



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6g

ACTION ITEM

Date of Meeting March 26, 2019

DATE: March 8, 2019
TO: Stephen P. Metruck, Executive Director
FROM: Michael McLaughlin, Director Maritime Cruise & Marketing
Marie Ellingson, Cruise Services Manager
Jeff Hoevet, Senior Manager Airport Operations, Landside

SUBJECT: Cruise Luggage Valet Program – 2019 Cruise Season

Amount of this request: \$1,120,000

Total estimated project cost: \$1,200,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to enter into a contract with Baggage Airline Guest Services, Inc. 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 2019 cruise season.

EXECUTIVE SUMMARY

Port Valet 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 baggage system. The guest retrieves their luggage at their final destination airport. Guests participating in the service also receive their boarding pass onboard the cruise ship. The program has resulted in important operational efficiencies at both the cruise terminal and the airport. Furthermore, without their luggage, these guests can easily enjoy area attractions, restaurants, and retail opportunities prior to making their way to the Airport.

JUSTIFICATION

The success of the Port Valet program over the past two years has significantly improved the operational efficiencies of processing cruise passengers at both the seaport and at the airport. The reductions in congestion and passenger wait times throughout the ship to plane process have given the cruise lines the confidence in Seattle’s ability to process larger ships. In 2019 the Port of Seattle will welcome the Norwegian Joy and Royal Caribbean Ovation of the Seas, both with upwards of 5,000 guests during peak season. We anticipate continued growth in cruise passenger participation in the program, resulting in economic benefits to our community and

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continued operational efficiencies in passenger processing/ baggage handling at cruise terminals and airport.

The potential for the most beneficial impact to the airport is a reduction to the number of cruise guests that arrive at the airport during the peak morning hours. For passengers with flight times that require them to travel directly to the airport, this program will free them of their luggage while making their way from the Airport's North East Ground Transportation Lot to security. Without their check luggage and a boarding pass in hand, wait times for elevators is reduced and congestion at the check-in counters is reduced for all Sea-Tac passengers. The program also reduces congestion on the baggage system during peak times.

In addition to the operational benefits, the program also allows passengers to be unencumbered from their luggage to sightsee and spend time in Seattle. There is a small incremental increase in spending, which results in increased economic benefits to down town business and tourist attractions. It should be noted that in 2018 the Port's Internal Audit Department offered valuable insight to utilizing the data available when evaluating the economic impact of the program. In 2019, the economic benefit of this program is estimated at an additional \$46.01 per passenger. The service provides 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. While offering exceptional customer services to the guests, the program also makes it possible for the seaport and airport to handle the operations of larger cruise ships as the industry grows.

DETAILS

The Port Valet service, in partnership with Bags Inc., will offer luggage service, including airline boarding passes, to passengers flying all major airlines.

Bags Inc. has proprietary software and special permissions from Customs and Border Protection and the Transportation Security Administration to offer this service. There is a CPO-(5) Policy Waiver effective for 5 years starting March of 2017.

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.

The estimated cost of this program for 2019 is \$1,120,000. 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.

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2017 – Pilot Program

1,071,594 Total Revenue Passengers

63,000 Passengers Participated

71,000 Bags Processed

\$545,669 Total Cost

2018 – Actuals

1,114,888 Total Revenue Passengers

121,172 Passengers Participated

136,000 Bags Processed

\$ 832,844 Total Cost

2019 – Projected

1,208,590 Estimated Revenue Passengers

181,233 Estimated Eligible Passenger Participation*

*Allowing for growth from about 10% participation in 2018 to 15% in 2019

Participating Airlines

- Alaska
- American
- Delta
- Horizon
- JetBlue
- Southwest
- United
- Spirit

Participating Cruise Lines

- Carnival Cruise Line
- Celebrity Cruises
- Holland America Line
- Norwegian Cruise Line
- Princess Cruises
- Royal Caribbean

Scope of Work

Following approval, staff would complete all necessary steps to have the program in place by the start of the 2019 cruise season. The first ship call with disembarking passengers eligible to receive this service is May 04, 2019.

(1) Complete negotiations and execute service contract with Bags Incorporated.

(2) Complete development of and kick-off 2019 promotional program for the courtesy luggage

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valet service.

(3) Collaborate with all stakeholders for a successful launch of the program at start of 2019 cruise season.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

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

Cost Implications: \$0 (however congestion will likely result in increased operational costs *)

Pros:

- (1) No cost to the Port at this time.

Cons:

- (1) Tourism opportunity and growth in economic impact (spending and job creation) is lost.
- (2) Congestion in the airport and cruise terminal resulting in reduced customer service.*
- (3) Late vessel sailings and delayed passengers on larger ships calling Seattle for the first time in 2019.

This is not the recommended alternative.

Alternative 2 – Provide the Bags Inc. valet service to cruise passengers

Cost Implications: \$1,120,000

Pros:

- (1) Increases positive customer experience for cruise passengers
- (2) Make it possible for the seaport and airport to handle the operations of a larger cruise ships.
- (3) Increase the economic impact to Seattle.
- (4) Increase airport jobs.
- (5) Reduce congestion at airport and cruise terminals.

Cons:

- (1) Increase in cost of investment by the Port.
- (2) Not available to passengers with early flights or flights the next day.

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	\$1,120,000	\$0

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AUTHORIZATION			
Request for authorizations	0	1,120,000	0

Annual Budget Status and Source of Funds

Funds are approved in the 2019 budget and come from two sources since the program benefits both the Airport and the Cruise operations. Per SLOA IV, airlines have agreed to pay for 50% of costs incurred by the Port to handle baggage transferred from cruise ships to the Airport. Maritime costs are covered by revenues generated from cruise passenger and dockage fees. This service is available as part of the premier services available to guests. We consider this part of the premier service that allows us to charge a premier rate. The benefits achieved in Cruise and Airport Operations in processing baggage as a result of this program being in place for the prior cruise season (2018), turned out to be crucial in meeting vessel sailing schedules—enabling quick movement of large volumes of people and baggage through the facilities. Funds are approved in the 2019 budget and come from two sources since the program benefits both the Airport and the Cruise operations. Per SLOA IV, airlines have agreed to pay for 50% of costs incurred by the Port to handle baggage transferred from cruise ships to the Airport. Maritime costs are covered by revenues generated from our cruise business..

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- February 27, 2018 – The Commission was briefed with a Cruise Overview
- April 11, 2017 – The Commission authorized the Cruise Luggage Valet Pilot Program- 2017 Cruise Season
- April 10, 2018 - The Commission authorized the Cruise Luggage Valet Program- 2018 Cruise Season