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COMMISSION

AGENDA MEMORANDUM Item No. 8e

ACTION ITEM Date of Meeting February 14, 2023

DATE: January 27, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Linda Springmann, Director Cruise & Maritime Marketing

Peter Lindsay, Senior Manager Airport Operations, Landside

SUBJECT: Cruise Luggage Port Valet Program - 2023 through 2025 Cruise Seasons

Amount of this request: \$0

Total estimated project cost: \$4,500,000

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 \$4,500,000 for the 2023, 2024, and 2025 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 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.

Template revised January 10, 2019.

COMMISSION AGENDA – Action Item No. 8e Page 2 of 5

Meeting Date: February 14, 2023

JUSTIFICATION

The success of the Port Valet program 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. Since the program started in 2017, the Port of Seattle has welcomed additional homeports. Four of these new ships carry upwards of 5,000 guests during peak season. 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. This is especially important during the ongoing construction at SEA.

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 Northeast Ground Transportation Lot to security. Without their check luggage and with a boarding pass in hand, wait times for elevators 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 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.

Diversity in Contracting

Cruise met with Diversity in Contracting Department. Because Bags, Inc. does not use subcontractors, no WMBE goals are included in the contract.

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.

This request is for a term of up to three years, which would include the 2023, 2024 and 2025 cruise seasons. The cost of this program for 2023 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

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COMMISSION AGENDA – Action Item No. 8e Page 3 of 5

Meeting Date: February 14, 2023

passengers that sign up for the service. It is anticipated that passenger participation will grow approximately 20% year over year with growth in the port's cruise business and increased interest in the program. We estimate \$4,500,00 program cost over three years.

Participating Airlines

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

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 2023 cruise season. The first ship call with disembarking passengers eligible to receive this service is April 22, 2023.

- (1) Complete negotiations and execute service contract with Bags Incorporated.
- (2) Port staff work with Bags, Inc., airlines, and cruise lines to develop and implement a plan to increase guest satisfaction, efficiencies, and participation in the program.
- (3) Complete development of and kick-off 2023 promotional program for the courtesy luggage valet service.
- (4) Collaborate with all stakeholders for a successful launch of the program at start of 2023 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.

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COMMISSION AGENDA – Action Item No. 8e Page 4 of 5

Meeting Date: February 14, 2023

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 and two ship days.

This is not the recommended alternative.

Alternative 2– Provide the Port Valet service to cruise passengers.

Cost Implications: \$1,200,000 in 2023 (\$4,500,000 for a 3-year period with an annual cost escalation assumed for increased passenger participation of 20% year over year)

Pros:

- (1) Increases positive customer experience for cruise/airline 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) Eases impact to airport during ongoing construction.
- (4) Increase the economic impact to Seattle.
- (5) Increase airport jobs.
- (6) 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 \$0 \$1,200,000 \$0  
full 2023 season

#### AUTHORIZATION

Request for authorization for a term of up to \$4,500,000  
to three years anticipating year over year  
growth of approx. 20% passenger  
participation (2023, 2024, 2025)

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#### COMMISSION AGENDA – Action Item No. 8e Page 5 of 5

Meeting Date: February 14, 2023

#### Annual Budget Status and Source of Funds

Funds are approved in the 2023 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 in prior cruise seasons, turned out to be crucial in meeting vessel sailing schedules by enabling quick movement of large volumes of people and baggage through the facilities.

#### ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

#### PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

March 10, 2020 – The Commission authorized the Cruise Luggage Valet Program for three years, 2020, 2021 and 2022 seasons.

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.

April 11, 2017 – The Commission authorized the Cruise Luggage Valet Program – 2017Season.

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