
UNIT 29 AIRPORT

structure

- 29.0 Objectives
- 29.1 Introduction
- 29.2 Functions of Airport
- 29.3 Issues in Airport Management
- 29.4 Problematic Areas in Airport Management
- 29.5 Improving Financial Performance
- 29.6 Monitoring Performance
- 29.7 Other Key Issues
- 29.8 Let Us Sum Up
- 29.9 Answers to Check Your Progress Exercises

29.0 OBJECTIVES

After reading this Unit, you should be able to:

- understand the functions of an airport,
- identify **issues** and **areas** in airport management which need immediate consideration, and
- explain the necessity for adopting a commercial approach in airport management.

29.1 INTRODUCTION

An airport's significance in tourism needs no elaboration. The tourism industry in India has been demanding more international **as** well **as** domestic airports with better facilities and management. There is also a **policy** shift towards **privatisation** of airports and running them as commercial enterprises. Knowledge about airports is **required** not only by **those** who work **there** but also by those tourism professionals who deal with airports. In this Unit, we **will** explain the basic functions of airports, issues before airport management, economy of airports and how to cope **with** various challenges.

29.2 FUNCTIONS OF AIRPORT

An airport essentially works as a facilitator and its **functions** vary as per its size. However, looking at **the** various functions of an airport we can broadly group them in three categories:

- Essential operational **services**,
- Traffic handling services, and
- Commercial **activities**.

Essential services include **maintenance** of **runways, terminals**, hangers, **building**, air traffic control **system, telecommunications**, security, fire **and** ambulance services. Different **countries** have different rules in **providing** these **services** depending on the **nature** of **government** control over the **airport authority**. In India, till now all these facilities are provided and controlled **by** government through various **agencies**.

Traffic handling services include provision of **loading** and **unloading** of **baggage**, **delivery** of baggage through conveyer belts at the lounge, processing **of** passengers and providing required **services** to the **passengers**. Here also difference **exists** among **airports** in different countries. For **example** in many European countries these services are provided **by** airlines **or** special handling agents. In **India** these **services** are provided by the airport **authorities**.

Commercial activities include **shops**, duty free shops, restaurants, **bars**, **car-hire** booths, offices of travel agencies and airlines, tourist information centre, foreign currency **exchange**

facility and other services for customers. Generally, either in the terminal building or in its vicinity these facilities are available. These facilities and services may be provided by airport authorities or by any **public/private** body.

At the same time, there are certain other agencies like the **Customs**, security (**police**), **emigration department**, etc. which are very much present at the airport but are not a part of the airport management. Each one of these agencies has its own regulations, laws, roles and duties defined by the government. Yet, in public eye they are part of airport regulations and in most of the cases have a bearing on an airport's image.

The forms of ownership and management of airport largely determine the nature of **facilities** and services available at any airport. Though in most of the countries airports are owned by government, there are also countries where airports are owned by **public/private** companies. In India, National Airports Authority, an autonomous body, under the Ministry of Civil Aviation manages the airports and controls the various facilities and services provided by Indian airports. Major airports in India are located in **Delhi**, Bombay, Calcutta and Madras. Besides these all state capitals and important cities have airports. Functions of different airports depend on the number of aircraft movements, number of passengers and volume of freight. This outline of functions provides a general idea of the different areas which should be the concern of airport managers.

293 ISSUES IN AIRPORT MANAGEMENT

In his study of the airport business **Rigas Doganis** has identified four key questions which he believes should be resolved before making any policy decision for airport management. These are:

- **Should airports be run as commercially oriented profitable concerns ?**
- **How should one improve airport economic efficiency ?**
- **Whether profits from larger airports should be used to cross-subsidise loss-making smaller airports ? and**
- **Should airports be privatised?**

If we look at the trend in airport management system all over the world since **1980s**, we find direct relevance of the issues raised by **Rigas Doganis**. On the one hand lack of government resources to cope with fast changing technologies and management **skill** and on the other economic potentiality of airport services have made it clear that airports should operate as commercial undertakings. In the context of ongoing governmental experiments with economic liberalisation in India very soon airports are going to face a competitive environment. They have to **mobilise** their **own** resources. Moreover, proper policy decisions have to be taken in time to improve efficiency, cost-effectiveness and better resource management.

29.4 PROBLEMATIC AREAS IN AIRPORT MANAGEMENT

Airport services management, particularly in developing countries, is generally affected by **lack of resources, outdated technology and failure of personnel management**. With **increasing demand** for better facilities and expansion of runways because of growing volume of air-traffic, there is an urgent need for airport expansion. Going for latest technology and its application in order to keep pace with the growing competitive market needs sound **financial** base. Resource **mobilisation** is the key to future expansion and development. In developing countries a major problem faced by airport management is how to generate resources. Lack of funding results in inadequate operational safety, poor facilitation levels and dependence on old technology. **Non-commercial** handling of financial management, unwanted bureaucratic approach and lack of professionalism in marketing and promotion of **business** are mainly responsible for **financial** constraints faced by the airport business.

Technological update is crucial to compete with others in airport business. Unfortunately because of various **constraints** the developing countries cannot afford to pay for advanced technology. As a **result** of this **old** equipment and outdated techniques are used in airport

services. This, **infact, has** a direct bearing on the destination. The tourist generating markets are developed countries and international tourists demand similar facilities.

Improper handling of human resources is another problematic area in **airport** management. Lack of innovation, motivation and appreciation for quality and talent makes it difficult to attract good talent or to retain the skilled employees. Stereotype and impersonal attitude in managing the personnel affects the working of the organisation and also leads to unwanted strike and lockout causing loss of manpower.

Check Your Progress-1

1) What are the major functions of **an** airport?

.....

.....

.....

.....

.....

2) List some major issues which need serious consideration of the airport management.

.....

.....

.....

.....

.....

29.5 IMPROVING FINANCIAL PERFORMANCE

Some of the key concerns in airport services which we have discussed in the preceding Section naturally lead us to look for a way out in order to improve efficiency in managing airports. Let us first see how to improve financial efficiency. Having an idea of cost and revenue structure of an airport is essential before we move to look for ways of improving financial efficiency. Average cost structures of airports constitute **staff or labour salary, capital charges, other operational expenditure, services maintenance and administration**. Salaries paid to the staff and capital charges which include interest paid for loan and depreciation generally constitute two-thirds of expenditure of an airport. Depending on the ownership pattern and organisational structure of an airport the cost structure varies. For example, many airports in US rent or lease out terminals and other facilities. For development and expansion of airport many US airports raise money by floating bonds. So in US, more is spent on capital charges than on staff salary. Whereas in India the amount of expenditure in the head of staff salary **takes** a major share of annual budget.

After **composition** of expenditure comes the sources of revenue. The revenue generation of each airport may vary but we can divide the sources **broadly** in two categories i.e. **Revenues from traffic and revenues from commercial services/activities**. Traffic revenues include aircraft landing fees, airport tax, passenger-service charges, aircraft parking and hangarage fees, etc. Revenues from commercial activities include income from shops, restaurants, office spaces provided to others, entry fee, etc.

In the light of the above facts we have to analyse the various options to improve **financial efficiency**. There is a growing thrust to adopt a commercial approach in order to generate

sufficient resources. Increasing **governmental** pressure to look for **self-financing** places the onus on the airport management for adopting a commercial strategy. **Rigas Doganis** has suggested two alternative strategies for the airport operators in order to pursue commercial strategies.

- 1) The Traditional Airport Model is **one where** airports **see** their **primary** task as meeting the "basic and essential needs of passengers, airlines, freight **forwarders** and other direct airport customers as users". This strategy is generally pursued by government owned airports, where operation and management is looked after by a government department. Here priority is given to meet passengers' requirements.
- 2) The Commercial Airport Model aims "to maximize income **from any** appropriate activity at the airport. This in turn means that one regards the airport as a business opportunity which not only **serves** its direct and traditional customers – airlines, passengers, cargo shippers and so on – but also a wider range **of** potential customers including airport and airline employees, visitors, people residents in **the** surrounding communities as **well** as local business and **industries**". In this model while an attempt is made to look after passengers' needs, at the same time an effort is made to generate commercial income from other activities such as leisure complexes, shopping plaza, restaurant, etc. Proper utilization of space is very essential. In view of the present market situation most of the airports are now opting for the commercial airport model. As there are many constraints in raising more revenues from aeronautical charges so the airport management is left with the option of using commercial sources. The following activities may help in generating resources:

- rent by providing space and facilities,
- duty and tax-free shop's,
- duty and tax-paid shopping,
- catering facilities,
- leisure facilities,
- car parks,
- advertisement in and around the airport,
- passenger, baggage or freight handling, etc.

Restructuring of organisation is very important if we want to make airport as a business centre. Generally the functions of an airport are divided into following divisions/departments with a director or manager as head of respective **division/department**. The divisions are as follows:

- operation,
- administration,
- finance,
- engineering,
- personnel, and
- safety and security.

The heads of these **divisions/departments** are directly responsible to the airport director or manager. In this structure commercial activity does not get much prominence. **If** we have to adopt commercial airport model then we have to make a separate commercial division with the responsibility of taking care of commercial interests of the airport. **Using** the appropriate marketing tools, the commercial manager should identify market segments, which **can** be served. Market-oriented approach is very crucial for success in a competitive market. Based on present evaluation of performance and future market **forecasts**, airport management should also make business development plans.

29.6 · MONITORING PERFORMANCE

Monitoring performance and efficiency is needed to provide better services. Performance **indicators** help in measuring an airport's economic **efficiency** as well **as** to measure the

services provided by airport. It basically depends on the managers to develop appropriate indicators to ensure the proper use of resources in order to achieve the desired objectives or targets. According to R Doganis "Performance indicators should be used to monitor the performance of individual airports overtime or in relation to budgets or targets and to compare their performance with other airports at a particular point of time". Inter-airport comparison may help in identifying the factors which are responsible for inefficiency and need managerial attention.

Another way of monitoring performance is measuring of input- output ratio. Input mainly includes capital and labour. The financial involvement incurred in capital and labour inputs and the return out of these inputs is output. A comparison of inputs- outputs provides you necessary information about your performance.

Transport Studies Group in London, while examining a wide range of performance indicators suggested the indicators which fall into 6 discrete areas for airport performance:

- overall cost performance,
- labour productivity,
- productivity of capital employed,
- revenue-generating performance,
- performance of commercial activities, and
- overall profitability.

Though these indicators have been developed on the basis of studies done on European airports, all or many of these may be applicable to any airport. However, it is left with the management of an airport to develop appropriate performance indicators in the light of a given situation. In identifying performance indicators attention should be given to those indicators which are most useful to managers for internal monitoring and for which data can more readily be obtained. Ultimately it is the skill of a manager and his or her way of using the indicators which determine the effectiveness of performance indicators.

29.7 OTHER KEY ISSUES

There are certain other key issues in relation to airport management.

- Big airports perform the role of waiting rooms for tourist passengers. This emerges out of the hub-and spoke concept. Most of the airlines select an airport (hub) into and out of which most of their flights (spokes) radiate. Quality transit services can be provided and this should be charged either from the airlines or the passengers.
- Lost or damaged luggage, though a responsibility of the concerned airlines, deserves adequate attention from the management along with measures for theft control.
- Proper coordination between the airlines staff and airport staff is essential.
- For any managerial role at the airport, the qualities and skills mentioned in Unit-1 are relevant.

Check Your Progress-2

1) Suggest some ways to generate revenues for an airport.

.....

.....

.....

.....

.....

.....

- 2) Explain the importance of performance monitoring in **airport** management.

.....

.....

.....

.....

.....

29.8 LET US SUM UP

In the context of economic **liberalisation** and the potentials that the airports have to generate more resources, time has come to **see** that airports are operated and **managed on sound** business principles. In this Unit, we have analysed the functions of **airports** and the **issues** before the airport management. While **explaining** the problems faced by airports **we** have analysed the **ways** and need for **improving** financial management, monitoring performance and better use of human resources. In order to **check** the financial drain on central government resources operating airports **on** commercial basis is a **natural** choice. But we should be **taken** to see that profit is not the **only motive**, customers also get the satisfaction of their money.

29.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress-1

- 1) See **Sec. 29.2.**
- 2) See **Sec. 29.3.**

Check Your Progress-2

- 1) See **Sec. 29.5.**
- 2) See **Sec. 29.6.**

SOME USEFUL BOOKS FOR THIS BLOCK

Baldev Raj Nayar	The State and International Aviation in India, 1994.
S.S. Sidhu (ed.)	Aviation and Sustainable Tourism: Emerging Trends , New Delhi, 1994.
H.A. Rogers and J.A. Slinn	Tourism: Management of Facilities, London, 1993.
Khan, Oslen Var (ed.)	VNR's Encyclopedia of Hospitality and Tourism, New York, 1993.
Rigas Doganis	The Airport Business, London, 1992.

ACTIVITIES FOR THIS BLOCK

Activity-1

Visit a restaurant or a food stall and note down the following points:

- objective of the restaurant,
- type of customers they serve,
- their method of operations,
- **problems/challenges** they face.

Activity-2

Interview some transport operators and **find out which** market segments do they cater to and why?

Activity-3

As a potential transport operator make a marketing plan of transport services.

Activity-4

Make a list of suggestions to improve the customer services in airport.

Activity-5

Give your responses on **privitization** of airlines.

Activity-6

As a manager what instructions would you give to the driver of a **tourist** mash? **Prepare a list.**

NOTES