



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 6c

**ACTION ITEM**

**Date of Meeting** March 10, 2020

**DATE:** February 28, 2020

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Marie Ellingson, Cruise Operations and Business Development Manager  
Jeff Hoebet, Sr. Manager Airport Operations  
Stephanie Jones Stebbins, Managing Director Maritime Division

**SUBJECT:** Cruise Luggage Valet Program – 2020 through 2022 Cruise Seasons

**Total estimated cost:** \$4,100,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to execute 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 at an estimated cost of \$4,100,000 for the 2020, 2021, and 2022 cruise seasons.

**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 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. As ships get larger and Seattle’s market share continues to grow, this program is key to our success. Furthermore, without their luggage, these guests can easily enjoy area attractions, restaurants, and retail opportunities prior to making their way to the Airport growing the economic impact of the cruise business to the region.

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.

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**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 welcomed the Norwegian Joy and Royal Caribbean Ovation of the Seas, both with upwards of 5,000 guests during peak season. We learned from Royal Caribbean that Seattle's passenger ratings were among their highest. In 2020 we'll have an additional homeport at Pier 66, the Norwegian Sun. In 2021 we will welcome the Norwegian Encore (replacing the Joy), and we anticipate an additional Quantum Class vessel from Royal Caribbean. We are seeing continued growth in cruise passenger participation in the program year over year, resulting in economic benefits to our community and 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 with 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 which results in increased economic benefits to downtown Seattle business and tourist attractions. 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. In fact, the Port of Seattle won, for the second time, the Cruise Critic Award for Best North American Homeport in 2019 specifically citing the Port Valet Program. Cruise Critic also named Seattle "Cruisers Choice" in their top 5 destinations of 2019.

**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 currently in place which covers this service contract.

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Per commission's request during the approval process for the program in 2019, this year we are requesting a term of up to three years, which would include the 2020, 2021 and 2022 cruise seasons.

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 2020 is estimated to be \$1,200,000. 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.

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 – Actuals

1,210,722 Total Revenue Passengers  
150,963 Passengers Participated  
162,943 Bags Processed  
\$972,930 Total Cost (50% Cruise / 50% Aviation)

Participating Airlines

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

Participating Cruise Lines

- Carnival Cruise Line
- Celebrity Cruises
- Holland America Line

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- 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 2020 cruise season. The first ship call with disembarking passengers eligible to receive this service is May 02, 2020.

- (1) Complete negotiations and execute service contract with Bags Incorporated.
- (2) Complete development of and kick-off 2020 promotional program for the courtesy luggage valet service.
- (3) Collaborate with all stakeholders for a successful launch of the program at start of 2020 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 2020.

This is not the recommended alternative.

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

Cost Implications: \$1,200,000

Pros:

- (1) Increases positive customer experience for cruise passengers
- (2) Make it possible for the seaport and airport to handle the operations of larger cruise ships and the growth in our cruise business.
- (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.

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*This is the recommended alternative.*

**FINANCIAL IMPLICATIONS**

<b><i>Cost Estimate/Authorization Summary</i></b>	<b>Capital</b>	<b>Expense</b>	<b>Total</b>
<b>COST ESTIMATE</b>			
Estimated Service Contract Bags Inc. cost full 2020 season	\$0	\$1,200,000	\$0
<b>AUTHORIZATION</b>			
Request for authorization for a term of up to three years anticipating year over year growth of approx. 20% passenger participation (2020, 2021, 2022)	0	4,100,000	0

***Annual Budget Status and Source of Funds***

Funds are approved in the 2020 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 seasons (2018, 2019), 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 2020 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**

- March 26, 2019 - The Commission authorized the Cruise Luggage Valet Program- 2019 Season
- April 10, 2018 - The Commission authorized the Cruise Luggage Valet Program- 2018 Season
- February 27, 2018 – The Commission was briefed with a Cruise Overview
- April 11, 2017 - The Commission authorized the Cruise Luggage Valet Pilot Program- 2017 Season