



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8g

ACTION ITEM

Date of Meeting November 17, 2020

DATE: October 26, 2020

TO: Stephen P. Metruck, Executive Director

FROM: Dawn Hunter, Director Aviation Commercial Management
Tamara Kuiken, Business Manager, Airport Dining and Retail

SUBJECT: Smarte Carte Luggage Carte Agreement

Total estimated cost: \$3.25 million

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute an agreement with Smarte Carte to provide luggage carts and massage chair passenger services at Seattle Tacoma International Airport (SEA). This agreement includes a Port paid fee of Six Hundred Fifty Thousand (\$650,000) Dollars adjusted annually for Smarte Carte to provide and maintain two thousand (2,000) carts including carts new International Arrivals Facility (IAF).

EXECUTIVE SUMMARY

The current Smarte Carte concessions agreement expired on September 21, 2012 and has been on a hold-over status. Since expiration the luggage cart business has changed industry wide. Smarte Carte has emerged as the only provider of this service for US airports. The business model for international arrival passengers has also changed. With this changed market, US airports frequently pay a fee for the service of providing luggage carts within their international arrival facilities as many airports are unwilling to pass this fee onto their arriving international passengers. Smarte Carte has been implementing this annual fee with each of their contract renewals around the country. SEA is one of the last airports to begin paying this fee.

This new agreement will have Smarte Carte provide new luggage carts throughout the airport (both for domestic and international arrival) that have a built-in braking mechanism. It dedicates two thousand (2,000) carts for use in the IAF while providing a quality product needed to service passengers, reducing risk of damaging the new IAF facility, and reducing potential injury to passengers and employees. Smarte Carte will continue to pay a Minimum Annual Guarantee (MAG) and Percentage Rent for domestic luggage carts and massage chairs.

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JUSTIFICATION

This agreement is critical in providing passengers with a service they have grown accustomed to around the country. Port staff negotiated the lowest possible annual service fee for cart service in the IAF. This fee is below what other US Airports are paying Smarte Carte, while continuing to allow our international passengers use of the luggage carts without a fee.

Diversity in Contracting

Port staff in contracting with Smarte Carte is looking to find possible WMBE suppliers or manufacturers that can supply the massage chairs as need to support the IAF passengers.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Leave Smarte Carte on month to month contract

Cost Implications:

Pros:

- (1) No additional cost to the Port for luggage cart service in the IAF, so no incremental cost added to the IAF rate base.

Cons:

- (1) No luggage cart service in the IAF. This is not feasible operationally, as international arrival passengers typically have more luggage and bulky parcels to transport out of the facility.
- (2) Use of existing luggage carts without a braking system has been evaluated by Port Legal as a safety risk, due to the sloped IAF walkway.

This is not the recommended alternative.

Alternative 2 – Purchase the carts from Smarte Carte and use the Port’s third-party vendor to manage the luggage carts

Cost Implications:

Pros:

- (1) Port already has a third-party vendor in place for the IAF who could manage the luggage carts inside IAF, so procuring an additional vendor would not be needed.

Cons:

- (1) Initial cost of purchasing new luggage carts with built-in braking system would be an operating expense in the year of purchase (expected to be 2021) and would hit the IAF rate base in full in that year. Estimated cost to purchase 2,000 luggage carts for the IAF is \$1.5 million.

This is not the recommended alternative.

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Alternative 3 – Execute the contract with Smarte Carte

Cost Implications:

Pros:

- (1) Use of new luggage carts with the automatic braking system significantly reduces Port's liability to passengers and damage to the new facility.
- (2) The IAF is so expansive that the carts will be a passenger amenity to transport luggage through the IAF, providing a greater customer service experience.

Cons:

- (1) Incremental annual \$650,000 operating expense added to the International Rate Base for this service.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Annual Budget Status and Source of Funds

The annual cost under this agreement will be included in the operating budget, charged to the Federal Inspection Services (FIS) cost center and recovered from airlines using the International Arrivals Facility. For 2021, the \$650,000 expense will increase passenger airline cost per enplaned passenger (CPE) by \$0.04.

Future Revenues and Expenses (Total cost of ownership)

- The Smarte Carte agreement will continue to generate revenue to the port through domestic cart rental fees and massage chairs.
- The annual cost of the IAF luggage carts will be paid by the IAF cost center and recovered through airline fees in the IAF rate base for international carriers.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 3, 2009 – Commission authorized the request for the Chief Executive Officer to execute an Amendment to the Lease and Concessions Agreement of Smarte Carte, Inc. at Seattle Tacoma International Airport that would extend the term for an additional 5-year period as provided in the current agreement, under new negotiated terms.