

Department of Port Control

Ordinance No.: 571-18

Division of Business Development
and Management

Executive Summary

The Department of Port Control is requesting authority to supplement the Codified Ordinances of Cleveland, Ohio, 1976, by enacting new Section 571.91, relating to operation of commercial ground transportation vehicles at Cleveland Hopkins International and Burke Lakefront Airports; and to amend Section 571.99 relating to penalties.

Background/Purpose:

During the past five years, Cleveland Hopkins International Airport (CLE) has experienced an increase of over 2.5 million annual origin and destination passengers; passengers who start or end their trip at CLE. This increase has contributed to traffic congestion, accelerated infrastructure decay and escalating costs. Although the Department has implemented short-term operational measures to accommodate the additional traffic, capital projects have been deferred. The delay in developing a long-term solution has resulted in increased costs, deteriorating airport assets and a diminished level of customer service. The Department has developed a near term plan to address the crumbling infrastructure but must identify a funding strategy that does not increase costs to the airlines who operate at CLE. The recommended source of funding is through the assessment of a per trip user fee on commercial users of the Airport's roadways.

Recommendation:

The Airport desires for all ground transportation providers to be treated equally and to provide suitable funding for overdue infrastructure investment and annual operating expenses. To accomplish this, the Airport requests approval to assess the same user fee of \$4.00 per trip to all commercial ground transportation businesses that drop-off and pick-up passengers at the Airport. Currently, only the Airport's taxis, Uber and Lyft (rideshares) are required to pay the \$4.00 per trip user fee. CLE assesses an annual permit fee of \$550 per vehicle for all other commercial roadway users.

There is a disparity between Ground Transportation facility and services utilization and the amount of revenue contribution by market segment groups. The rideshares and taxis represent only 63% of utilization, but contribute approximately 95% of the total revenue collected from ground transportation service providers. Conversely, off-site parking operators represent almost 21% of the facilities and services utilization, but contribute less than 1% of the revenue collected by the Airport for operations, maintenance, and capital investment. The disparity was caused by the rate structure established in 2014 by the taxi concession legislation and in 2016 by the rideshare legislation. Under the current airline Master Lease, the airlines pay the funding deficit

and pass the cost on to their passengers. In effect, passengers who do not use ground transportation services are subsidizing the costs for those who do.

The request to assess an equal per-trip user fee for all commercial ground transportation vehicles at Cleveland Hopkins International Airport is a common and growing practice in the aviation industry, assigning airport ground transportation fees to those who use it.

The Airport recommends that new Section 571.91 be in a similar format to Section 571.131, which regulates Uber, Lyft and other ridesharing companies:

- (a) No person or entity shall provide any commercial ground transportation services, unless it has been approved by the Airport Management and subject to such terms and conditions as may be prescribed under the rules and regulations promulgated by the Director.
- (b) The Director is authorized to charge and collect a per trip fee for commercial ground transportation services to, from, or on the property of the airport. The fee shall be in an amount set by the Board of Control.
- (c) The Director is authorized to promulgate rules and regulations applicable to commercial ground transportation services. Such rules and regulations shall become effective ten (10) days after their publication in the *City Record*.

Penalties

The Airport requests to amend Section 571.99 of the Codified Ordinances of the City of Cleveland relating to penalties which will allow enforcement of the per trip user fee. Commercial roadway users will be required to register with the Airport Ground Transportation office. Any person that violates the provisions of this Ordinance by soliciting or picking up passengers for transportation for a fee without registering with the Airport Ground Transportation office will be guilty of a minor misdemeanor and shall be fined not more than one hundred dollars (\$100.00).

Justification/Urgency:

The recommended per-trip user fee is justifiable for the following reasons:

A Per-Trip User Fee Creates an Equitable Fee Structure. The FAA requires that the Airport establish “reasonable, and not unjustly discriminatory, conditions to be met by all users of the airport” and to “maintain a fee and rental structure which will make the airport as self-sustaining as possible...” Legislation to include a \$4.00 per-trip user fee for all commercial service vehicles will create non-discriminatory rates/charges with the Airport’s taxis, Uber, Lyft and the on-Airport rental car concessionaires who pay the Airport a privilege fee of 10% of annual gross revenues. A reasonable per-trip user fee will remove the other ground transportation provider’s unequal business advantage and remove all doubt that CLE’s fee structure is fair and just.

A Per-Trip User Fee Has a Positive Environmental Impact. Per-trip user fees at other airports have encouraged ground transportation service providers to develop environmentally conscious business practices, such as making fewer roadway trips which results in less storm water pollutants such as petroleum products, antifreeze, fuel

additives, heavy metals, and asbestos dust from flowing through the Cleveland Metroparks to Lake Erie. Fewer roadway trips will also improve air quality and safety at CLE's entrances and exits. To provide an additional incentive, the airport will offer all commercial ground transportation companies who use Alternative Fuel Vehicles at CLE a 10% discount on their per-trip user fees.

A Per-Trip User Fee Has Strong Airline Support. In October 2017, the air carriers who represent 100% of the scheduled passenger traffic at CLE sent a joint letter to the Airport expressing their "strong support" for the program, stating that "the per-trip fee will allow for fair user allocation of these cost burdens which are currently subsidized by the airlines".

A Per-Trip User Fee Provides an Important Revenue Stream. A per-trip user fee will generate approximately \$1.8M in additional revenue annually to invest in operating, maintaining, managing, and securing the infrastructure of the commercial roadway. The airport currently needs to provide infrastructure enhancements to improve customer service at the airport's Ground Transportation Center at an estimated cost of \$3,000,000.00.

A Per-Trip User Fee is Fair to Low Volume Roadway Users. For low-volume commercial users of CLE's roadways, the per-trip user fee is fairer and may actually reduce their costs. At \$4.00 per-trip, users can access the roadway system over 135 times before incurring costs equal to the current \$550 annual fee. Put simply, users will only pay for their actual use: heavy users pay more; light users pay less.

A Per-Trip User Fee Is Necessary to Support the Department's Infrastructure Funding Proposal. The per trip fee initiative will be used in conjunction with the new parking rate increase to neutralize the impact of financing for critical infrastructure projects on the airline's rates and charges. This approach helps CLE's competitive position to attract new and/or expanded air service to the area.