

# Airport Beacon Report



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## AIRPORT BENCHMARKING AND PERFORMANCE MEASURES

By Mark R. Davidson, A.A.E., Vice President

One of my favorite movies is *Caddyshack*, and one of the many memorable quotes is between Judge Smails, played by the late Ted Knight, and Ty Webb played by Chevy Chase.

*Judge Smails: Ty, what did you shoot today?*

*Ty Webb: Oh, Judge, I don't keep score.*

*Judge Smails; Then how do you measure yourself with other golfers?*

*Ty Webb: By height.*

Although I might be reaching, this is the same way many airports measure themselves. They compare numbers and statistics that have nothing to do with their performance. For instance, they rely on their enplanements or number of operations and ignore financial ratios and customer service indicators. To truly measure performance, a variety of benchmarks need to be established and analyzed.

Another example of focusing on just one performance measure occurred after my first year of becoming an Airport Manager. That year, my airport recorded revenues of approximately 40% higher than the previous ten year average. Being my humble self, I shared this information with practically everyone I came in contact with. However, I did not share the rest of the story. The reasons the revenue increased dramatically was because Nissan produced too many vehicles and the seaport did not have adequate space to park all of the imports. Using existing closed runways, we were able to temporarily park over ten



thousand vehicles. Another reason for the increase in revenues was the wildfires that swept the State of Florida that year. Firefighting helicopters had to purchase large amounts of fuel to put out the fires that were approaching the Airport. Therefore, due to Nissan's poor car sales and a natural disaster, I proclaimed myself the best airport manager that ever lived (at least that's what I said on my self evaluation.)

One way of establishing a well-balanced approach to measuring overall performance of an airport is to break down all of the data collected into three separate broad categories: finance, operations, and service.

The financial category would include the traditional ratios and measures many airports use every day. Some of the measures would include staff cost per passenger, total revenue per employee, or simply net income. Financial performance measures can include operating and maintenance expenses, as well as capital. For instance, when is the last time the accounting staff used the capital asset pricing model

(CAPM) to analyze the appropriate required rate of return of an asset. Keeping track of financial measures is key to keeping expenses and revenues in check.

The operational category would include data that can track energy consumption, security effectiveness, maintenance, and safety. Some of the data that would need to be collected would include passengers accommodated per unit of time, thefts, door alarms, work orders, FAA reported discrepancies, and alerts. These ratios and statistics should assist operational managers reallocate resources to become more efficient.

The final category is the most difficult to measure, since it takes into consideration both customer service and quality of service. Although statistical data can be collected, the information is more subjective and requires careful analysis. Data that can be collected includes curbside-to-gate distance/time, complaints, and compliments.

In addition to the measures mentioned, the following include other measures to consider tracking:

#### Financial

- Traffic income per passenger
- Commercial income per passenger
- Concession income per passenger
- Property Income per passenger
- Staff cost per employee
- Passengers per employee
- Aeronautical revenues as a % of costs
- Aeronautical revenues as a % of revenues
- Commercial revenue as a % of total revenue
- Total costs per passengers
- Operating costs per passenger
- Staff costs per passenger
- Operating profit
- Capital expenditure per passenger

#### Operational

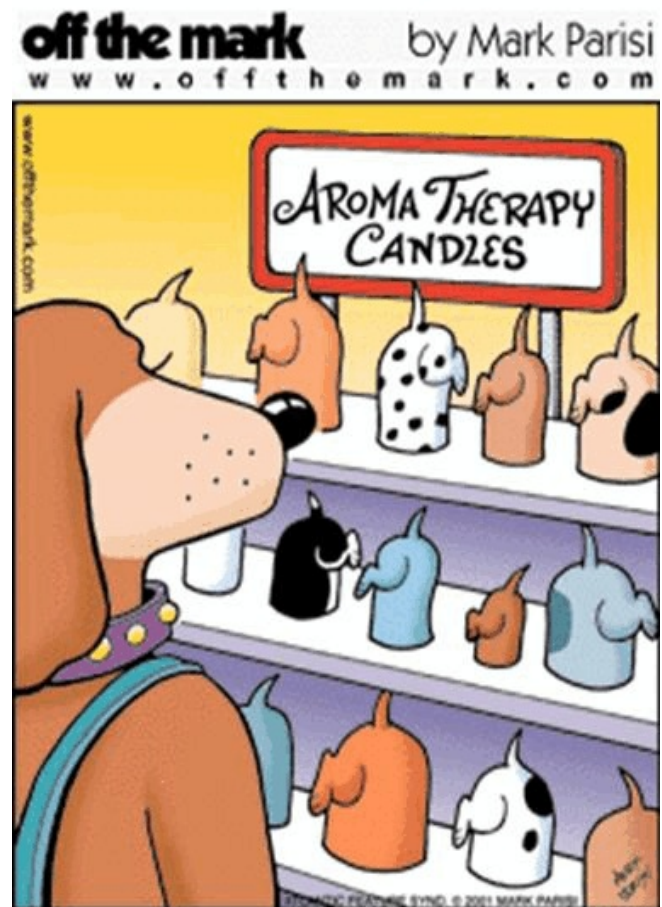
- Gate utilization
- Power/fuel consumption
- Security effectiveness/crime/theft

- Maintenance
- Energy consumption
- Ground transportation usage
- Passengers per employee

#### Service

- Community relations
- Noise
- Response time to complaints.
- Crowding
- Sound levels
- Waiting times

Airports are unique and difficult to analyze due to political issues, regulations, and ownership. To accurately measure performance, an airport organization needs to take into account external, internal and operational factors. By doing this, an airport can become more efficient, profit-oriented and accountable to various stakeholders.



## **WORDS OF CAUTION: MINIMUM STANDARDS AND RULES & REGULATIONS**

*By Bobbi Thompson, Executive Vice President*

A number of issues are consistently thrown around on the topic of Minimum Standards. These include issues of both a positive and negative nature. One area to absolutely avoid is the creation of Minimum Standards to either prevent the entry of a new commercial operator by having excessively high threshold requirements, or lowering the standards for the benefit of a new entrant to the airport after current commercial tenants have expended money and time to comply with a previous standard. Both mistakes may cause you to be a recipient of a Part 16 filing, which can suspend your ability to receive funding, or at least prevent you from getting it when you need it.

Another mistake that airports make is in trying to make Minimum Standards and Rules and Regulations a single document. While there is certainly an opportunity to work on both documents at the same time, they are very different management tools. Minimum standards set the threshold requirement for commercial aeronautical service providers, whether they offer a single service or they are a full service FBO. Rules and regulations apply to everyone that uses the airport and establish the acceptable conduct while they are on your facility. Both documents protect the public and the airport sponsor.

Since it is wise to involve tenants and /or representative group of tenants in the development process for both documents, there are certain time and cost savings for working on both documents at the same time, but do not lose focus of the separate distinctions each document demands.

### ***ASK ABS***

A monthly part of our newsletter is a section called "Ask ABS", where we answer aviation-related questions from our readership. (If we do not receive a question, we make one up.) Each month we publish one question that we receive with a joint

reply from our professional consulting team. Please submit any questions via e-mail to Mark Davidson at: [mdavidson@airportbusiness.net](mailto:mdavidson@airportbusiness.net)

This month's question (which we made up) is: *What is a FAA Part 16 investigation?*

According to the FAA, Part 16 is the Administration's "Rules of Practice for Federally-Assisted Airport Enforcement Proceedings." The Code of Federal Regulations (CFR) Part 16 contains the rules for filing complaints and adjudicating compliance matters involving Federally-assisted airports. The various acts under which these matters may arise are the Airport and Airway Improvement Act, the Federal Aviation Act, the Surplus Property Act and the predecessors of these acts. Compliance issues may also arise under regulations, grant agreements, and documents of conveyance issued or made under these acts. In other words, it represents the procedures that the FAA uses to investigate public airports that have potentially violated the Grant Assurances, or other FAA policy. Suffice it to say, this is as much as you ever want to know about it!

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#### For More Information

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