

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 5c

**Date of Meeting** July 13, 2010

**DATE:** June 17, 2010

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Mark Coates, Senior Manager, Airport Operations

**SUBJECT:** Airfield Safety Management System (SMS) Grant, Contracts and Procurements

**This Request:** \$666,667

**Source of Funds** – ADF \$166,667

**Total Project Budget:** \$666,667

FAA \$500,000

**ACTION REQUESTED:**

Request authorization for the Chief Executive Officer to accept a grant from the Federal Aviation Administration (FAA); to solicit, execute, award, and amend outside professional services agreements; to procure associated software; and to perform contract administration for Phase Three of the SMS Pilot Study at Seattle-Tacoma International Airport (Airport) for an estimated total cost of \$666,667, comprised of \$500,000 from the FAA grant and \$166,667 from the ADF.

**SYNOPSIS:**

Maximizing airfield safety is a core value at the Airport. This request for authorization follows an earlier Commission authorization to allow the Airport to be a leader among airports in the field of safety. Acceptance of this grant allows the Airport to implement the previous SMS study findings and proposed practices to validate key elements and components of the previous SMS Pilot Studies and to test these practices under actual airport operational and cultural conditions.

**BACKGROUND:**

In 2007, the Airport became the first of 21 American airports selected by the FAA to evaluate and bring the best management practices of the International Civil Aviation Organization (ICAO) to the United States through the implementation of an SMS Pilot Study Program. As a result the Airport has participated in two previous studies to identify, evaluate and develop best management practices at U.S. airports in general, utilizing the Airport as a case study. From this participation, the Airport has led the nation in establishing practical solutions to the integration of SMS at U.S. airports and developed a preliminary Safety Program Manual to manage safety on the airfield and in the baggage area. However, the proposed policies, practices and procedures within the Safety Program Manual have not been tested or proven to ensure their applicability and viability under actual airport operations and cultural conditions.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 17, 2010

Page 2 of 4

### **PROJECT DESCRIPTION/SCOPE OF WORK:**

***Project Statement:*** Participate in the FAA's follow-on SMS study, in an effort to provide information useful to the implementation of an FAA-approved SMS program.

***Project Objectives:*** Allow the FAA to gain more information on the ability of airports to integrate an SMS into their operating structures. Provide guidance to the FAA to assist in rulemaking decisions.

### **STUDY TASKS:**

1. Implement Safety Risk Management procedures, processes, or policies as formulated under the Airport's SMS Manual or other documentation developed for the Airport under the first pilot studies.
2. Conduct at least 3 safety risk analyses/assessments within 6 months of AIP grant award or study start. These analyses/assessments should not include analyses/assessments required under FAA Air Traffic Organization SMS. The analyses/assessments can address hazards in the movement or non-movement areas of the Airport.
3. Implement a safety reporting and/or data collection system or applicable processes in conformance with the Airport's SMS Manual or other documentation developed for the Airport under the first pilot studies.
4. Collect hazard reports, incident and accident reports, and other safety-related data/information under the Airport's SMS Manual or other applicable documentation within 2 months of AIP grant award or study start.
5. Analyze the information collected through the reporting and/or data collection system or applicable processes within 5 months of AIP grant award or study start.
6. Conduct an internal audit/evaluation following the methods and procedures prescribed under the Safety Assurance component of the Airport's SMS Manual or applicable documentation within 8 months of AIP grant award or study start.
7. Project Documentation including Study Plan, Monthly Reports, SRM Analysis, and Final Report.

### **STRATEGIC OBJECTIVES:**

This project supports the Port's strategy to "Ensure Airport and Seaport Vitality."

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 17, 2010

Page 3 of 4

### **FINANCIAL IMPLICATIONS:**

#### **Source of Funds**

This project is supported by \$166,667 in Aviation Division expense funds and \$500,000 in FAA grant funds. The total cost of this program (\$666,667) will be accounted for as an operating expense. The FAA will provide a grant of \$500,000, which will be accounted for as revenues. Our local match will be spread across the 2010 and 2011 operating budgets as shown below.

	August – December 2010	January – December 2011	Total
Reimbursable Expenses (Grant)	\$200,000	\$300,000	\$500,000
Non-Reimbursable Expenses (Match)	\$ 66,667	\$100,000	\$166,667
Total SMS Phase Three Expenses	\$266,667	\$400,000	\$666,667

### **ECONOMIC IMPACTS:**

SMS is a data-driven, business-oriented approach to managing safety. It proactively manages risk, detects and corrects safety problems before these problems result in an accident or incident, thereby eliminating the economic impacts and costs associated with incidents/accidents that do not occur. The economic impacts of SMS implementation result from the reduction of incidents and accidents and the associated reduction in litigation, response, staff analysis, forensics, lost work, medical expenses and defense of these avoided accidents.

As SMS progressively becomes the industry “Standard of Care,” there is an enhanced risk if SMS is not implemented. ICAO’s long-standing adoption of SMS, along with the success of SMS in many other industries, supports the position that SMS is a reasonable approach.

Increasingly, airlines and ground service providers are realizing the economic benefits to their operations at airports that implement SMS, as their costs are reduced from the decreased potential for ground incidents and accidents. Airfield incidents and accidents represent an approximate 3.5 billion dollar annual cost to the industry. To put this into perspective, worldwide, the dollar equivalent of 15 Boeing 747-400s are lost each year to equipment damage during ramp operations (Source: UK Flight Safety Committee).

### **ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS:**

SMS systems are intended to reduce the number of airport accidents that can lead to loss of life, destruction of property, and potential environmental impact.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 17, 2010

Page 4 of 4

### **TRIPLE BOTTOM LINE SUMMARY:**

SMS systems enhance operations, decrease risk to employees, and decrease risk to the environment, through tracking, trending, and pro-active safety management.

### **PROJECT SCHEDULE:**

July 2010: Publish Request for Qualifications

August 2010: Issue Notice to Proceed

September 2011: Project Substantially Complete

December 2011: Project Close-Out

### **ALTERNATIVES CONSIDERED/RECOMMENDED ACTION**

**Alternative one: Reject grant offer and save \$166,667.** This alternative would result in loss of the Airport's industry leading position and its ability to validate its previous study recommendations and process improvements and potentially expose the Port to a claim of not meeting appropriate levels of care regarding the management and oversight of safety. This is not the recommended alternative.

**Alternative two: Accept grant and engage professional services** to implement SMS initiatives, practices and processes. This is an opportunity provided by the FAA to continue SMS research and report to other airports across the country, supports the Airport's industry leading role, maintains SMS integrity and reduces exposure to risk. This is the recommended alternative.

### **PREVIOUS COMMISSION ACTION:**

On October 14, 2008, Commission authorized approval to prepare contract documents; execute, award, and amend outside professional services agreements; and perform contract administration for Phase Two of the SMS Pilot Study at the Airport for an estimated total cost of \$500,000, comprised of \$125,000 from the Airport and \$375,000 from an FAA grant.