contract oversight based on the GFP table. If the Department is unable to complete this task, the existing procurement exemption will be rescinded. DOT-A may use the appropriate method of procurement pursuant to HRS chapter 103D to procure the goods and/or services needed.

If there are any questions, please contact Kevin Takaesu at 586-0568, or kevin.s.takaesu@hawaii.gov.

Approved Disapproved No Action Required



 Chief Procurement Officer

6/29/16

 Date

Supplemental Sheet

NOTICE OF REQUEST FOR EXEMPTION FROM HRS CHAPTER 103D

3. Describe the goods and/or services:

The Department of Transportation Airports Division (DOT-A) is seeking to amend the exemption from the Hawaii Procurement Code, Hawaii Revised Statutes (HRS) Chapter 103D that was granted in 2014 for a consultant contract(s) to oversee and manage the vendor(s) responsible for operating and maintaining certain Terminal Equipment at the airports (O&M Vendors) under DOT-A jurisdiction, including the Honolulu International Airport (HNL), the Kahului Airport (OGG), the Kona International Airport at Keahole (KOA), Hilo International Airport (ITO), and Lihue Airport (LIH) (collectively, Hawaii Airports). The 2014 exemption included the inbound and outbound baggage handling systems (BHS) at HNL, the inbound BHS at LIH, KOA, and ITO, and the inbound and outbound BHS and Common Use Passenger Processing System (CUPPS) at OGG. This amendment is to include the outbound BHS at LIH, KOA, and ITO and the Passenger Loading Bridges at HNL, OGG, LIH, and ITO, and extend the exemption an additional two years through October 14, 2021.

The Terminal Equipment is necessary for the operation of the Hawaii Airports and is utilized by each and every traveler who passes through the Hawaii Airports. The proper operation and maintenance of the Terminal Equipment is crucial to ensuring the safety and welfare of all travelers. Thus, it is essential that the contractor have the demonstrated skill and experience to manage the O&M Vendors, and procure the O&M Vendors that will operate and maintain the Terminal Equipment, as well as the capability to provide timely and efficient performance.

The contractor will have day-to-day management and maintenance responsibilities to be outlined in a contract with DOT-A. Management responsibilities include providing DOT-A with periodic updates on the performance of the Terminal Equipment including a summary of significant issues or problems that have been experienced, oversight of the maintenance work to ensure maintenance and operation are consistent with DOT-A standards, and recommendations for modifications and upgrades (hardware and software). Maintenance responsibilities include maintaining the BHS conveyor equipment as recommended by the manufacturer, monitoring the operation of the BHS, and providing on call services to troubleshoot and repair the system when there are malfunctions.

4. Explain in detail what is being amended:

This amendment is to include the outbound BHS at LIH, KOA, and ITO and the Passenger Loading Bridges at HNL, OGG, LIH, and ITO, and extend the exemption an additional two years through October 14, 2021.

6. Explain in detail, why the amendment is necessary:

INTRODUCTION

As described above, the proper operation and maintenance of the Terminal Equipment is crucial to ensuring the safety and welfare of all travelers that pass through the Hawaii Airports. Ensuring passenger safety and welfare contributes to the overall economic welfare of the State of Hawaii, which is an island-state that relies significantly on tourism, with air travel as the dominant mode of transport. Accordingly, proper management of these vendor contracts for operation and maintenance of Terminal Equipment is critical to Hawaii Airports and the State of Hawaii's economy.

Historically, DOT-A has contracted (through the procurement process) with O&M Vendors to operate and maintain the Terminal Equipment, the importance of ensuring proper management of these vendor contracts has become very apparent to DOT-A. Recognizing the lack of resources and a need for proper management of the vendor contracts, more than 5 years ago, DOT-A requested the assistance of the Airlines Committee of Hawaii ("ACH") at zero cost to the State of Hawaii.

ACH BACKGROUND

Established in 1962, ACH is a Hawaii nonprofit corporation whose members are comprised of air carriers that operate at the various Hawaii Airports (Air Carriers). Of the 28 signatory air carriers that currently serve Hawaii Airports, 21 are ACH members. ACH member Air Carriers account for over 95 percent of the scheduled commercial service to/from Hawaii Airports. The Executive Committee of ACH currently consists of: Blaine Miyasato (Hawaiian Airlines), Matt Shelby (United Airlines), Kathy Smith (Alaska Airlines), Turner Maynor (Japan Airlines), and Richard Ide (All Nippon Airways). ACH members, which provide service to various Hawaii Airports, include:

- Air Canada
- Air New Zealand
- Alaska Airlines
- Aloha Air Cargo
- All Nippon Airways/Air Japan
- American Airlines
- China Airlines
- Delta Air Lines
- Federal Express
- Fiji Airways
- Hawaiian Airlines
- Island Air
- Japan Airlines
- Korean Airlines
- Philippine Airlines

- Qantas Airways
- United Airlines
- United Parcel Service
- Virgin America
- Westjet

Among the purposes of ACH is to advise and consult with appropriate government officials regarding matters relevant to the air transportation industry. ACH has provided technical and administrative resources required to address a variety of issues that impact Air Carriers, and has served as a facilitator between DOT-A and the Air Carriers on topics concerning the Hawaii Airports capital improvement program, and other lease and business issues. In 2006, ACH worked together with DOT-A to develop a comprehensive system-wide modernization plan based upon demand and financial feasibility. In 2007, ACH members finalized new rates and charge methodology to fund the modernization plan. Accordingly, ACH is an active partner with DOT-A, with a long-standing relationship that spans decades.

Through consortiums similar in nature to ACH, ACH members have provided management, maintenance, and operations services Terminal Equipment for decades at numerous airports nationwide, including:

- John F. Kennedy International Airport (JFK)
- Detroit Metropolitan Wayne County Airport (DTW)
- Los Angeles International Airport (LAX) at 3 different terminals (Terminal 2, Terminal 6, and the Tom Bradley International Terminal)
- Chicago Midway International Airport (MDW)
- Chicago O'Hare International Airport (ORD)
- Portland International Airport (PDX)
- San Antonio International Airport (SAT)
- San Francisco International Airport (SFO)

The importance of ACH members' capabilities to provide liaison and consultant services and ensure proper operation and maintenance of Terminal Equipment is recognized as an integral part of the airport operations at each and every one of the airports listed above. Accordingly, ACH, through its members, has the demonstrated experience and skill to act as a consultant to DOT-A in overseeing and managing the vendor contract(s) for Terminal Equipment at Hawaii Airports, which comes with ACH's unique relationship with the Air Carriers.

REASONS FOR EXEMPTION

Based upon the foregoing, there are several reasons that ACH is uniquely suited to act as a management consultant for DOT-A, thereby making it impracticable and not advantageous to the State to require compliance with the procurement code.

Through its unique status representing the Air Carriers, there is zero cost to the State of Hawaii for ACH's management consultation.

ACH is a nonprofit corporation with Air Carrier members who have a significant interest in ensuring the proper operation and maintenance of Terminal Equipment. Because of this, ACH has the ability to provide, and has provided, its management consultant services at ZERO COST to the State of Hawaii. ACH will provide this zero cost service to the State of Hawaii 24 hours a day, 7 days a week, for 365 days a year. This will relieve the State of Hawaii from the considerable burden and expense that comes with managing Terminal Equipment upon which all Hawaii Airports are dependent upon.

Based upon ACH's long and successful history with DOT-A, ACH is uniquely suited to provide management and maintenance services to ensure continued growth of Hawaii's largest industry.

Since its inception in 1962, ACH has demonstrated its skill and experience, utilizing its unique relationship with the Air Carriers to work closely with DOT-A to partner on various airport issues. Both DOT-A and ACH recognize the importance of ensuring that Hawaii Airports can operate and perform in ways that enhance and support the tourism industry. Any breakdown or malfunction in Terminal Equipment negatively impacts Hawaii's largest industry -- tourism. Recognizing the State's responsibility to take the necessary steps to ensure smooth airport operations, DOT-A requested that ACH take an active role in managing O&M Vendor contracts. DOT-A recognized that ACH's capabilities, which are utilized by airports in other cities that rely upon tourism (as set forth above), was key to ensuring the continued smooth operation of Hawaii Airports. Accordingly, ACH has in the past contracted with Elite Line Services (ELS) and Societe Internationale de Telecommunications Aeronautiques (SITA) to operate and maintain certain Terminal Equipment. ACH has been providing management consultant services at zero cost to the State on these O&M Vendors contracts since their inception. The fact that DOT-A and the O&M Vendors desire for this relationship to continue is testament to ACH's demonstrated capabilities, which uniquely stem from its history at the Hawaii Airports and its liaison abilities with its Air Carrier members.

Through the vast experience and skill of its members, ACH is familiar with Terminal Equipment and in the best position to gauge proper operation and maintenance of Terminal Equipment.

As set forth in detail above, ACH members have considerable experience in providing the same management consultation services for numerous other airport facilities nationwide. Accordingly, ACH members, being the Air Carriers who utilize, manage, operate, and maintain the Terminal Equipment, are uniquely familiar with the Terminal Equipment and are in the best position to oversee the operation and maintenance of Terminal Equipment provided through the vendor contracts. This expertise and skill is among the reasons that ELS and SITA, vendors with current operation and maintenance contracts with DOT-A, have expressed support for ACH's management consultation services. Communicating

with an entity with specialized knowledge and technological skill makes completing tasks and resolving issues significantly easier to accomplish. ACH itself is also uniquely familiar with the Terminal Equipment serving Hawaii Airports, with all of its Air Carrier members having utilized this Terminal Equipment over numerous years.

ACH members, who are the users of the Terminal Equipment and rely upon its proper functioning, have a uniquely vested interest in ensuring proper operation and maintenance of Terminal Equipment.

ACH is the only entity in Hawaii of its kind. It is the only entity representing Air Carriers who utilize the Hawaii Airports. All of ACH's members are users of the Terminal Equipment at Hawaii Airports. All of ACH's members rely significantly upon the proper functioning of the Terminal Equipment. If the passenger loading bridges (PLB) fail, ACH members are affected. If the baggage handling systems (BHS) do not operate as designed, ACH members are affected. The operations of ACH members are highly dependent upon the PLB, BHS, and all other common use passenger processing systems (CUPPS) remaining in proper and safe operation. Accordingly, ACH has a uniquely vested interest in ensuring the proper operation and maintenance of the Terminal Equipment, and consequently is in the best position to manage and maintain the Terminal Equipment.

Based upon its unique relationship with the Air Carriers (users of the Terminal Equipment), efficiency is maximized with ACH as a management consultant.

Having ACH provide day-to-day management and maintenance of the Terminal Equipment is efficient. ACH has direct and open communication channels to all of its Air Carrier members. Indeed, as outlined above, many of the Air Carriers sit on ACH's Executive Committee. In addition, ACH members meet on a regular basis to discuss matters related to Hawaii Airports. ACH is uniquely positioned to ensure that the needs of its Air Carrier members (and ultimately the Air Carriers' passengers) are timely communicated to any subcontracted vendors providing operation and maintenance of Terminal Equipment. Accordingly, ACH's unique relationship with the Air Carriers enables it to be the most efficient in terms of accomplishing day-to-day management tasks related to the operation and maintenance of Terminal Equipment. This efficiency and expediency contributes to the safety of Terminal Equipment and smooth operation of all Hawaii Airport facilities, which can be addressed in a timely manner.

ACH can assume liability that comes with overseeing, managing and maintaining the Terminal Equipment.

With ACH as the contractor overseeing the management and maintenance of the Terminal Equipment, the State will be formally relieved of significant liability related to ACH's management responsibilities. This ultimately saves the State of Hawaii from unnecessary costs and expenses in potential litigation, in addition to the fact that the contracted services would come at zero cost to the State.

ACH is uniquely positioned to allocate the costs of Terminal Equipment operation and maintenance to its Air Carriers.

As the only entity of its kind with Air Carrier members, ACH is in the unique position to ensure that the cost of managing, operating, and maintaining the Terminal Equipment, as billed by the vendors, is passed on to the Air Carriers that utilize the Terminal Equipment. In other words, ACH is in the unique position to allocate the cost on a pro-rata basis, which ensures fairness and accountability. ACH's special relationship with the Air Carriers enables it to provide this pro-rata cost allocation in the most efficient and equitable manner, having a long-standing relationship with each of the individual Air Carriers of ACH's membership. The non-preferred alternative is a system in which costs are allocated by the State across the board, regardless of usage, making costs increase for Air Carriers across the board, and ultimately impacting fees for passengers and users of the Air Carriers in an inequitable manner. This ability of ACH to pass along the costs of operating and maintaining the Terminal Equipment is important to the Air Carriers because Hawaii is a leisure route, meaning it is not consistently profitable. An equitable billing of costs based upon usage allows Air Carriers to ensure maximum efficiency, keeping costs down for all travelers passing through Hawaii Airports.