

Embracing Performance Benchmarking

By Don H. Whitworth, Jr., Dallas Dawson, Charles R. Chambers, Jr. and Liying Gu

Airport managers generally fall into two camps when discussing the merits of external benchmarking – those that support external benchmarking and those that oppose it.

Those opposed to external benchmarking claim there are too many variables to effectively and realistically compare airports. Considering the many differences between airports, there is some validity to their argument.

Supporters of external benchmarking, however, are quick to acknowledge these differences, but contend that the differences can be reduced by defining measurement criteria in advance or by tempering conclusions through recognition of these differences.

Whether or not an airport embraces benchmarking for its own purposes, third parties nonetheless evaluate airports by comparing them to their peers. Credit rating companies, airlines, airport consultants, academics, and trade groups, for example, all compare airports. These comparisons typically include benchmarking between similar airports or airports within a specific market.

For or against, airport managers realize they must be able to answer questions regarding their airport's performance. Accordingly, many airports have implemented benchmarking programs to understand how they compare to other airports.

To assist members with such efforts, ACI-NA has instituted two benchmarking programs: the Airport Initiatives in Measurement (AIM) Survey and the MACRO Survey.

AIM Survey

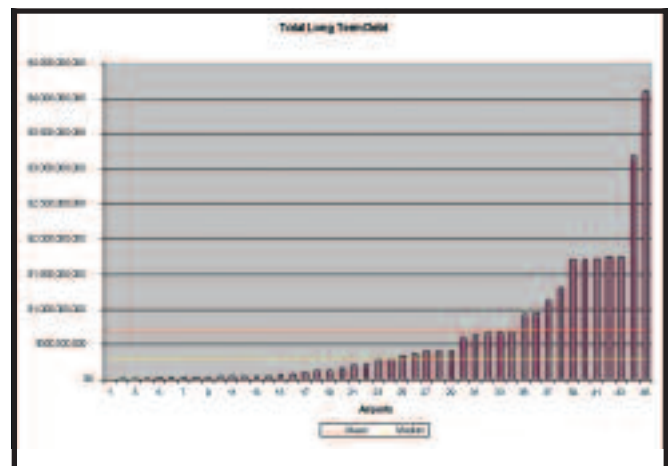
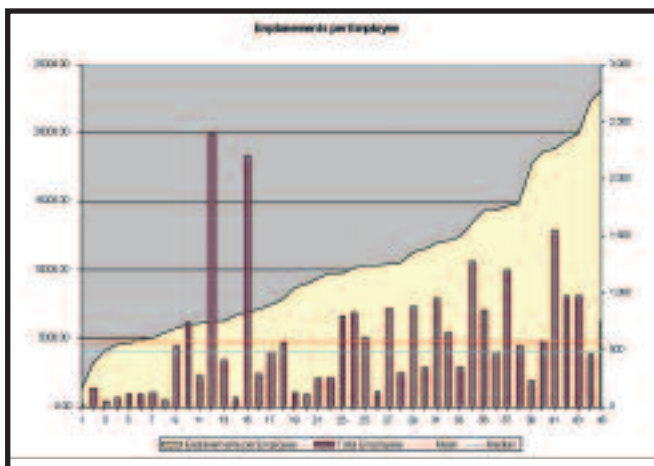
Tampa International Airport initiated the Airport Initiatives in Measurement (AIM) Survey in 2003, with 13 participating airports that assisted in designing the Survey. Tampa proposed several common measures for comment, including both organizational and activity-based measures. Definitions were developed for each measure to allow comparability and to aid in understanding the results. Factors of comparison for each airport, such as form of governance and rate-making methodology, were collected to allow participants to more easily identify peer airports. Once the data was collected, a compilation spreadsheet, along with comparative charts, was provided to the airports that participated.

In addition to allowing comparison across all participants, AIM provides the ability to review comparative airport characteristics. This comparison allows airports to more easily and accurately identify the airports most like them in order to compare specific measures among their peers. Airports with best practices could be identified and questioned as to what they were doing and how others might improve.

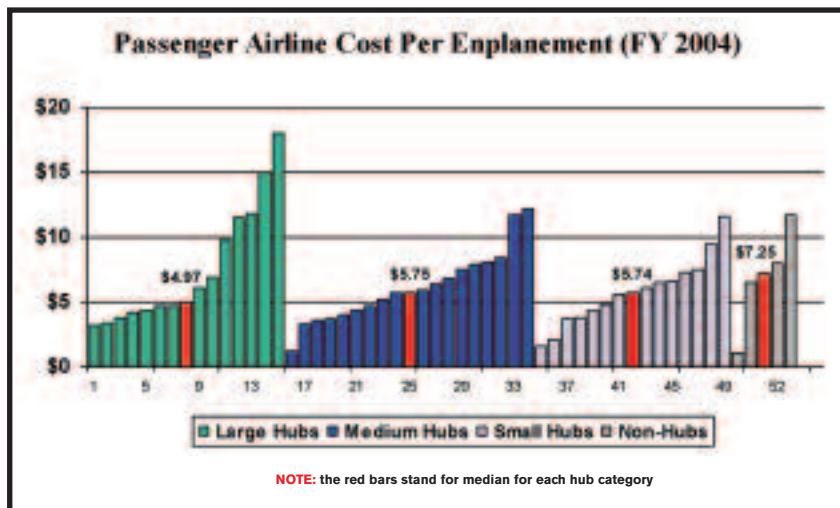
In 2005, ACI-NA took over the AIM Survey and 47 airports participated. The Survey currently consists of approximately fifty cost and revenue benchmarks.

MACRO Survey

In contrast to the AIM Survey, the MACRO (or 'big-picture') Survey provides a snapshot of five highly-visible, key industry



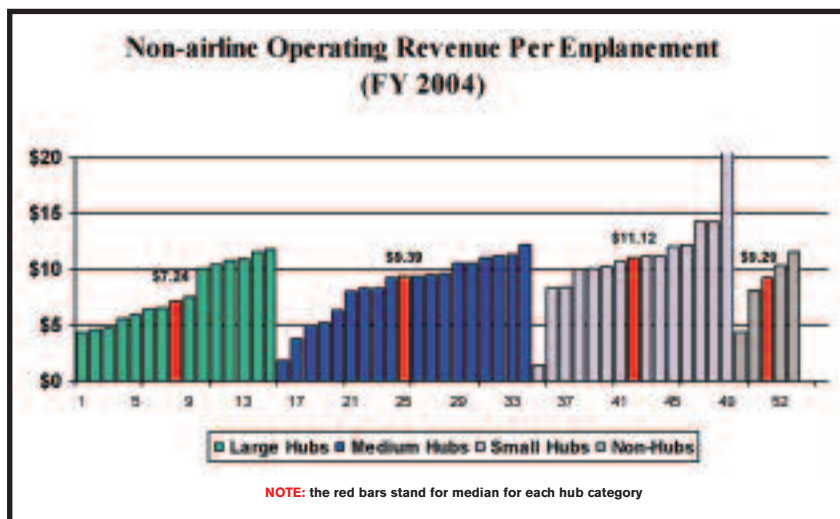
Benchmarking



measures. The methodology for this Survey relies on audited airport financial reporting data from the Federal Aviation Administration's (FAA) Compliance Activity Tracking System (CATS) as a starting point. Adjustments are made to this baseline figure to account for differences in each airport's organizational practices. The statistics produced by this Survey more accurately reflect comparable performance between participants. In 2005, 53 airports participated.

AIM Outcome

While ACI-NA provides some comparative charts, the true value of these efforts is the ability for participants to customize comparisons with airports they consider to be peers. Results can then be evaluated with knowledge of what makes up the measure and the individual characteristics of the participants. In the chart on the previous page, for example, the term employee includes both airport employees and contract employees necessary to run an airport's day-to-day operations, such as parking and custodial services. It does not include employees of airlines, tenants, and construction companies. This chart is intended to assess the efficient use of human capital in serving passengers.



The comparison of long-term debt is another example. When comparing airport debt, the airport's progress in their facility development and replacement cycle will impact their performance indicator. An airport operating in a new facility will usually have higher debt than an airport conducting operations in a facility that has been servicing debt for many years.

MACRO Outcome

The most important benchmark that all industry stakeholders look at is, perhaps, the "Passenger Airline Cost Per Enplanement" (often referred to as CPE). This benchmark compares total cost to the passenger airlines of operating at an airport. The cost to airlines typically includes, for example, landing fees,

terminal rentals, and apron charges. To get the net cost to passenger airlines, the calculation excluded cargo, general aviation, and military fees. In addition, an important adjustment that needs to be made to this benchmark is the cost of terminal facilities provided by the airlines. To date, airlines have not provided this data.

Non-airline operating revenue per enplanement measures an airport's ability to generate non-aeronautical revenue. Revenues from specialized facilities not available to all airlines are excluded.

Using The Data

In addition to providing ACI-NA with information to support their advocacy efforts on behalf of the industry, benchmarking is a powerful tool for participants as well. The information collected has been used in various ways including to:

- Compare performance across airports generally.
- Compare performance to peer airports.
- Contact other airports to discuss and benefit from their best practices.
- Help establish performance criteria/measures.
- Help set performance targets or goals.
- Help identify areas for performance audits.
- Support developing presentations to airlines.
- Help make a case for improved credit ratings.
- Aid in strategic planning.
- Identify shortfalls in a changing environment.

While the summary data from these benchmarking efforts is available to all ACI-NA airport members, the identification of AIM participants is limited to those who participate. ■

FOR MORE information regarding the ACI-NA Benchmarking Program, including the AIM and MACRO Surveys, contact ACI-NA's Liying Gu, lgu@aci-na.aero.