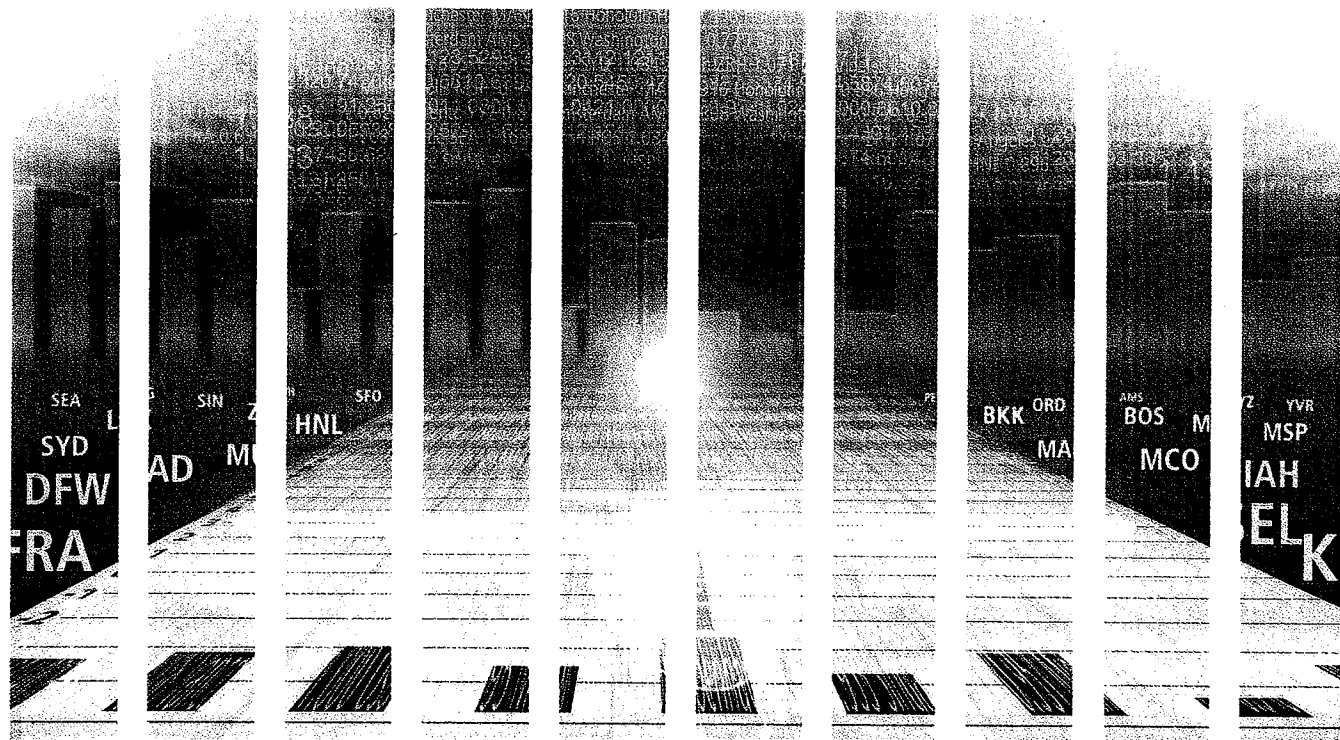


REPORT BY MARK PILLING IN LONDON



As global airport benchmarking initiatives gain increasing market acceptance, airline and airport groups are discussing for the first time a common method of measuring airport efficiency and how this could eventually be related to charging levels

Common measures

In the past when it came to the issue of airport performance benchmarking, airlines and airports agreed to disagree. It was an interesting debate, but one that was a sideshow in the greater scheme of things. The industry crisis changed all that. Spiralling losses led airlines to question every part of their cost base. Airport charges were no exception and in 2002 IATA kicked off its campaign to get them reduced.

After its initial fierce attack on

airport fee levels and profit margins – and the campaign continues against specific airports that it believes are overcharging – IATA has broadened its mandate to tackle airport performance benchmarking. It believes this will aid in establishing cost efficiency targets with airports with the ultimate aim to reduce charges. There are two obstacles to this goal. First, there is no universal set of benchmarks with which to judge airport performance. Second, airlines and airports remain at loggerheads over

whether to agree to such benchmarks.

In terms of developing agreed measures there is reason to be optimistic. Benchmarking surveys from both the Air Transport Research Society (ATRS) and the UK's Transport Research Laboratory (TRL) have been developed to compare the productivity and performance of the world's leading airports. While neither claims to be perfect, they offer some meaningful comparisons.

Efficiency gains

Now in its fifth year, the ATRS Global Airport Benchmarking Report, produced by leading transport academics from around the globe, features data from 116 airports and separates out airport groups for the first time. One of the headline results is airport productivity, which is ranked on a regional basis (see table opposite). This shows that for the last full year of available results, Tampa, Copenhagen and Singapore Changi were the most efficient airports in North America, Europe and Asia-Pacific respectively.

Tampa is an interesting case study,

according to the report's lead author Tae Oum, UPS Foundation Professor of Transport & Logistics at the Sauder School of Business at the University of British Columbia. It has instigated an annual regional benchmarking process with several other Florida and southern US airports and has appointed a vice-president specifically to oversee charges and performance. "The airport has developed very scientific procedures to decide whether certain business processes should be outsourced or not."

Outsourcing

The issue of outsourcing can be controversial. For instance, at several German airports, such as Frankfurt, ground handling is carried out by the airport itself. These airports have pressed ATRS to adjust its data to compensate, but the organisation is reluctant to do so. "Airports that employ people to drive buses rather than outsource such activities are simply inefficient," says Tae.

TRL's methodology does make adjustments. "We strip out non-core activities, the main ones being ground handling, the operation of air traffic control and car parking. These really skew the results and failing to adjust for these activities can produce a very misleading picture," says Peter Mackenzie-Williams, the head of aviation at TRL, which has been producing its study for eight years. It removes the revenues, costs and staff associated with these operations and puts back into the mix a concession fee deemed appropriate for the airport in question.

Julian de la Camara, a former head of charges at IATA, and now an independent consultant, believes the gap between airlines and airports is narrowing on the issue of performance measurement. "It could be possible to get some common ground on what to measure when it comes to benchmarking," he says. In fact, the first meetings between IATA and Airport Council International (ACI), which represents the world's airports, took place recently.

"ACI and IATA have initiated a dialogue in an attempt to create a number of benchmarks which might be applicable on a global level," says Paul Behnke, director of economics at ACI. However, the association wants it to be a reciprocal process. "We are insistent that this effort be an exchange of information, not a one-way street where airport operators supplied all of the data for users to evaluate," he says. "For example, airlines control many important

operations at airports such as check-in and baggage handling. Performance in these areas is a key to customer satisfaction and data on these operations must be part of the joint exercise."

In the past airports have been reluctant to enter a benchmarking process with airlines, and some still are, but done in the right way it could produce useful results. "Recognising that airports increasingly compete with each other in the aviation marketplace, our members in North America and in Europe have recently undertaken performance benchmarking exercises to help identify best practices in our industry," says Behnke. "Benchmarking globally, across regions is much more challenging, due to differing corporate cultures and disparate regulatory and corporate structures.

"It is still too early to judge the outcome of the ACI/IATA dialogue. We have to point out that no two airports are the same, nor are they at the same stage in their life cycles, complicating financial comparisons. But ACI firmly believes that its members, having successfully diversified their businesses, are delivering a higher level of service for users at reasonable prices."

Breaking the cycle

The initiative is being given a high priority at IATA as it strives to break out of the "cycle of annual conflict" of charges negotiations. It advocates a move towards agreed cost efficiency targets leading towards longer-term pricing agreements.

De la Camara believes that the associations could go even further than just benchmarking airports, as well as air traffic control providers. "If they are really going to conduct a benchmarking exercise with the aim of cutting costs, why stop there? Why not do it for the whole industry and see what the costs of doing business really are and where they can be improved. Why not look at others in the supply chain such as caterers, fuel companies, handlers and all the other suppliers to the airline world." ■

Obtaining the ATRS report

Airline-Business has joined with the Air Transport Research Society to make the current report available for purchase at a price of \$300. For details please contact *Airline-Business* on Fax: +44 (20) 8652 8914 e-mail: airline.business@trb.co.uk

Underlying productivity

Top 25 North American Airports

Rk	City	Airport	Index
1	Tampa	Int'l	1.00
2	Vancouver	Int'l	0.86
3	Atlanta	Hartsfield Int'l	0.85
4	Sacramento	Int'l	0.85
5	Fort Lauderdale	Hollywood Int'l	0.82
6	Raleigh/Durham	Int'l	0.80
7	Minn./St Paul	Int'l	0.79
8	Las Vegas	McCarran	0.78
9	Chicago	Midway	0.73
10	Ottawa	Int'l Airport	0.71
11	Charlotte	Douglas	0.71
12	Boston	Logan Int'l	0.67
13	Orlando	Int'l	0.66
14	Indianapolis	Int'l	0.64
15	Nashville	Metropolitan	0.64
16	Phoenix	Sky Harbor	0.62
17	Oakland	Int'l	0.61
18	Honolulu	Int'l	0.60
19	Calgary	Int'l	0.60
20	Montreal	Dorval Int'l	0.56
21	Houston	George Bush	0.56
22	Kansas	Int'l	0.55
23	Portland	Int'l	0.54
24	Denver	Int'l	0.53
25	Dallas/Ft Worth	Int'l	0.53

Mean Top 25 North American Airports 0.69

Top 15 Asia Pacific Airports

Rk	City	Airport	Index
1	Singapore	Changi	0.98
2	Seoul	Incheon Int'l	0.79
3	Hong Kong	Chek Lap Kok	0.78
4	Sydney	Kingsford Smith	0.77
5	Wellington	Int'l	0.75
6	Adelaide	Int'l	0.70
7	Brisbane	Int'l	0.70
8	Auckland	Int'l	0.66
9	Cairns	Int'l	0.66
10	Osaka	Kansai Int'l	0.54
11	Seoul	Gimpo	0.52
12	Christchurch	Int'l	0.49
13	Tokyo	Narita	0.49
14	Perth	Int'l	0.49
15	Beijing	Capital	0.45

Mean Top 15 Asia Pacific Airports 0.65

Top 15 European Airports

Rk	City	Airport	Index
1	Copenhagen	Kastrup	0.96
2	Geneva	Int'l	0.85
3	Lisbon	Int'l	0.84
4	Zurich	Unique Zurich	0.78
5	Oslo	Gardermoen	0.78
6	Amsterdam	Schiphol	0.69
7	London	Heathrow	0.58
8	London	Gatwick	0.56
9	Vienna	Int'l	0.53
10	Prague	Ruzyně	0.41
11	Munich	Franz Joseph Strauss	0.39
12	Manchester	Int'l	0.39
13	Hamburg	Fuhlsbuettel	0.38
14	Edinburgh	Int'l	0.34
15	Warsaw	Okęcie	0.31

Mean Top 15 European Airports 0.59

Top 5 European Airport Groups

Rk	Airport Group	Index
1	CAA Finland	0.59
2	Aeroporti di Roma (ADR)	0.58
3	Aeroports de Paris (ADP)	0.50
4	CAA Sweden	0.45
5	Fraport	0.39

Mean Top 5 European Groups 0.50

NOTES: Residual variable factor productivity calculated by ATRS benchmarking group, based on labour and 'soft cost' inputs. 1 represents the highest productivity. Figures are for the leading airports, by passenger traffic for which traffic data was available. Indexed against highest productivity. Figures are rounded.

SOURCE: ATRS Global Airport Benchmark Study