



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6c

ACTION ITEM

Date of Meeting April 11, 2017

DATE: April 4, 2017
TO: Dave Soike, Interim Chief Executive Officer
FROM: Michael McLaughlin, Director Cruise & Maritime Operations
Michael Ehl, Director Airport Operations
SUBJECT: Cruise Luggage Valet Program – 2017 Cruise Season

Amount of this request: \$1.5 million
Total estimated cost: \$1.5 million

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to enter into contract to provide cruise passengers Onboard Airline Check-in (“OAC”) and Airline Baggage handling, screening, and storage services for participating carriers at Seattle-Tacoma International Airport for the 2017 cruise season.

The estimated cost of this one year pilot program for 2017 is up to \$1.5 million. The charges will be based on actual services rendered. The port will pay a per-passenger-fee for only those passengers that sign up for the service.

EXECUTIVE SUMMARY

The cruise lines, in partnership with Bags, Inc. have offered a luggage valet program for a number of years. Participating passengers paid a fee of up to \$20.00 per person. This courtesy service offers disembarking cruise passengers exceptional customer service from ship-to-plane freeing cruise passengers of their luggage while transiting between the cruise terminals and the airport. The goal of this proposal is to build on this existing service by offering it complimentary to all eligible passengers sailing out of Seattle.

This service, would be provided by Bags Inc., which allows cruise passengers to place their luggage outside their cabin door the night before disembarking their cruise ship in Seattle. Their luggage is then off loaded from the ship and delivered directly to Sea-Tac via truck for security screening and inducted into the luggage baggage system. The guest retrieves their luggage at their final destination airport. Guests participating in the service also receive their boarding pass while still on board the cruise ship. Without their luggage, these guests can disembark the ship early and can easily enjoy area attractions, restaurants and retail opportunities for a number of hours prior to making their way to the Airport.

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This program will reduce congestion at the cruise terminal, improve efficiency at Customs and Border Protection clearance, and reduce wait times in the ground transportation lot. For passengers with flight times that require them to travel directly to the airport, this program will free them of their luggage while walking from the bus drop off at the Airport's North Ground Transportation Lot. In addition, having cruise passengers arrive at the airport without their luggage lessens wait times for elevators, reduces congestion in the ticketing area, and reduces wait times for other passengers at airline check-in counters. This program also reduces congestion on the baggage system during peak times.

Guests enjoying this service are still responsible for airline baggage fees. The fee is collected by Bags Inc. on board the ship during the check in process, and then remitted to the airlines by Bags Inc. At this time, the proposed service will only serve domestic flights, which comprise about 90% of Seattle's cruise passengers. To participate in this service, guests must fly out the same day they complete their cruise and have flight times later than 11:00 a.m.

The luggage service would be promoted to passengers by the cruise lines and the Port. Seattle would be the first homeport to offer a luggage valet service as a courtesy to benefit local tourism and small business. This action request would provide the service at no cost to the guest.

JUSTIFICATION

Last year, the Port partnered with Delta Airlines on a pilot program at Terminal 91 to provide a prototype service for cruise passengers flying on Delta. The pilot program was in place for the final nine weeks of the cruise season. Approximately 6,500 bags were processed and delivered directly to the Airport, which enabled 3,000 to 5,000 passengers to spend time in the city. Delta and the Port shared in the cost of this pilot program, with the Port's share totaling approximately \$180,000.

This year's prototype, in partnership with Bags Inc., will offer luggage service from ship to plane, including airline boarding passes, to passengers flying all major domestic airlines.

With effective promotion by the Port, cruise lines, and airline partners, the 2017 luggage valet program could easily serve many more passengers. It is estimated that 65% of all cruise passengers sailing out of Seattle would be eligible to participate. Staff estimates that at 40% participation 208,520 passengers would take advantage of the program.

The Bags Inc. service will be offered to all major airlines and cruise lines. The service will provide a competitive advantage for Seattle as a cruise homeport by offering a one-of-a-kind customer service that transforms cruise passengers into tourists who can readily contribute to the local economy. By allowing guests to disembark without their luggage and with their boarding pass in hand, they are easily able to enjoy the city before heading to the Airport. Visit Seattle has estimated per passenger spending of luggage valet program participants at \$63.64

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which results in \$13.3 million in community economic benefit over the course of the cruise season. The estimate includes spending on transportation, retail, restaurants and attractions.

DETAILS

Bags Inc. has proprietary software and special permissions from Customs and Border Protection and the Transportation Security Administration to offer this service. Bags Inc. has an offsite location near the airport where luggage is retagged and sorted according to flight times, then brought to the Airport in a metered fashion. This streamlined process removes congestion of operations at both the cruise terminal and the airport.

Scope of Work

Following approval, staff would complete all necessary steps to have the program in place by the start of the 2017 cruise season. The first ship call with disembarking passengers eligible to receive this service is April 29, 2017.

- (1) Complete negotiations and execute service contract with Bags Incorporated
- (2) Complete development of and kick-off promotional program for the courtesy luggage valet service
- (3) Collaborate with all stakeholders for a successful launch of the program at start of 2017 cruise season.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Discontinue the passenger check-in and luggage valet service.

Cost Implications: \$0 to the Port, but customer experience would decline, and the local economy potentially would not benefit from cruise passengers touring the area after disembarking.

Pros:

- (1) The cost would reduce below last year.

Cons:

- (1) Does not take advantage of momentum gained in 2016 prototype.
- (2) Congestion in the Airport and Cruise terminal is not reduced.
- (3) Tourism opportunity (spending and job creation) is lost.

This is not the recommended alternative.

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Alternative 2 – Continue same prototype from last year – (21 weeks full season, One Airline same operational footprint at T-91 only).

Cost Implications: Estimated cost for Port of Seattle for a full season \$ 450,000

Estimated Cost to Airline \$410,000

Pros:

- (1) Provides a benefit/improved experience for cruise passengers flying on Delta
- (2) Improves customer experience for some passengers

Cons:

- (1) Limits program to cruise passengers flying on only one airline
- (2) Program cost outweighs benefit

This is not the recommended alternative.

Alternative 3 – Continue prototype from 2016 for the entire 2017 cruise season of 21 weeks with an expanded operational footprint for additional airlines at T-91.

Cost Implications: Estimated cost for Port of Seattle \$723,000; estimated cost to Airlines \$524,000

Pros:

- (1) Provides benefit/improved experience to cruise passengers flying on two different airlines
- (2) Improves customer experience for some passengers

Cons:

- (1) Limits program to cruise passengers flying on one of two airlines
- (2) Program cost limits the benefit

This is not the recommended alternative.

Alternative 4 – Provide the Bags Inc. valet service to cruise passengers.

Cost Implications: First year program cost including service contact with Bags Inc. plus funds to promote program estimated at:

Cost to Port of Seattle \$ 1.5 million

Cost to Airlines - No additional cost to Airlines

Pros:

- (1) Increases the customer experience for cruise passengers, all cruise lines, and all airlines can participate
- (2) Will reduce congestion in the cruise and airport terminals.
- (3) Will increase airport jobs as program grows

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- (4) Provides a marketing opportunity for Port of Seattle (ONE PORT), our cruise lines and airlines. A message that Port of Seattle and our customers are committed to improving passenger experience, growing tourism and the benefits it brings to the community
- (5) Drives economic benefit to our community from tourist/traveler spending
- (6) Promotes Seattle as a tourist destination

Cons:

- (1) Increased cost of investment by the Port.
- (2) Not available to passengers flying internationally or those having flights before 11:00 a.m.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Estimated Service Contract Bags Inc. cost full season	\$0	\$\$1.4 million	\$0
Funds to promote the program through multiple mediums	\$0	\$100,000	\$0
AUTHORIZATION			
Request for authorization	\$0	\$1.5 million	\$0

Annual Budget Status and Source of Funds

This program was not anticipated in the 2017 operating budget. Source of funds will be General Fund.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None