

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>January 13, 2015</u>

DATE: January 5, 2015
TO: Ted Fick, Chief Executive Officer
FROM: David Soike, Director, Aviation Facilities and Capital Programs
Arland Fagerstrom, Manager Airlines Systems and Services
SUBJECT: Manual Encoding of Baggage for Airport Baggage System Number C60

Amount of This Request:	\$775,000	Source of Funds:	Airport Development Fund
Est. Total Contract Cost:	\$775,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a purchased services contract for Manual Encoding Services at Seattle-Tacoma International Airport for up to five years, not to exceed \$775,000.

SYNOPSIS

This contract request would provide the equivalent of approximately 18 full time job positions that would use hand held devices to manually scan bar code tags on travelers' bags that have been missed by automatic bar code readers as the bags travel through the baggage conveyor security and delivery systems. This work is necessary since automated readers capture only 90% of bag tags as they move rapidly through the conveyor system.

This contract will procure the services to provide manual encoding for the C60 system which handles approximately 4.5 million bags per year. The international airlines currently hold a contract for this service but have asked that the Airport take full responsibility for the contract work because the baggage system is an Airport owned and operated system, and the Airport can distribute costs per the existing signature lease operating agreement with all the airlines.

Manual encoding on the C60 conveyor system aids domestic outbound bags for various airlines such as Delta, United, USAir, and Virgin; and manual encoding also aids transfer bags between airlines to benefit all of the incoming international airlines and those airlines such as Alaska, United, etc., who receive the bags and traveler to carry them to the connecting destination.

The Port will issue a request for proposals and expects a competitive response since there are half a dozen prospective bidders in the local marketplace. The contract will have a three-year initial term along with two (2) one-year options to extend. The 2015 operating expense is estimated at \$146,000 based upon wage rates specified in Resolution No. 3694 and is included in the approved 2015 operating budget.

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BACKGROUND

Airlines have historically contracted with vendors to provide this service on the various baggage systems throughout the Airport. Most recently this portion of the work was included in a contract that also provided public-facing Federal Inspection Services (FIS) customer service and baggage handling assistance. The airlines earlier asked the Airport to take over this public-facing work. At that time the airlines decided to separate out this system facing manual encoder portion of the work. Consequently, that left the manual encoder position unaccounted for; and the airlines have now asked the Port to implement and oversee a new contract to cover this work.

Seattle-Tacoma International Airport handles approximately 11 million departing bags each year through six baggage systems. The single C60 portion handles 4.5 million of those bags for the southern half of the airport. Three of these conveyor systems use an automated tag reader (ATR) system, similar to a grocery store barcode reader, to identify baggage tags and route them through the baggage system for screening and sorting before being loaded onto aircraft.

The ATRs are only able to capture about 90% of the bag tags for various reasons. Tags that cannot be read by the ATRs are routed to a secondary location for scanning that is staffed by contracted personnel called manual encoders. Manual encoders use a hand scanning device and touchscreen monitor to facilitate the routing of the 10% of bags that are not read at the ATR.

PROJECT JUSTIFICATION AND DETAILS

The purpose of this request is to provide uninterrupted manual encoding of baggage through the appropriate baggage system (only C60 at this time). Manual encoding is also used on the C1 and C88 baggage systems where Alaska Airlines, as the major user of those systems, has chosen to provide this service at their own expense. The manual encoding process is essential to the proper distribution of baggage to the appropriate airlines within each system. This request will provide that service under the oversight of the Port of Seattle. Airlines have typically overseen this contract but have relied on the Port of Seattle to ‘manage’ it. Since the baggage system is operated by the Port of Seattle, it has been deemed appropriate by the airlines that the Airport should hold and oversee the contract.

Scope of Work

The contractor will be responsible for the timely scanning of all bags diverted to the manual encoding station. For the purposes of this contract, the manual encoding station is located at the C60 baggage system encoding station.

Service includes scanning bags with a handheld scanner, reading and understanding airline baggage tags and how the routing of each bag is listed on the bag tag, then, if necessary, manually entering the appropriate entry on the touch screen at the encoding station.

In the event the handheld scanning tool cannot scan the bag, the staff member will have to read the bag tag properly, understand which airline the bag needs to be delivered to, and then enter the

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appropriate destination on the touchscreen control panel at the encoding station. This may include an airline and flight number, a designated baggage make-up location, or any other method of dispatch that is enabled at the manual encoding station.

Schedule

An RFP for these services will be advertised in the first quarter of 2015. The procurement is expected to be completed by the end of the first quarter of 2015.

FINANCIAL IMPLICATIONS

This contract will comply with the Quality Jobs Initiative and is expected to cost about \$775,000 over the course of five years.

Budget Status and Source of Funds

Services for the first year of this contract are expected to cost \$146,000 and are included in the 2015 operating budget. Expenditures for future years will be requested each year in the annual budget process. The funding source will be the Airport Development Fund. These costs will be fully recovered from the airlines, adding slightly less than \$0.01 to airline cost per enplaned passenger (CPE).

STRATEGIES AND OBJECTIVES

This contract supports the Century Agenda objective to advance this region as a leading tourism destination and business gateway by meeting the region's air transportation needs at Seattle-Tacoma International Airport and encouraging the cost-effective expansion of domestic and international passenger service.

This contract supports the Airport's strategy to "Operate a world-class international airport" by:

- Ensuring safe and secure operations
- Anticipating and meeting the needs of our tenants

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do nothing. Require the airlines to continue oversight and management of the existing contract. The current method of cost distribution is based on the contractor's records of activity. This is a less accurate method than what the Port of Seattle can provide. This alternative would not be responsive to the airline request for the Port to manage the contract and is not the recommended alternative.

Alternative 2) – Execute a purchased services contract for Manual Encoding Services. There are several known companies that can provide this service. The work is easily taught and can provide a quality entry-level job opportunity. Conducting a competitive bidding process will enable the Port of Seattle to procure the best available terms for the next several years and ensure compliance with the Port's Quality Jobs Initiative. Additionally, if the Port provides contractual

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oversight the costs can be equitably distributed among the airlines using the system. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None