

**In the spotlight:** Pete Ricondo provides a reminder of the importance of strategic planning in support of a capital development programme.

## Building for the future





# All about planning

**Pete Ricondo provides a reminder of the importance of strategic planning in support of a capital development programme.**

**A**irport management consistently faces competing demands for limited resources and capital in a world full of unknowns. A new runway, for example, can take a decade to build, but an airline business cycle runs half that time. Staff from with different departments with different responsibilities will invariably have opposing views of what is important. And while increasing airport revenues is a key goal, perhaps the public mission of expanding the airport's route network may be the top priority.

Airport management is tasked with cost-effectively implementing long-term airport improvement or capacity expansion plans while efficiently operating an often city or quasi-government owned asset on a day-to-day basis.

In such circumstances, a strategic planning process may prove to be more than a useful tool for helping make those big decisions and to handle uncertainty or changing conditions in such a dynamic environment.

As shown on the chart below, when properly integrated into an airport setting, the strategic planning process serves as a guide and the foundation for other planning activities.

The airport strategic planning process is instrumental in developing a vision for how the airport will operate in the future. The process helps determine an airport's competitive position, results in an action plan to accomplish the short and long-term objectives necessary to achieve the vision for the airport, and creates a series of tools that are helpful in managing the real-time activities of an airport.

During the course of the strategic planning process, airport management may also identify opportunities for product differentiation that necessitate the development of additional facilities. For example, the need to develop a stand alone, no-frills terminal for low-cost carriers (such as Austin-Bergstrom International Airport's new South Terminal) might result from the strategic planning process.

The masterplanning process, when it is able to rely on a strategic planning process for definition of the airport's vision, identification of its customer base and intended service offerings, can result in a facility plan that most appropriately fulfills the business objectives over a particular timeframe.

The absence of an integrated planning process increases the risk of wasting capital development funds on unnecessary projects that allow competing airports to gain a significant advantage by more effectively meeting the needs of passengers and airlines.

Undertaking a multi-year capital development programme requires major investments. Assuming that airport management can develop an appropriate programme at the beginning, the fact that the implementation process takes significant time – during which many factors can change – requires adaptability along the way. Such adaptability can only be accomplished through proper monitoring of airport performance and the market conditions affecting it.

Airport performance can be tracked by monitoring general aeronautical demand, user activity and operational metrics such as the number of enplaned passengers, aircraft movements, user types, cargo tonnage etc. However, many other metrics are also important in monitoring the successful implementation of a capital development programme.

For example, it may be useful to understand trends in airline service markets as they may affect the mix of business and leisure travellers (which have different cost sensitivities) that flow through the airport.

Information on the type of owners basing their aircraft at the airport may assist airport management in understanding the stability of the demand for fixed base operator services (for example, currently, automobile companies would be an example of not-so-stable demand for aircraft services).

Comparisons of the cost environment at an airport relative to its competition are also valuable for management to consider in the decision-making process.

However, it is not just important to track these metrics; it is also necessary to have a mechanism for relating these metrics to the capital programme. What facilities will be needed at the airport as a result? Will airport management need to adjust a facility or alter a project already under construction? Or will airport management need to stop construction entirely if the metrics indicate critical variances?

Modern airport management requires the integration of business considerations with the facility development process. Financial analysis cannot just be an afterthought at the end of a masterplanning process.

A thorough understanding of the organisation's financial objectives should drive the development of facility needs and the formulation of an implementation plan for an airport expansion or enhancement programme.

Similarly, as increasing attention is paid to environmental sustainability considerations, the need for a strategic planning process grows. True sustainability requires that environmental

## Inter-relationship of the airport planning processes



priorities be integrated with the organisation’s key business objectives so that a holistic set of priorities will drive the airport’s facility development process.

To be effective, airport management must not stop after the initial strategic plan is developed – constant monitoring and appropriate adjustments throughout the process are needed, as the airport strategic planning process is a continuous cycle.

Ricondo & Associates, with assistance from others such as Booz Allen Hamilton, George Mason University and National Service Research, recently completed a *Guidebook on Strategic Planning in the Airport Industry* for the Transportation Research Board’s Airport Cooperative Research Program.

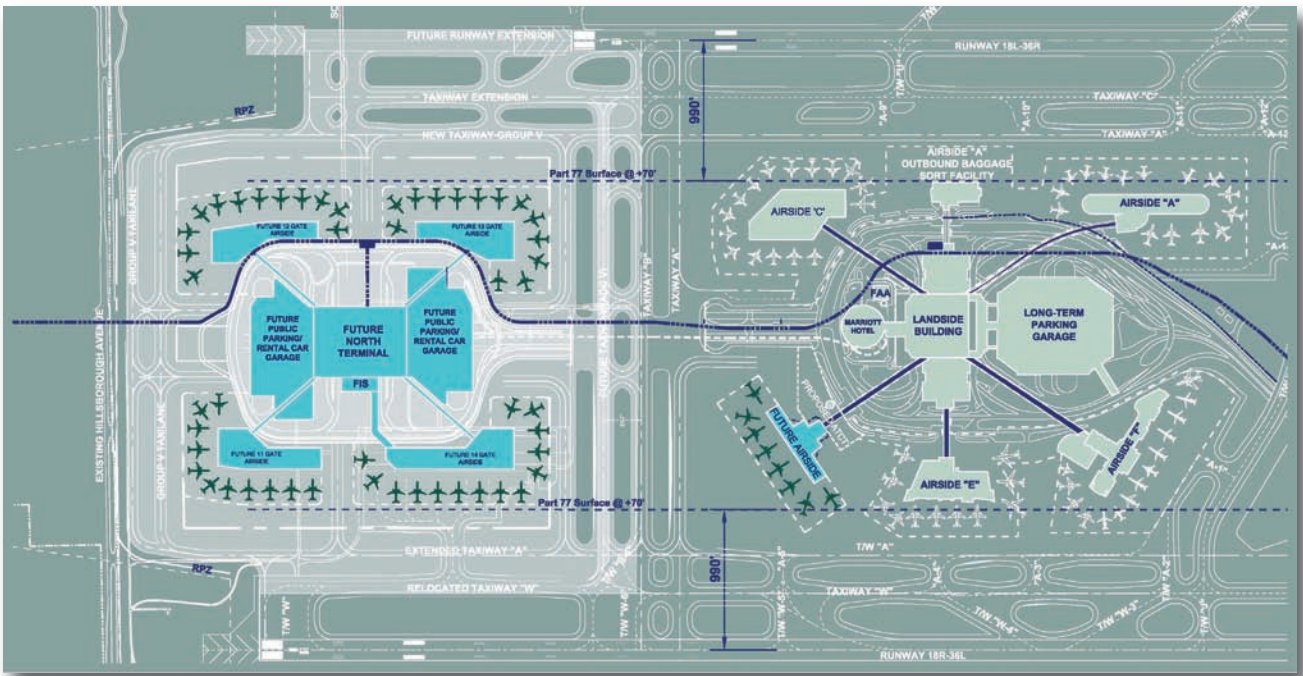
It is designed to help airport management leverage the strategic planning process to align the performance of the overall organisation and bring consistency to the various planning processes.

A good example of a strategic plan in action can be found in Tampa, Florida, where the Hillsborough County Aviation Authority (HCAA) effectively uses the process to guide the management of Tampa International Airport; the three general aviation gateways of Tampa Executive Airport, Peter O Knight Airport and Plant City Airport.

The authority typically undertakes this process on a five-year cycle with buy-in from the highest levels of the organisation.

HCAA uses the strategic planning process as a mechanism for aligning the interests of the entire organisation. It pursues both a top-down and a bottom-up approach, whereby a strategic vision is established by its executive team and the board, and input is sought from senior management throughout all levels of the organisation in order to develop a realistic, actionable plan.

The strategic planning process used by HCAA assists with identifying the current and expected future customer base for each



airport. Through this process, it is able to understand the role that Tampa International Airport and its general aviation airport system plays in serving the needs of the Tampa Bay area's unique mix of leisure and business passengers.

The process helps outline the cost concerns and facility needs associated with its specific airline users and allows for recognition of competition both locally (St Petersburg-Clearwater International Airport) and in the broader market (Orlando International Airport). The results of the strategic planning process are key inputs to an effective capital improvement programme.

HCAA's strategic business plan includes a facility development analysis. The process produces plans for all maintenance needs, information technology advancement, tenant requirements and capacity and customer service enhancements. For each element of the plan, activity triggers or management indicators are developed.

The process builds on an analysis of the strengths, weaknesses, opportunities and threats (SWOT) of the organisation and the facilities, and allows for a financial analysis component that aligns the plans with HCAA's financial goals.

One of the outputs from the airport authority's strategic plan is its capital improvement programme. HCAA builds this programme in three time horizons, beginning with the first horizon, which contains those projects already under way and expected to be delivered within a five-year horizon. The second horizon includes the following five-year period, and the third horizon consists of the subsequent 10-year period, for a 20-year programme overall.

This breakdown by time periods allows HCAA to understand its long-term needs while being able to adjust investments as it monitors and measures performance. It is truly a demand-driven programme.

In helping understand the various outcomes that may be possible, HCAA conducts a series of sensitivity tests to analyse the

potential variances in traffic demand and revenues that could result from market and industry changes. These potential variances are related to demand triggers for projects in the capital programme, allowing the airport authority to be prepared for adjustments.

For example, in 2001, HCAA was in the process of redeveloping Airside C at Tampa International Airport when 9/11 happened and the horror of the terror attacks and the global events that followed led to an abrupt decline in traffic. However, while there was sufficient justification to pause or even indefinitely defer that redevelopment project, HCAA chose to proceed with the project as it was in the best, long-term interests of the airport, and it turned out to be a wise decision.

Similarly, in 2008 the airport authority commenced the programming of a new \$1 billion North Terminal complex scheduled to open in 2015, just as the global economic downturn was beginning to bite. Today's unfavourable market conditions mean that again it would have been easy to scrap the project altogether, but HCAA has resisted the temptation and will instead simply delay the construction timetable.

Indeed, the airport authority has decided to continue to prepare the site for the North Terminal to ensure that it can swiftly start construction of the complex when demand warrants it.

In both of cases (Airside C and the North Terminal), the airport authority's strategic plan, coupled with the process and analyses undertaken in the development of the strategic plan, facilitated the necessary decision-making process as the economic environment and other external factors changed.

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## About the author

Pete Ricondo is senior vice president at Ricondo & Associates.

*The Guidebook on Strategic Planning in the Airport Industry* will be available online at [www.trb.org/TRBNet/ProjectDisplay.asp?ProjectID=143](http://www.trb.org/TRBNet/ProjectDisplay.asp?ProjectID=143) later this year.