



**WORKING PAPER**

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND  
AIR NAVIGATION SERVICES**

**Montréal, 15 to 20 September 2008**

**Agenda Item 1: Issues involving interaction between States, providers and users  
1.2: Economic performance and minimum reporting requirements**

**ECONOMIC PERFORMANCE AND MINIMUM REPORTING REQUIREMENTS  
FOR AIRPORTS AND AIR NAVIGATION SERVICES PROVIDERS**

(Presented by Airports Council International (ACI))

**SUMMARY**

Economic performance and minimum reporting requirements for airports should correspond with the principles of economic oversight in not being prescriptive or having the characteristics of a regulatory intervention. An obligation for airports to define and report performance objectives and targets in the areas of safety, quality of service, productivity and cost effectiveness would constitute a specific form of economic oversight resulting in a regulatory intervention. Such an intervention should be considered only if necessary to prevent airports from abusing a dominant position. The assessment of the necessity and effectiveness of such an intervention, however, is the foremost responsibility of the State within its economic oversight function. Performance objectives may thus only be applied on a case-by-case basis as one possible form of economic oversight once the risk of abuse of a dominant position has been established by the State.

The development of relevant and appropriate performance indicators (as opposed to objectives) is encouraged and should include all service providers at the airport. Using airport performance indicators for benchmarking between airports or with other industries should be done with caution as the comparability of the underlying data and its reporting is very limited since vast differences exist among airports.

Action by the Conference is in paragraph 5.

<sup>1</sup> Language versions are provided by ACI.

## 1. INTRODUCTION

1.1 The discussion on performance management as a management tool for services providers, regulators and users has received much attention and has made significant progress in the air navigation services arena since 2000. However, the progress made on this subject has been discussed outside the context of airports and is very specific to Air Navigation Services Providers (ANSPs).

1.2 It is important to recognize the differences between airports and ANSPs and to appreciate why economic performance standards and requirements for both providers must not be similar and results in the field of ANSP cannot be transferred to the airport industry in a one-size-fits-all approach.

## 2. DISCUSSION

2.1 The application of performance management systems is a common internal tool across the airport industry to enhance the performance and efficiency of an airport, airport system or network over time. Performance measures support the establishment of corporate goals and planning, identify areas requiring management attention and promote individual staff accountability. As many services critical to the airport performance are outsourced to suppliers or undertaken by other providers, they are often included in the performance measurement system.

2.2 Airports are free to determine which individual indicators they wish to establish to ensure the organization's success. While reporting all performance indicators to users would be overly prescriptive and counterproductive, disseminating the information on some selected key performance areas should be part of the user consultation process.

2.3 Applying key performance areas carefully developed over many years in the ANSP context to the airport sector combined with the requirement to set objectives and to meet targets in these areas would ignore the significant differences between the two providers. Most critically, unlike ANSPs, the majority of airports operate in a competitive environment as many of the services provided by airports have come under competitive pressure. Airports are active players in competing for customers in many ways as they compete for local market share, transfer traffic, cargo operations, air carriers and routes, non-aeronautical business in and around the airport, and they compete with other modes of transport (e.g. rail, car, maritime).

2.4 ANSPs tend to face no competition. As an exclusive national service provider, they handle the aggregate air traffic flowing through national air space. Their degree of commercialization and privatization is substantially less than in the airport industry due to the nature of their business by public contract to ensure the safety and efficient use of airspace there. In the absence of commercial and competitive pressures similar to those airports face, the definition and reporting of performance objectives by ANSPs seems appropriate to ensure supply chain efficiency.

2.5 A similar one-size-fits-all approach for airports would however run contrary to the established principles of economic oversight and interfere with the autonomy of airport management. States have to consider the degree of competition, the legal, institutional and governance framework and the costs and benefits before reverting to more specific oversight forms.

2.6 The collection and reporting of performance indicators lead to a risk that the data will be misused for industry benchmarking exercises. Comparing the performance of airports is complex and may produce misleading results. The definition of performance measures varies significantly between airports as costs are allocated and accounted for in different ways. Other variable factors are capacity, ownership

structure, age of airport infrastructure, airport size, layout and location, level of commercial activities and level of outsourcing. Moreover, there is no consistency in the collection and reporting of data. Performance indicators are an information tool specific to an individual airport, they are not designed to serve as the basis for industry benchmarking unless agreed by all parties involved.

### 3. CONCLUSIONS

From the foregoing discussion, the following conclusions may be drawn:

- a) Performance management is an important management tool for services providers and users. States should encourage services providers to develop and implement appropriate performance management systems. These systems should include all services providers at an airport.
- b) States should encourage the development of relevant and appropriate performance indicators with the purpose of continuously improving performance and to report at least one relevant performance indicator in the key performance areas defined by the provider.
- c) ICAO should amend paragraph 16 of Doc 9082 to recommend the establishment of performance management systems by service providers, and to include the main elements of a performance management system.

### 4. PROPOSED AMENDMENTS OF POLICIES

4.1 In accordance with conclusion c) of paragraph 3.1, it is proposed to amend paragraph 16 of Doc 9082 on economic performance and minimum reporting requirements proposed by the ICAO Secretariat in WP/5 as follows:

#### *Economic performance and minimum reporting requirements*

16. *The Council recognizes that performance management is an important tool to improve the efficiency in the provision and operation of airports and air navigation services, ~~and an essential element in the economic oversight process.~~ The Council therefore recommends that States encourage their airports and providers of air navigation services to:*

- i) Define performance indicators ~~objectives~~ related to key performance areas that may ~~should~~ include, ~~as a minimum,~~ safety, quality of service, productivity and cost-effectiveness and that include all service providers;*
- ii) Select and report at least one relevant performance indicator ~~and its target~~ for each of the key performance areas selected;*
- iii) Use the results to evaluate and improve the performance ~~objectives~~ of services provided; ~~and~~*
- iv) Take the results into account to support investment decisions; and*

*v) Undertake consultations with users and other interested parties to ~~achieve a promote~~ mutual understanding and achieve, wherever possible, consensus, ~~where appropriate, on performance objectives, level of performance targets and plans to achieve the targets.~~*

**5. ACTION BY THE CONFERENCE**

5.1 The Conference is invited to:

- a) review and adopt the conclusions in paragraph 3.1; and
- b) review and endorse the proposed amendments of Doc 9082 in paragraph 4.1.

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