

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	4b
Date of Meeting	June 23, 2015

DATE: June 15, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Dave Soike, Director Aviation Facilities and Capital Program
Arland Fagerstrom, Manager Airlines Systems and Services
SUBJECT: Baggage Data Services to Support Sea-Tac Airport Operations

Amount of This Request:	\$0	Source of Funds:	Current and Future Operating Budgets
Est. Total Project Cost:	\$750,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for supplying Baggage Source Message (BSM) data to Seattle-Tacoma International Airport for a three-year duration with two additional single-year options. The cost for each year of the contract is budgeted within the annual Aviation Division operating budget and the total estimated cost is \$750,000.

SYNOPSIS

BSM data allows the airport to sort checked baggage to appropriate destination cities, to transfer bags among airlines, and assists the Transportation Security Administration in ensuring that each checked bag is safe to put aboard an aircraft.

All airlines and all major airports share BSM data that uniquely identifies each checked bag and its planned route through intermediate transfer airports all the way to its ultimate destination airport. The BSM data allows Sea-Tac's baggage system to efficiently manage the flow of 14 million departing bags annually, of which nearly 3 million are transfer bags. Continuing BSM services allows Sea-Tac to effectively operate the baggage system and to provide good customer service to the TSA, two dozen airlines, and the millions of travelers that the airport serves.

BACKGROUND

The new contract will provide BSM electronic data in a standard format that is consistent manner that is consistent with the International Air Transport Association (IATA). This format assures that electronic information is compatible with all airlines and airports that use it. When travelers check a bag with an airline, a BSM is produced and matched with the traveler's itinerary. That information is in-turn sent by the originating airline to an information broker company who in turn shares it with other affected airports and airlines along the route of the itinerary. Airports and airlines contract with one of the information brokers to assure that baggage information is

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shared appropriately. There are multiple highly capable information brokers that the airport will involve in its competitive procurement process in order to establish a new contract for this electronic data sharing service.

BSM's are vital to operating an effective baggage service at Sea-Tac. All incoming transfer bags from all eleven foreign flag international airlines benefit from having a BSM service. Without an automated BSM, fewer travelers would be able to connect to their next flight without exiting the secure airport area, claiming their bag, finding the ticketing counter of their next airline, checking in the bag, and proceeding through security again. With an automated BSM many travelers can simply walk straight to their next flight, and know that their bag will be routed to that flight.

BSM's also allow the airport to provide good service to domestic airlines by being able to pinpoint exactly where the airline wants the bag delivered to in order to speed the airline workers flow of bags to each of many departing flights to various destinations. For example approximately 95% of Alaska Airlines, 80% of Delta Airlines, and 50% of United Airlines baggage flows benefit operationally from the airport's BSM contract service.

The current BSM vendor, SITA, has been under contract since 2004 to provide this service. With technology changes and upgrades there are now multiple vendors who can provide this service. SITA will be allowed to compete for this new contract that will be procured.

PROJECT JUSTIFICATION AND DETAILS

The purpose of this request is to continue to receive uninterrupted BSM data service from the winning bidder to the baggage systems at the Airport. Without BSM data, the baggage sortation systems at the Airport will fail to sort bags to the appropriate airline make-up devices. This failure will cause substantial operational and financial impacts to the majority of our airline customers as well as loss of passenger goodwill. The Airport also risks substantial loss of goodwill with our airline customers should the flow of BSM data cease.

Scope of Work

The vendor will provide uninterrupted BSM, BTM, and BPM data flow to/from the Airport baggage systems. This will in turn allow airline baggage to sort properly for timely loading of baggage on departing aircraft.

Schedule

An RFP for these services will be advertised in July 2015. The procurement is expected to be completed by the end of August 2015. Before termination of the existing contract the CEO would execute a new contract utilizing prior approved funds contained within annual operating budgets.

FINANCIAL IMPLICATIONS

The current contract varies in total cost based on the number of BSMs generated and has averaged approximately \$110,000-\$125,000 per year over the past two years. We expect that the

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cost of a new contract will fall within that same range with an annual increase based on growth of the airline activity at the airport. This contract is not expected to exceed \$750,000 for the 5-year period.

Budget Status and Source of Funds

Expenditures under this contract will be included in annual operating budgets. The 2015 operating budget includes \$150,000 for this contract work.

STRATEGIES AND OBJECTIVES

This project 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, passengers, and the region's economy

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Extend the current contract on a year-by-year basis. The current vendor has been in place at the airport since 2004 when the existing baggage systems required BSM sortation. However, the current vendor's contract may or may not be the best contract. It is possible the incumbent will be the successful bidder, but extending the current contract is not necessarily the least costly option for BSM provision. This is not the recommended alternative.

Pros:

- Current vendor is a known entity having provided consistent service since 2004.
- No change to architecture or data feed required. No testing period required. No lapse in service to our customers.
- Current vendor revised their pricing plan in recent years to lower the overall cost to the airport.

Cons:

- May not be the least expensive option.
- Does not meet airport procurement processes for competitive bidding.

Alternative 2) – Require airlines to provide their own BSM data connection to the Airport baggage systems or use a secondary manual 'pier tag' in addition to the standard tag. This tag would need to be applied by airline staff at the point of baggage check-in. The pier tag would be specific to the various piers and make-up devices that airlines use to prepare baggage for loading onto aircraft. Discontinued use of BSMs and a requirement for airlines to provide their own BSM feed and/or purchase and use pier tags for sortation of their bags would relieve the Port of all costs for sortation. Generally, this option will not provide the necessary data for ALL airlines and would not provide for an automated transfer solution for bags transferring between airlines. This would increase the amount of manual handling of baggage to a significant degree. No major airport gateway moves bags in such a manual manner. This is not the recommended alternative.

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Pros:

- No cost to the Port for the BSM feed/service.
- Airlines responsible for the BSM feed/service.

Cons:

- Airlines with less frequent flights at Sea-Tac may choose not to participate which could result in improper bag sortation, and disruption to overall airport operations. Without an airport provided system to serve all airlines, a cumbersome system would have to be put in place forcing airlines staff to manually print and add a second tag to most bags. The second tag would direct the bag to certain locations within the airport where the airline would then pick up the bag and take it to the aircraft. Both timely delivery and proper tracking of bags would suffer.
- Port would not have the data stream that provides significant information for passenger and baggage operational effectiveness metrics.

Alternative 3) – Conduct a competitive bidding process to enable the airport to procure the best available terms for the next several years. Several known companies can provide a similar service for BSMs. **This is the recommended alternative.**

Pros:

- Will be able to test the marketplace to determine if there is a better, lower cost provider available.
- Can schedule the transition to provide an overlap of service to ensure no interruption in performance to our customers.

Cons:

- As with any new vendor, start-up challenges that cannot now be predicted may occur. This is why staff is requesting to initiative the competitive procurement now to provide ample time for continuity and testing from the existing service to the new service contractor.
- There is a risk that a new contract will exceed the existing contract price, or that negotiations will be lengthy requiring a temporary extension of the existing contract.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None