



# **BENCHMARKING AS A REGULATORY TOOL**

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# BACKGROUND

- Potential uses
- NATS case study
- Lessons learned
- BAA work programme

# POTENTIAL USES FOR BENCHMARKING

- “Comparative competition”
- Benchmarking as decision tool

BUT

- 1) data uncertainty
  - 2) behavioural effects
- Aid to broader regulatory judgment

# NATS CASE STUDY

## Background

- price differentials
- perceptions
  - delays
  - Swanick
  - UK public sector
  - PRC work

# NATS CASE STUDY



## Existing PRC data

- annual collection of data from increasing number of diverse ANSPs [34 in 2003]
- focus on ANSP buy-in
  - major effort to achieve consistency of data
  - cooperation from ANSPs and other stakeholders through a working group
- financial and operational data
- analysed on both an en route and gate-to gate basis
- main analysis around ratios of cost effectiveness

# NATS CASE STUDY



## 3 elements to price review work:

- reworking of PRC data
  - selecting comparators
  - ensuring comparative accuracy e.g. MoD revenues
  - focussing on efficiency relevant data
- bespoke ANSP comparisons to cover e.g.
  - training
  - procurement
- back office functions
  - HR, IT, Finance, Facilities Management
  - non-ANSP databases

# NATS CASE STUDY



## Results

- in line with average ANSP efficiency
- back office functions broadly efficient but high-priced
- insufficient progress on non-PRC data

## Used alongside

- top down efficiency assumptions
- business plan scrutiny
- to form judgment of efficiency potential

# NATS CASE STUDY



## Lessons learned

- perceptions may not be reality
- data accuracy
  - MoD revenue type issues
- data uncertainties
  - comparator fit
  - IT problems
- difficulties of assembling comparator “club”

More homogeneous industry/product than airports

# CURRENT AIRPORTS REVIEW



## Lessons learned from last review

- top down benchmarking not likely to provide robust conclusions
  - too many adjustments required
  - scope of the business – security, baggage handling, ATC
  - dimensions of the product – domestic/international, business/leisure, point to point/interline etc
- bottom up approach more promising?

# CURRENT AIRPORTS REVIEW



## Aim

- cross airport comparison of defined processes eg
  - management of check-in infrastructure
  - trolley management
  - passenger security screening

## Working method

- Booz Allen Hamilton consultancy study
- full co-operation from BAA and Manchester
- CAA led airport and airline steering group

## Current status

# CURRENT AIRPORTS REVIEW



## Issues

- can we get sufficient comparators
  - Manchester and NEMA inside tent
  - 5 other UK airports
  - 3 European Hubs
  - 5 mid size European airports
  
- can state-owned airports be regarded as “efficient”
- how far are smaller UK regional airports comparable to BAA
- always a degree of uncertainty in results – will we be able to distinguish effects of different drivers?
- conclusions will not be finely grained

# CONCLUSIONS



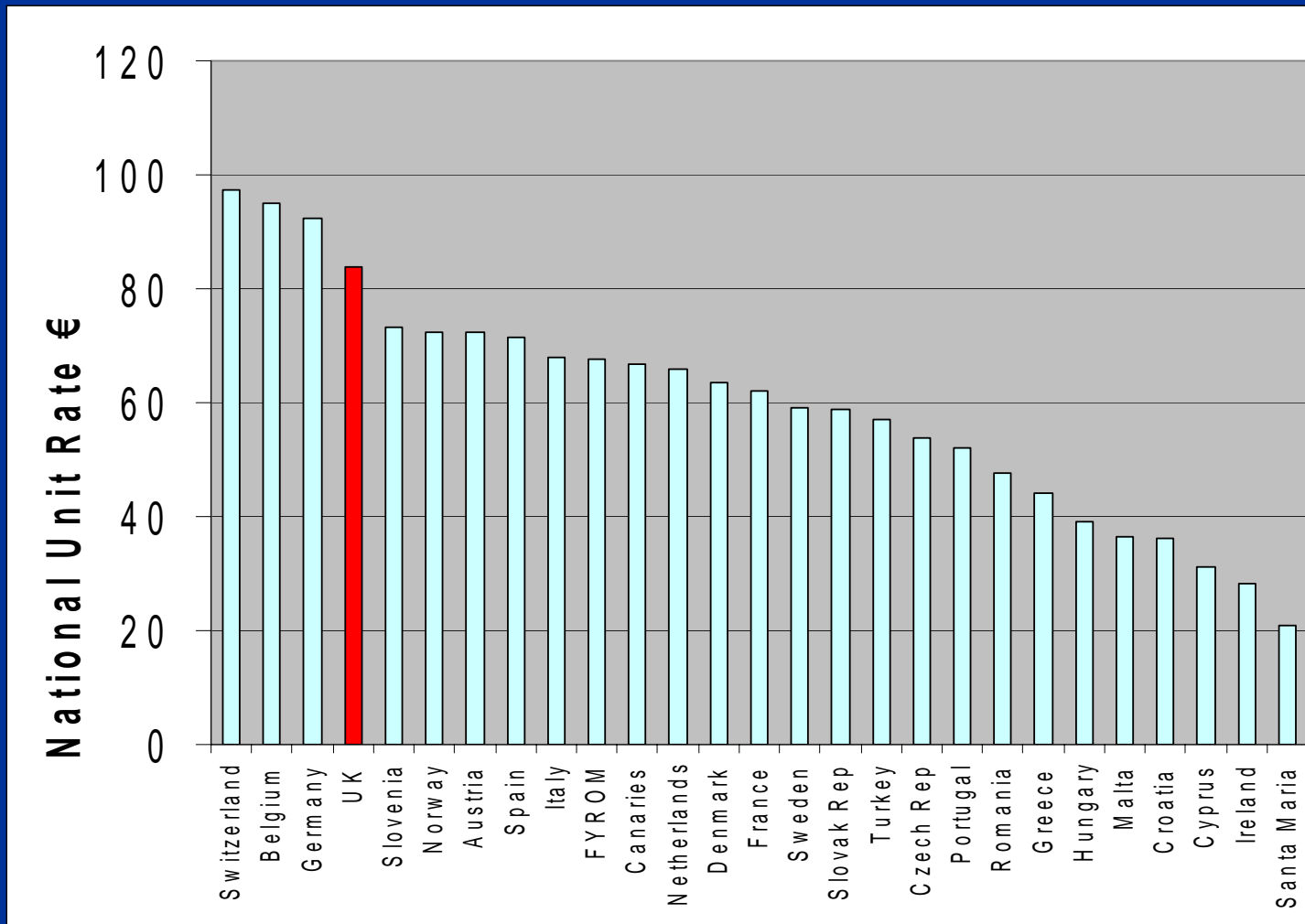
## Benchmarking

- can be valuable
- supplement to other evidence

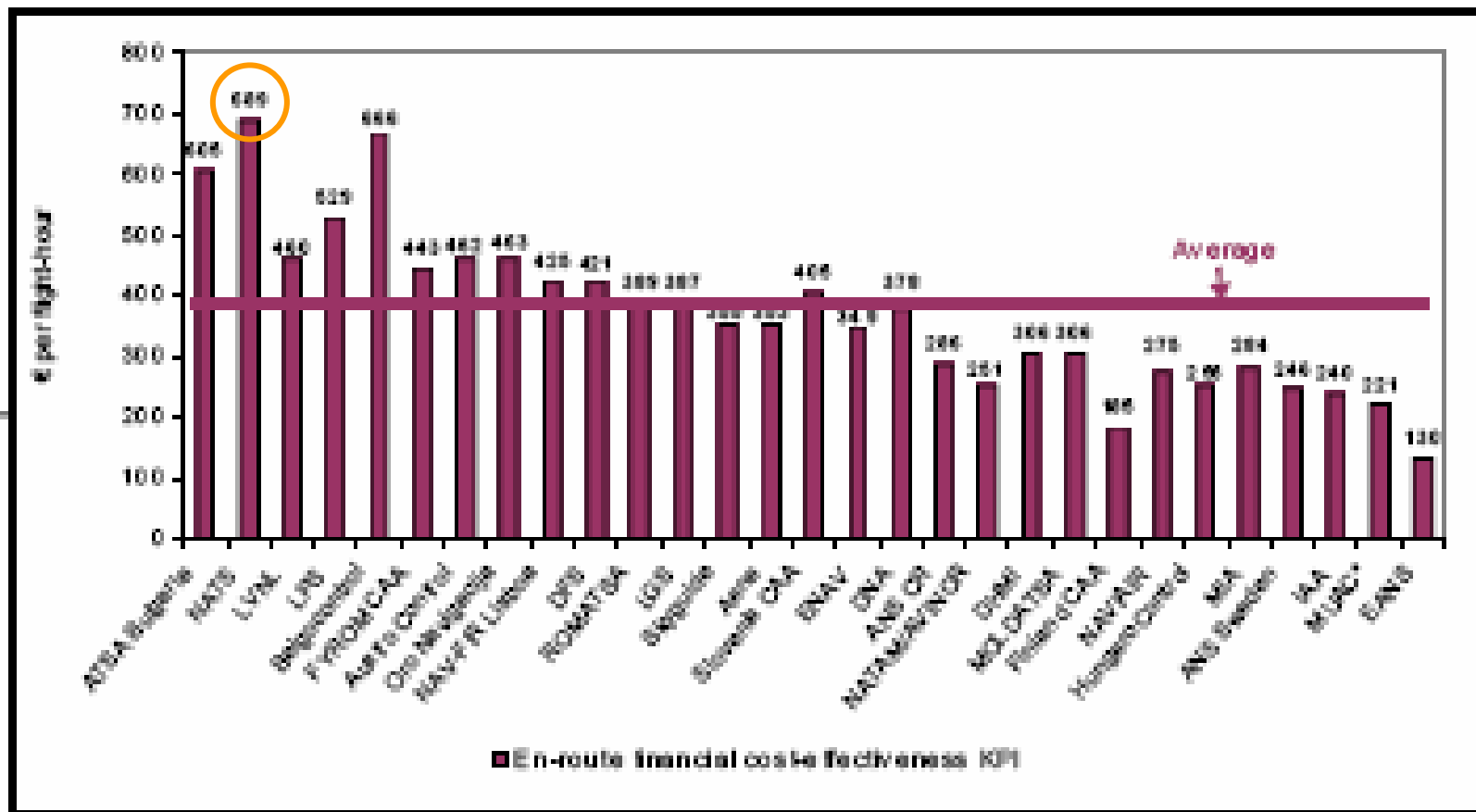
## But beware

- data issues
- drawing overly strong conclusions
- relying on something that may not turn up

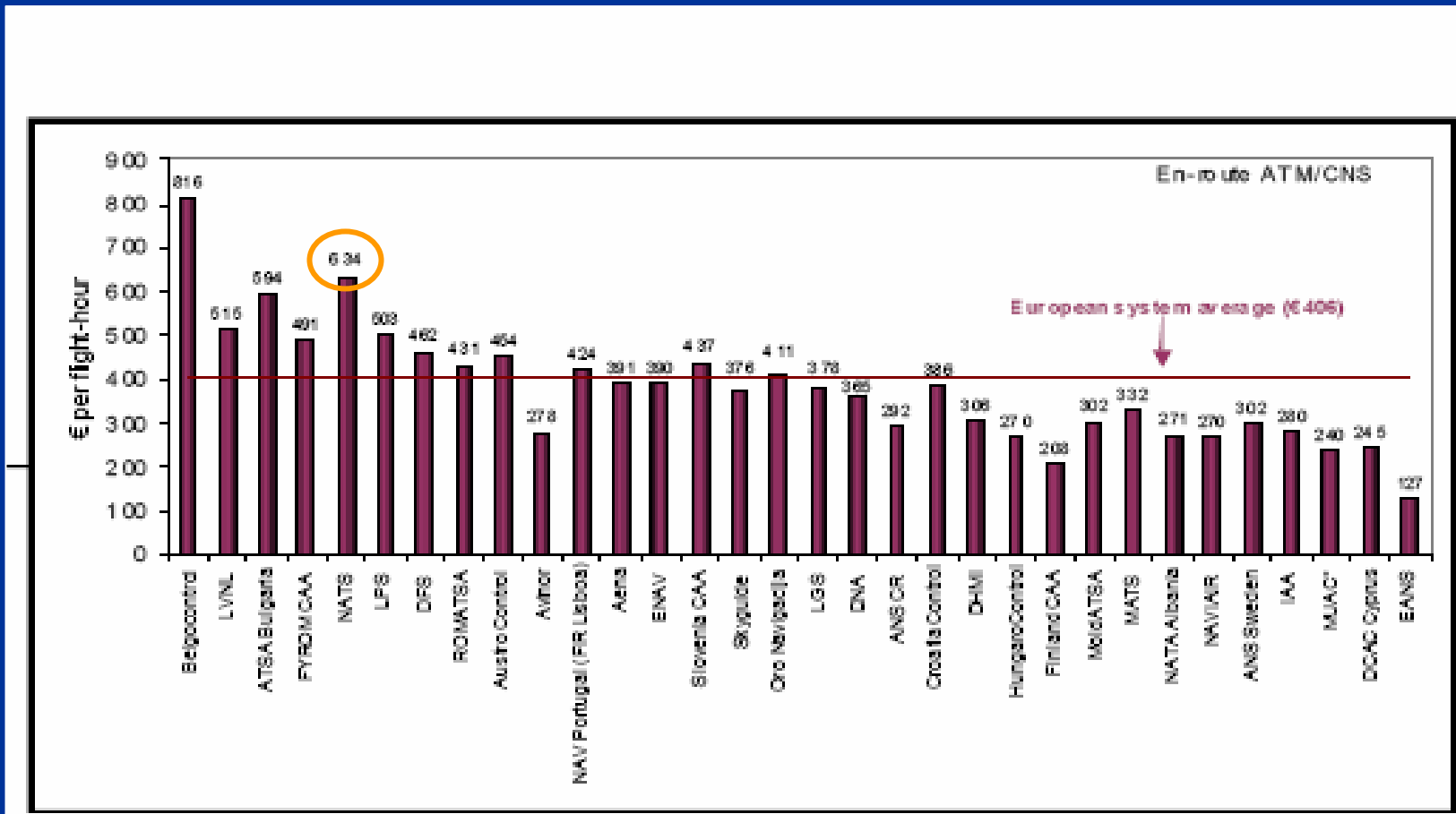
# NATIONAL UNIT RATES 2003



# ATM COST EFFECTIVENESS 2001



# ATM COST EFFECTIVENESS 2002



# EN-ROUTE UNIT COSTS 2001-2003

