

Updated Revenue Management Technologies Cut Airport Losses

By: Evonn Gibbs

Those who run tax-supported U. S. airports are obligated perhaps more than those in other industries to minimize the monetary costs of human error, swindles, and accounting redundancy. To do that, gathering and calculating data requires the highest level of organization, accuracy and consistency that's humanly possible. Fortunately state of the art revenue management technologies can help tremendously.

Since most airports have an abundance of airline and commercial contracts and sub-contracts, and nearly as many variations and terms, those responsible for managing revenue flows are constantly challenged to simplify and improve the efficiency of what, for some, may seem like a mission more than a career. In most airports billing and accounting processes require the collection of data from many different sources on a daily, weekly, and/or monthly basis, thus creating many opportunities for mistakes, unnecessary paperwork and miscommunications.

To rectify this, since the early 1990s officials have begun replacing manual, or partially automated accounting and billing systems with technologies that streamline and consolidate data as it comes from each commercial tenant,

licensor, third party contractor, sub-contractor, or partner.

In the past decade, the most common goal among airports seeking to upgrade their revenue management systems (RMS) has been to integrate one or more revenue processes into one database for lease management billing. Most of the large U.S. airports have already done this, but the majority of commercial airports have not.

Of course there are many levels of sophistication airports can achieve with revenue management technology. Schiphol (AMS) is said to have one of the most sophisticated systems in place. Fraport, which operates the airport, also owns AirIT, a systems provider that recently acquired Decision Support Technologies, Inc., (DST).

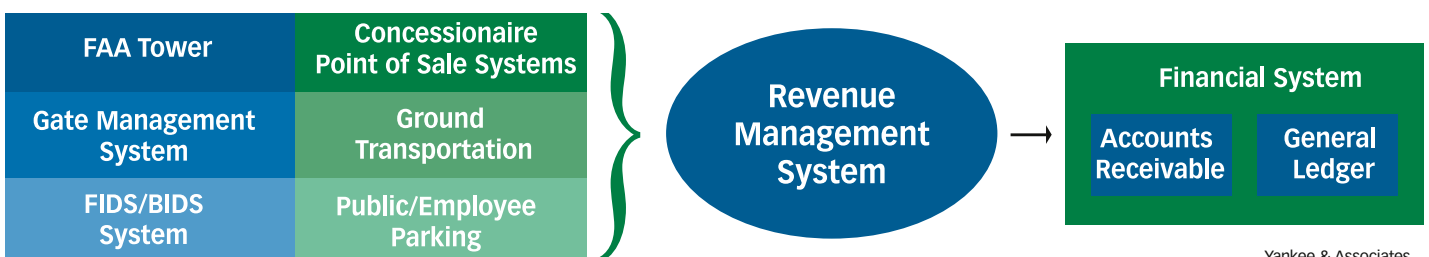
Here in the U.S., according to Frank Oidtman, managing director for AirIT International, AirIT/DST and several other companies provide RMS products and services to U.S. airports. DST's PROPworks product has been installed in dozens of airports and provides the basic software for building a totally automated, integrated revenue management system (RMS) featuring a statistics gathering and reporting module. Among AirIT/DST clients are Hartsfield Atlanta International (ATL),

Los Angeles World Airports (LAWA), Dallas/Ft. Worth International (DFW), Toronto's Lester B. Pearson International (YYZ), and Vancouver International.

In October 2000 DST installed PROPworks at Ft. Lauderdale-Hollywood International (FLL). "Our goal was to have more accurate reporting and billing of properties," says Harriet Samar, revenue manager with FLL. "We had a very outdated system before that and no support for it so this was the first step and now other things are available to us in terms of space management. We also have a statistic module so that gives us a mechanism to gather the information and report more accurate information."

According to Barry Atwood, FLL's director of finance, an ancillary advantage of the change is that it has not led to any layoffs. The benefits at FLL he says, are increasing productivity among the same people, rather than paying fewer people. "Billings are consistent and accurate for all tenants and airlines. Once the system is set up accurately human error goes away," says Atwood. "It think that's where the big benefit is, and the actual time it takes to calculate an invoice is certainly less because it's done automatically. It gives us an analysis of sales of food for example, by terminal and location."

Integrated Business Information Systems



Yankee & Associates

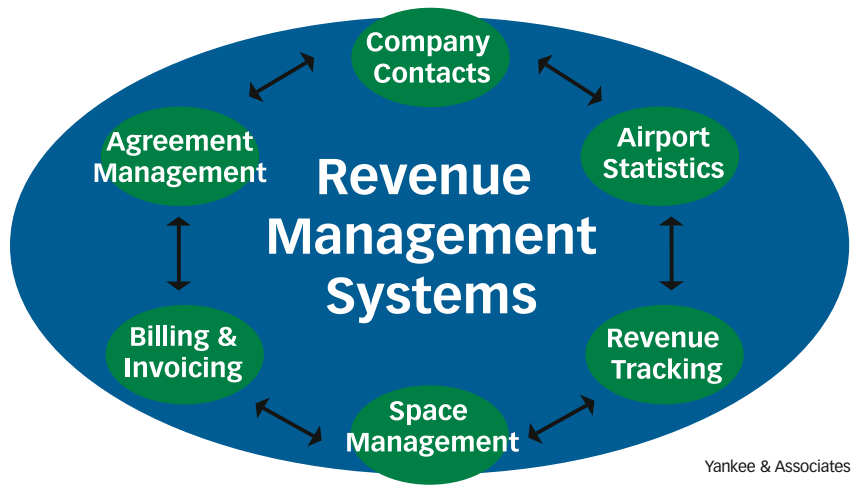
Set-Up Costs Vary

Set-up costs for revenue management systems vary dramatically, providers and consultants say. Depending on the size of the airport, the number of airports in the deal, and the size and scope of the airport's goals, implementation ranges from tens of thousands, to over a million dollars, according to Todd Yankee, principal with Yankee & Associates. The company consults airports on RMS's from needs assessments to implementation and maintenance.

For under \$250,000 FLL completely transformed the lease management and billing processes of its RMS. Installation took eight months. "We didn't have that much outside assistance and a lot of it was related to a system provided by Oracle, which we use only for the ageing of receivables. The rest of our financial management needs are provided by the county system, which we interface in with PROPworks."

According to Tom Strange, vice-president and chief security officer of

Revenue Management Typical Components



Yankee & Associates

DST, implementations typically range from four to nine months depending upon the size of the facility and complexity of the project. "Contractually, customers purchase a license to use the PROPworks software," he says. "They purchase implementation services to implement the software and train airport staff, this is usually on a time and materials basis. Lastly they have the option of purchasing a support and maintenance agreement that provides them with telephone

support and all updates and upgrades to the software. These types of agreements are usually paid annually and are a percentage of the license fee."

Yankee says when airports implement an RMS they are selecting a decision-making tool which can increase efficiency and improve revenue controls as long as personnel follow the proper procedures afterwards. He cautions airport operators not to cut corners when upgrading an RMS, and to take the process seriously.



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Installation should include a research component in which airport personnel participate in the provider's analysis of the airport's methods of collecting, managing and using the data, says Yankee. The airport's existing business and accounting processes, including communications, must be analyzed thoroughly before software is installed. "If you don't look at your fundamental business processes you'll replicate bad processes and the software and the new structure won't work efficiently.

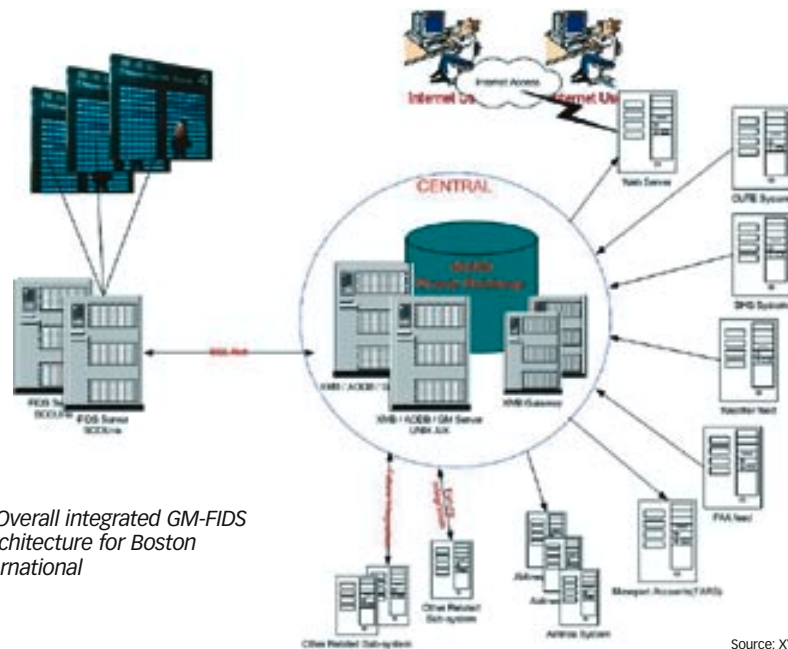
One RMS application, which has caught on faster overseas, is what's known as the real time landing fee data collection system. According to Strange, the claim of 'real time' is a stretch. "These are airport operational databases that record airport operational information from a number of sources including radar data from the air traffic control system and provide it to a billing system such as [our] PROPworks."

DST has been selected to do this at Miami International (MIA), which Strange says, will be one of the first U.S. airports to deploy the technology. The airport's operational information management system (OIMS) will be tied into its PROPworks system to support its new terminal development project.

Several Companies Now Provide RMS Automation

The myriad advantages of RMS automation include consolidation of data sources into one, and the capability of instantaneous billing. XYBase, Inc., another systems provider installed such a system at Kuala Lumpur International (KUL) in 1996. The software is one of seven subsystems of an implementation giving the airport a single point source of data, which eliminates redundant entries and reduces error potential. "Previously the whole billing process would be manually done, cross-checking between landing times jotted on pieces of paper against the air traffic center's records," says Georges Abdullah Zainuddin, project director with XYBase, Inc. "Now with the automation and on-line update of data, the bills and invoices can be generated as and when required."

So far, XYBase has one U.S. project



XYBase's Overall integrated GM-FIDS System Architecture for Boston Logan International

Source: XYBase

under its belt. At press time the company was completing an installation at Boston Logan International (BOS) of an integrated Gate Management and Flight Information Display System (GM-FIDS). While it is not primarily a revenue management system, one module of it tracks aircraft parking times and locations, and can compute aircraft parking fees, according to Francis Anglin, director of information services and telecommunications at BOS. "The GM-FIDS system has updated functionality and provides a much better data source than the previous aircraft parking system," Anglin says. Although the aircraft-parking module is a minor part of the project, BOS did have business processes in that department too, analyzed as Yankee recommends. "XYBase did an assessment of Massport's existing aircraft parking fee process and documented the GM-FIDS system functionality and processes. This was valuable to ensure we were getting a system that did what we needed," says Anglin.

Like other providers, XYBase prices its products and services based on the size and scope of the project. Pricing is based on license fees, and there is an annual maintenance contract.

Most U.S. airports can't afford to completely overhaul all of their information reporting, and revenue accounting and billing systems at one time. However with foresight, airports can structure an implementation so that they start with vital

programs and add modules or applications and interfaces when the budget allows.

In airports where ground transportation billing and accounting challenges are particularly grave, officials may want to integrate those processes into their RMS early on. Yankee recommends tying automatic vehicle identification (AVI) systems to the RMS database. All providers offer such modules he says. "At GCR for example, if [airports] want to integrate the accounting module with ground transportation, they build an interface and on a regular basis transfer their accounts receivables information to the accounting system." Frequency depends on volume, he says, and if they wish, airports can have customer revenues transferred daily to the RMS, and monthly to the financial system. (GCR Associates is a RMS provider).

Another provider, The Bowman Group made its foray into the airport RMS business 15 years ago at Memphis International (MEM) after officials were stuck with products from a provider who went out of business. "But those products, what I call vapor ware, had not yet been developed," says Brad Bowman, president, "so we looked for something airport-specific to replace it but nothing was available." Bowman, who was a consultant at the time and a former partner in an international accounting firm, hired a systems developer to finish out its MEM commitment, and then



Creative Computer Systems Inc., has a straight forward software program as part of it's RMS.

bought out that practice in 1990. Since then the company has installed its Airport Management System (AMS) at airports in the U.S. and Canada.

The demand for RMS is evidently strong enough to keep smaller providers in business. Thomas L. Gladders, president of Creative Computer Systems, Inc. says his company has been "getting some traction". "We provide an internet based software application which allows airports to track all customers, properties and leases," says Gladders. CCS's software is similar to that offered by other providers. "The automated system allows airports to have a warning based on the number of days in advance they want to be notified of

lease expirations, insurance policy expirations, options and sureties. It has a number of reports that come off of the system, which assists in the management of the airport showing occupancy, available properties. It ages lease expirations, insurance policy expirations so the airport can get a good picture of its overall revenue stream," says Gladders.

While no system or technology is 100% accurate 100% of the time, Yankee says officials at several airports report that updating their RMS technologies definitely proved to be worth the expense, the effort to make the change, and the manpower hours required for set up, training and maintenance.

Airports reluctant to budget for automation that will replace spreadsheets and multiple invoicing programs may want to consider how valuable the change could be in the long run. Occasional errors accumulated over months and years can be quite costly. After installing its tenant-billing module in two different airports for example, The Bowman Group discovered costly accounting errors at both. One had agreed to pay a hangar tenant's first two years of insurance, but because no alerts were built into the billing process, officials continued paying premiums to the tune of \$200,000 beyond their obligation.

Bowman says at another airport, when personnel ran their newly installed tenant billing system parallel to their old system they found costly errors in reports of landed weights. "We found out one of the air carrier's 747s weighed less than everybody else's 737's." *P*

We'd like to hear your opinion about this article. Please direct all correspondence to Evonn Gibbs at evonn@airportrevenue.com

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