

ACI – NA

Los Angeles World Airports IT Cost Study



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World Airports



Airport IT Costs: Primer for the CFO and Executive Director

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Pueblo Technology Group

Panel:

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Los Angeles World Airports (LAWA)

Greg Baster, Managing Director
Inari Group LLC

Airport IT Costing

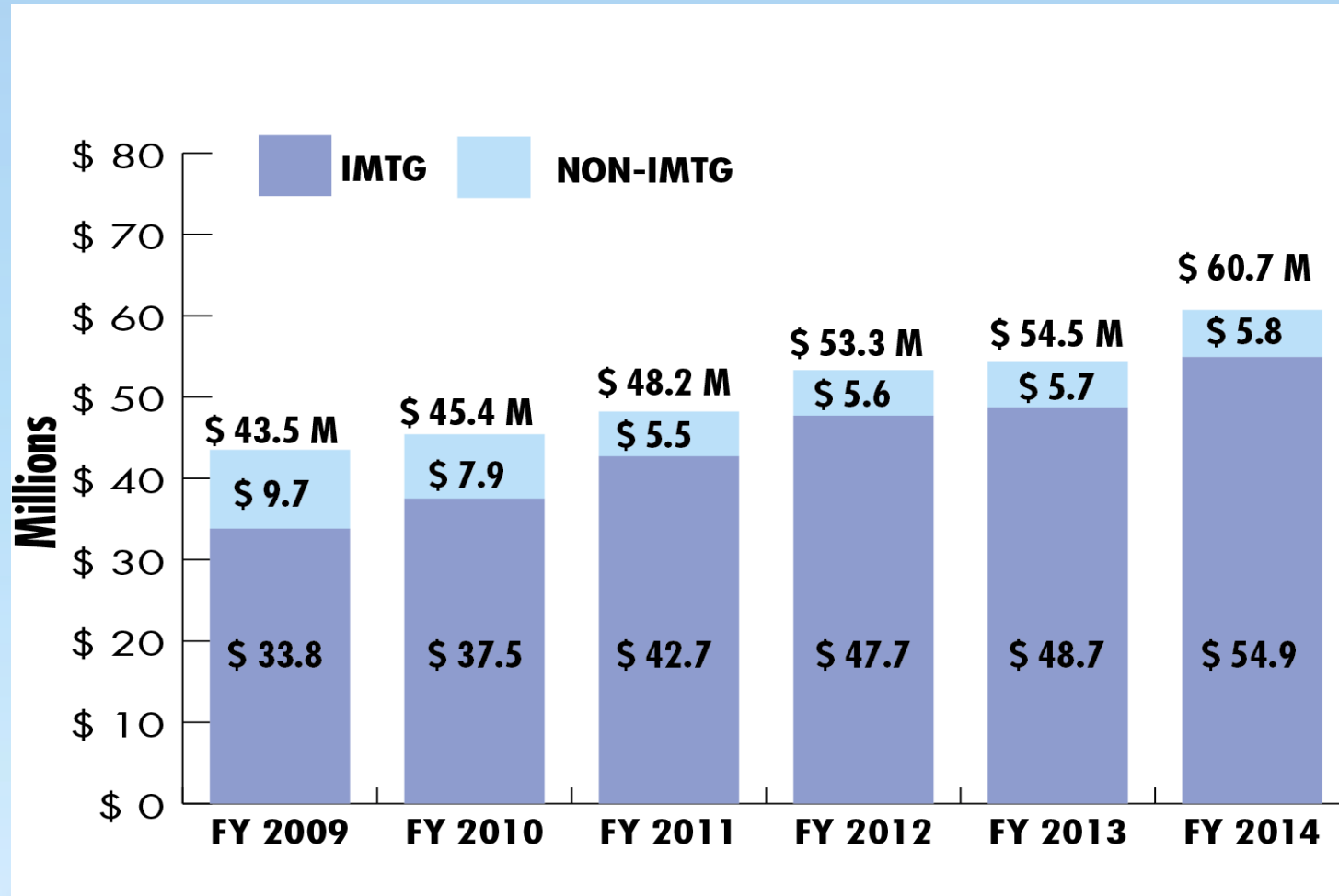
- Journey not a destination
- Use IT budgeting to align with business
- Re-confirm your IT governance assumptions
- Commit to 3 years
- Use your last completed FY as the starting point
- Bite off what you can chew...
 - There's always more data you can gather later
- Commit to doing the data mining with your team (not a consultant)
 - Means losing some of your best people for the duration it takes to collect the data

IT Costing Project Drivers at LAWA

- New Mayor / New Board
- Major IT projects wrapping up
 - Time to move focus from ‘Build’ to ‘Operate’
- Dollars speak louder than words
 - Where are we really expending our effort?
 - Is it adding value to the business?
- IT Governance Check and Balance
 - Does spending align with IT Governance expectations
 - Forecasting future LAWA maintenance budgets
- Major new initiatives planned

LAWA Operating Costs

(source LAWA IT Strategic Plan)

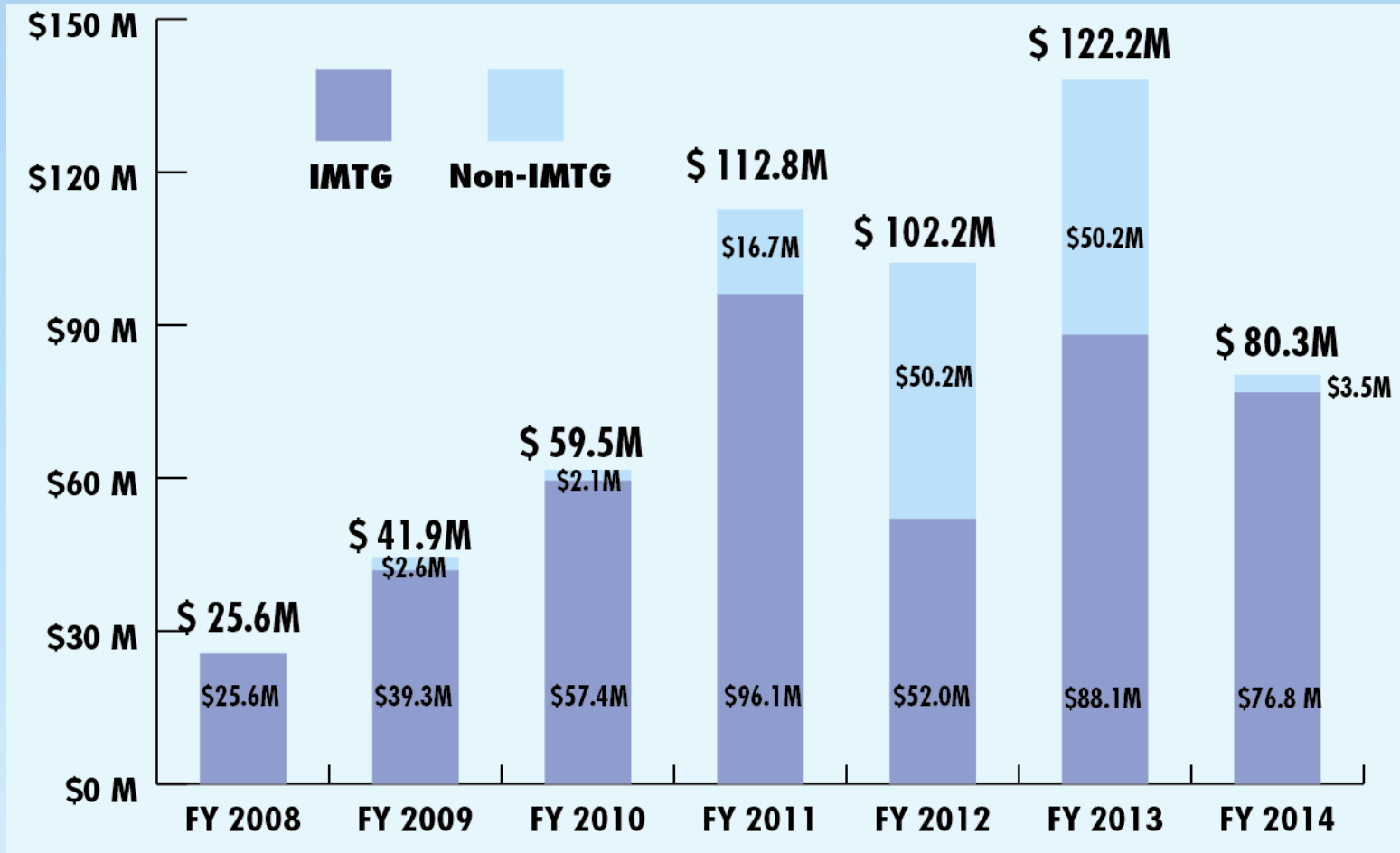


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Cost of BOAC Actions

(OpEx + CapEx source LAWA IT Strategic Plan)



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Preparing to Study IT Costs

- The Challenges
 - Scoping the problem
 - What's not in scope
 - Gathering the data
 - 3rd party costs need the most attention
 - Clearly distinguishing Opex and Capex costs
 - Articulating what IT does for the business
 - Business functions
 - De-couple from the airport organizational chart
 - Getting the buckets right
 - Costs will move from one category to another
 - Seeing trends in one year's worth of data – avoid it



Two Key Factors Determine Cost

Breadth and Depth of Demand for
IT Services

- Number of systems and technology services
- Extent of usage across the organization
- Commonality of use across the organization
- Demand 'gaps'



Efficiency of Supplying IT Services
(Optimization)

- Alignment with business objectives
- “Right size” solutions
- Technology complexity
- Duplication of systems
- Sourcing strategy
- Procurement process
- Technology innovation
- Operating model
- Caliber of staff

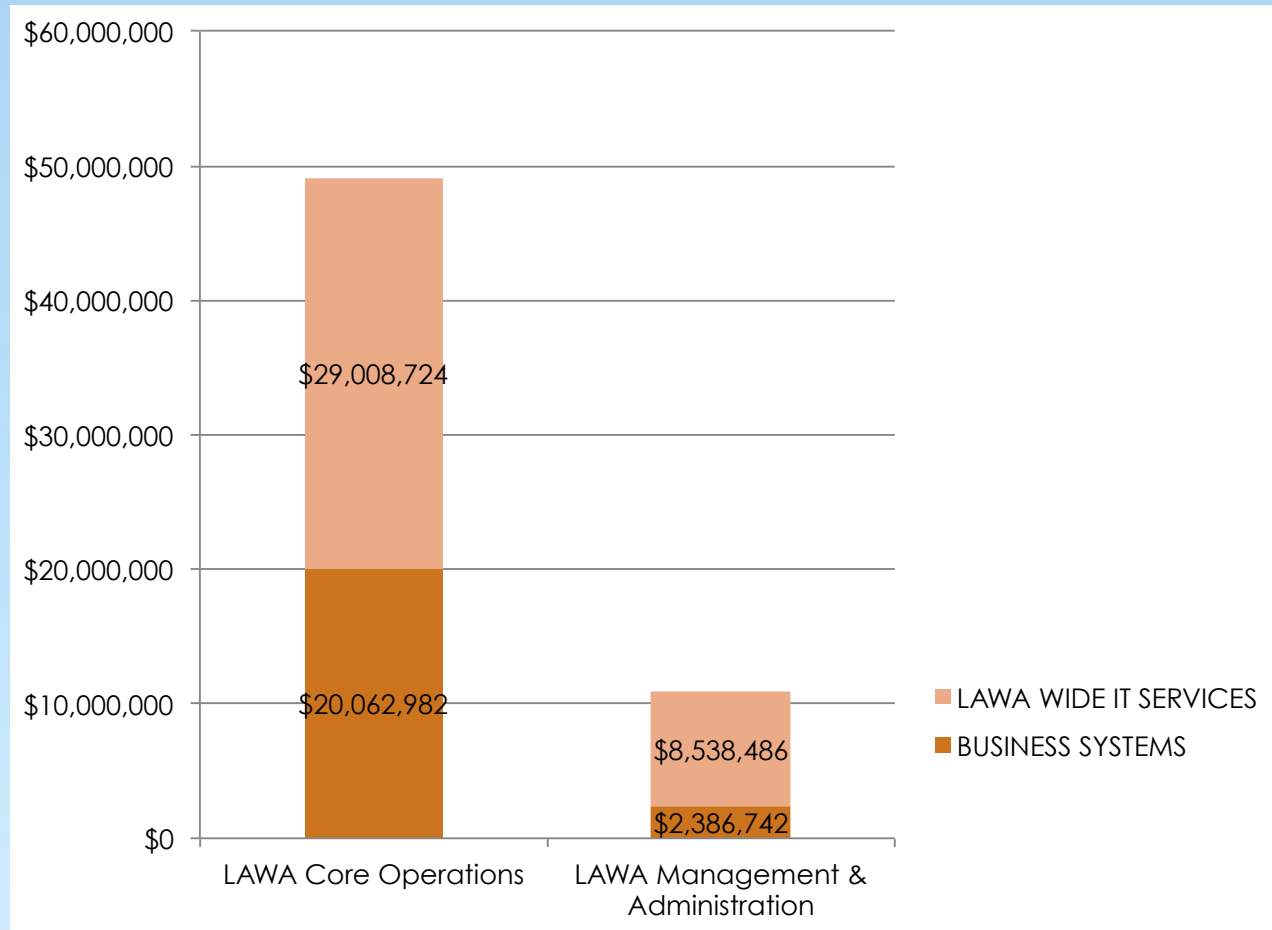
Focus of this review

*Governance is the common thread that helps ensure demand
for IT services is properly met with cost effective solutions*

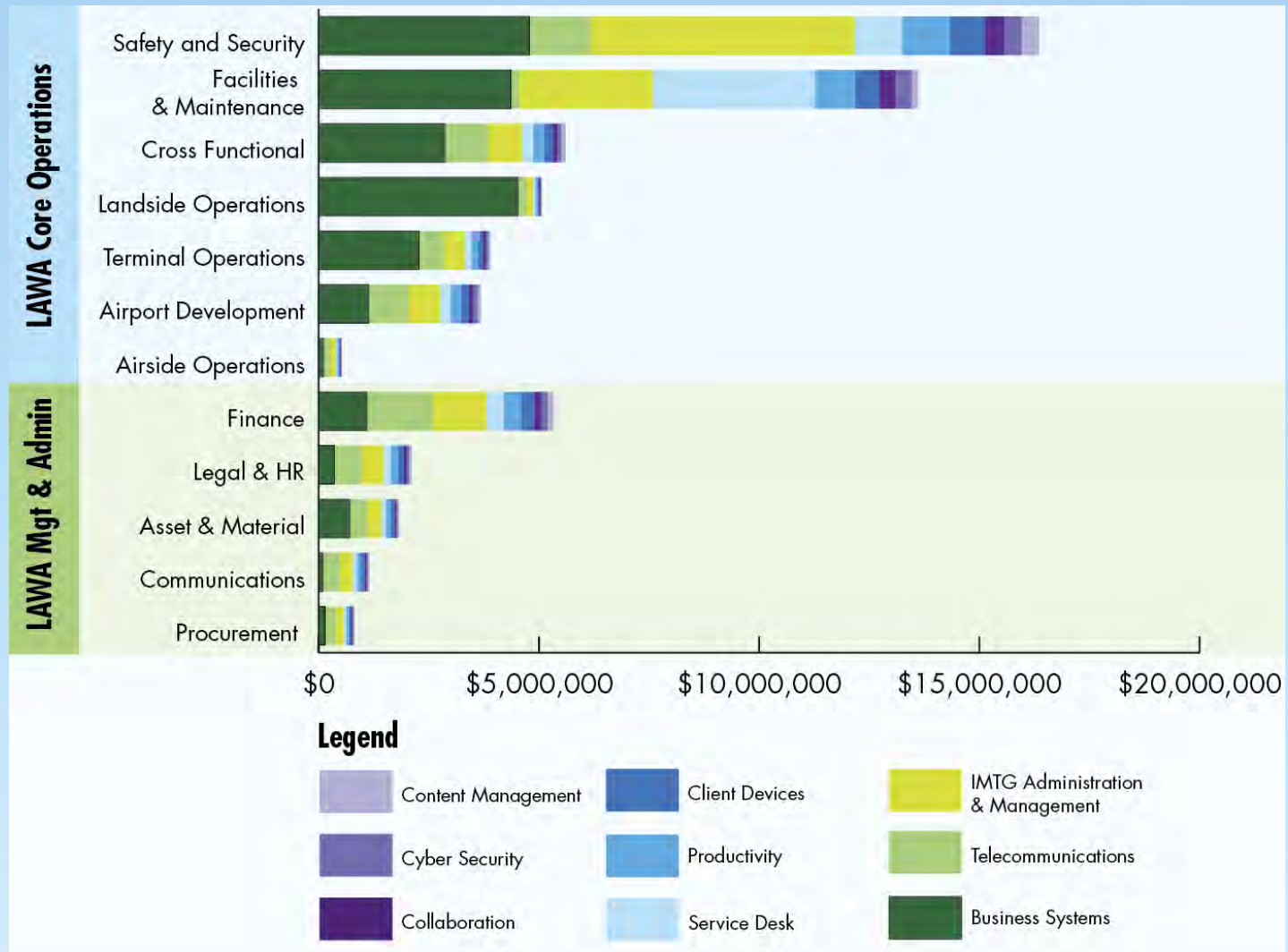
Cost Allocation Is Based on Estimated Utilization



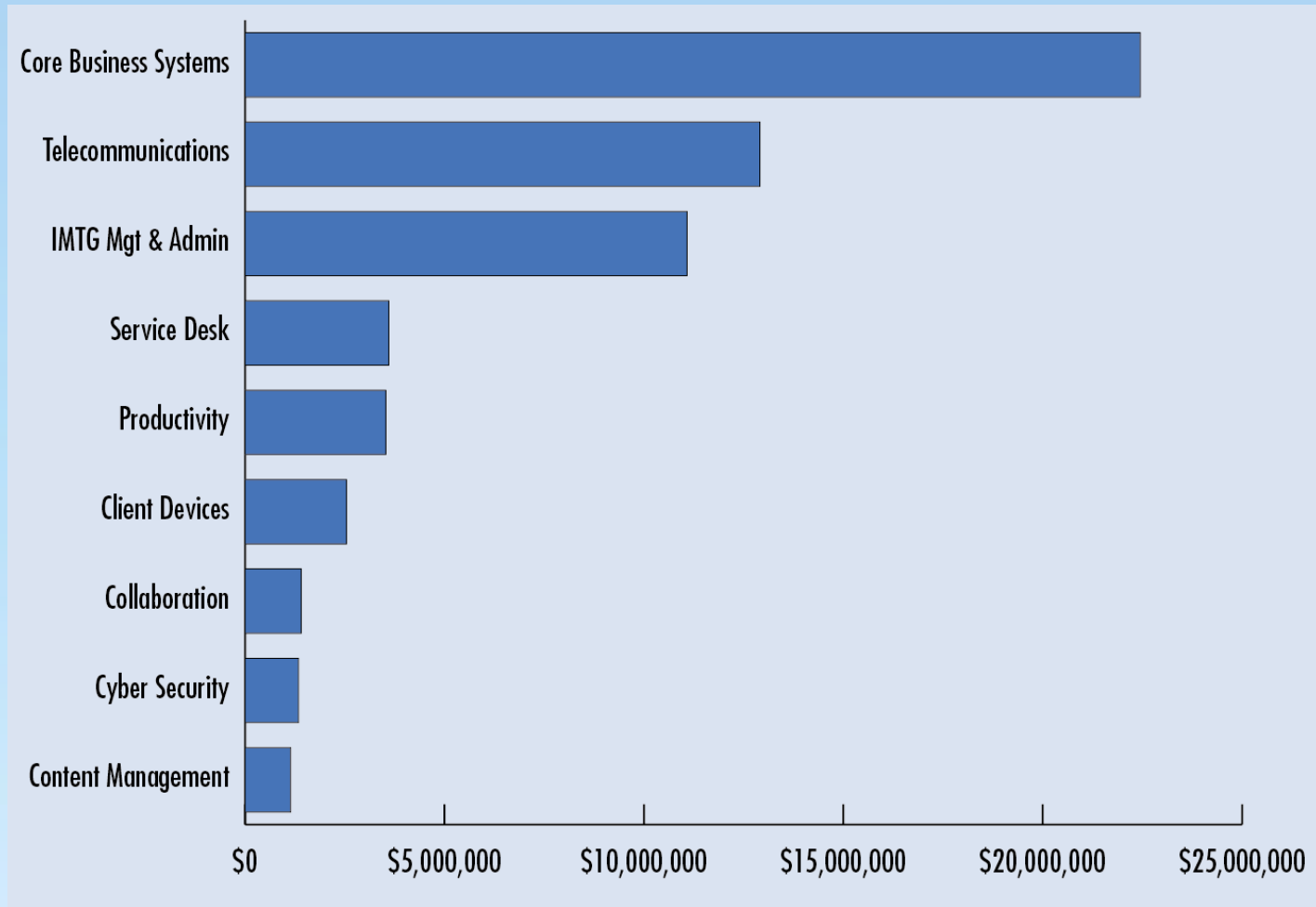
High Level Spend Analysis



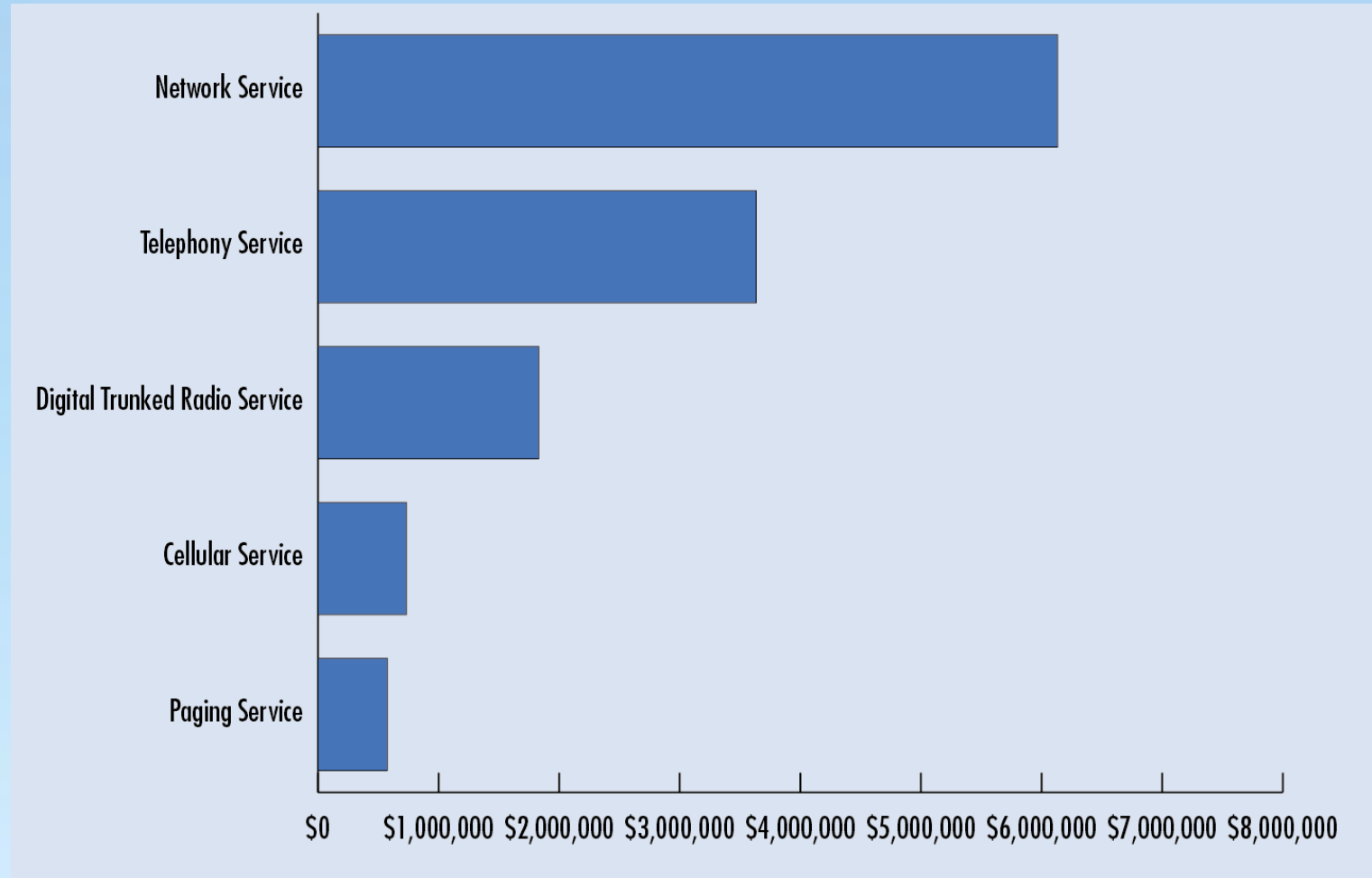
Allocation of Spend Across LAWA Business Functions



Comparison of IT Business Services Spend



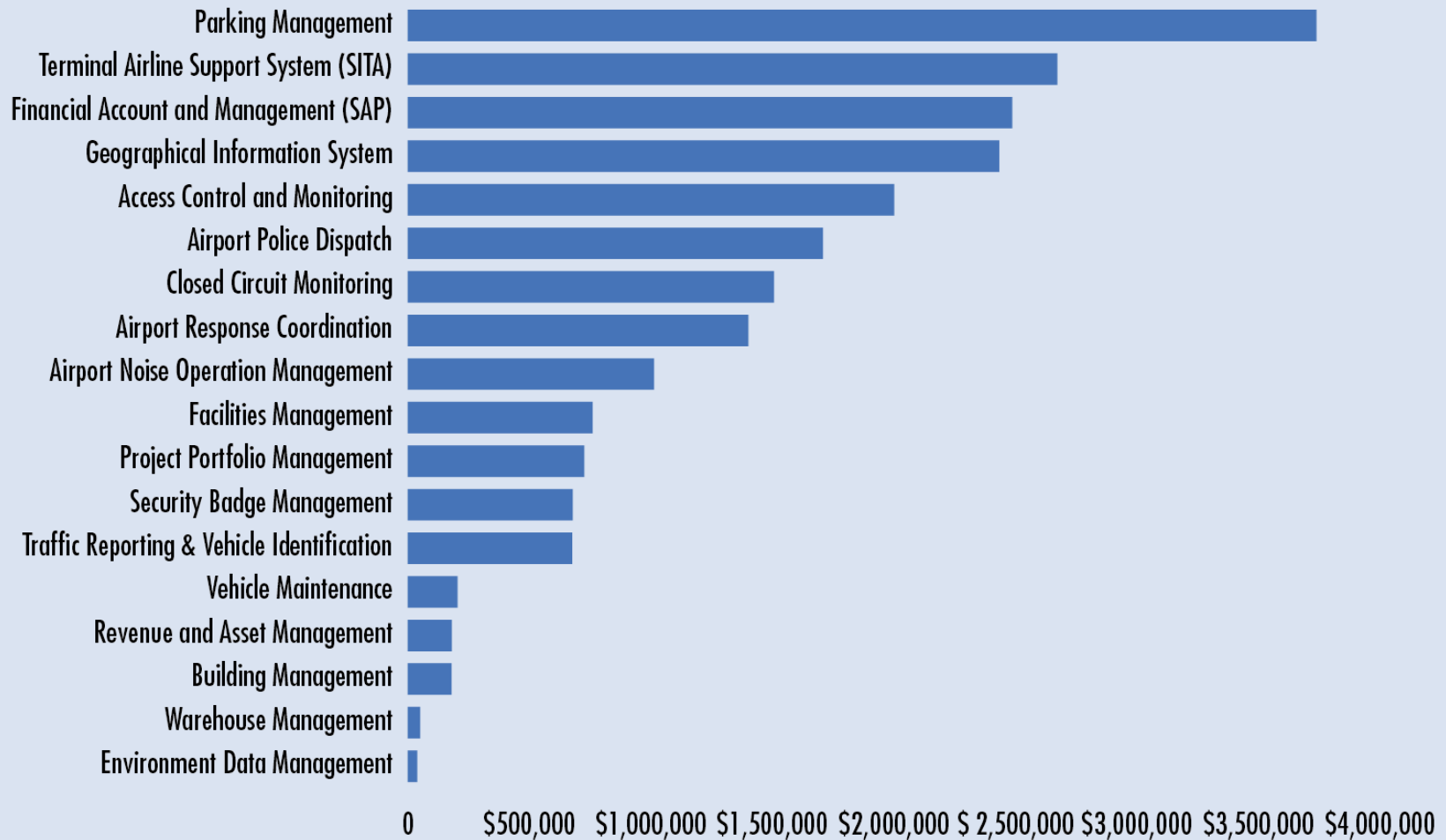
Telecommunications Spend Breakdown



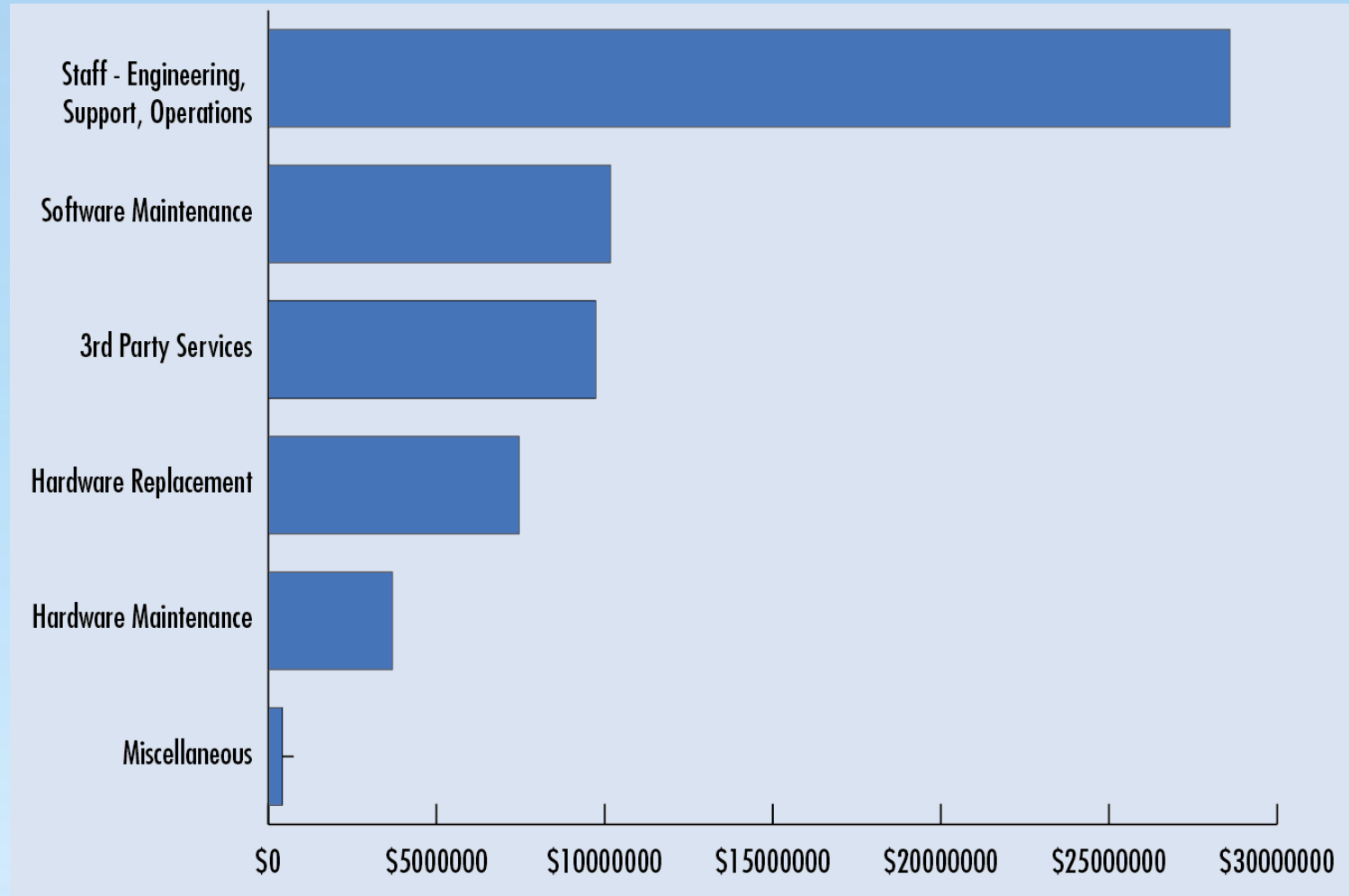
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Comparison of Business Systems Spend



Total Spend by IT Cost Type

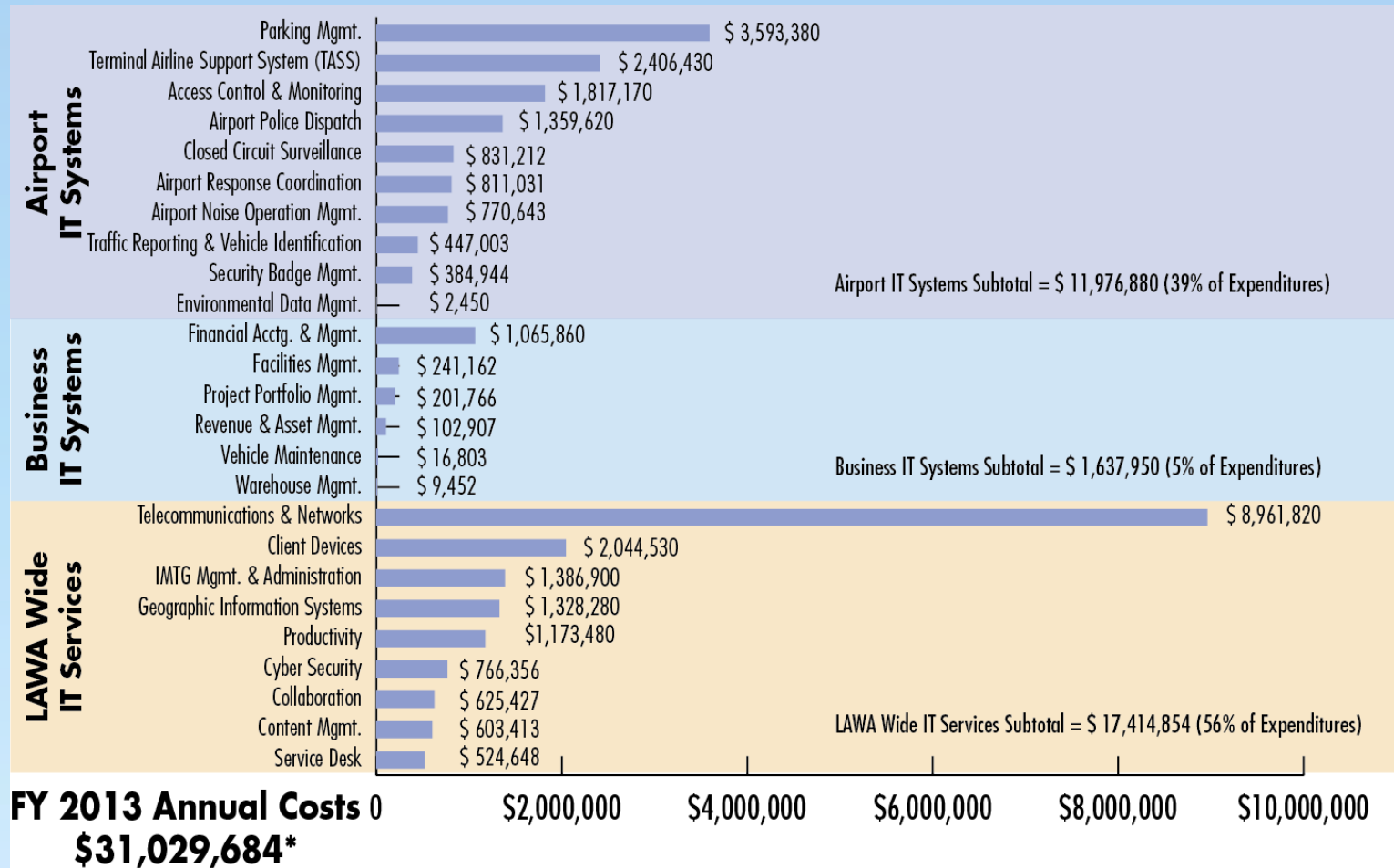


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LAWA Cost Allocation Summary

(source LAWA IT Strategic Plan)



* Staffing cost taken out

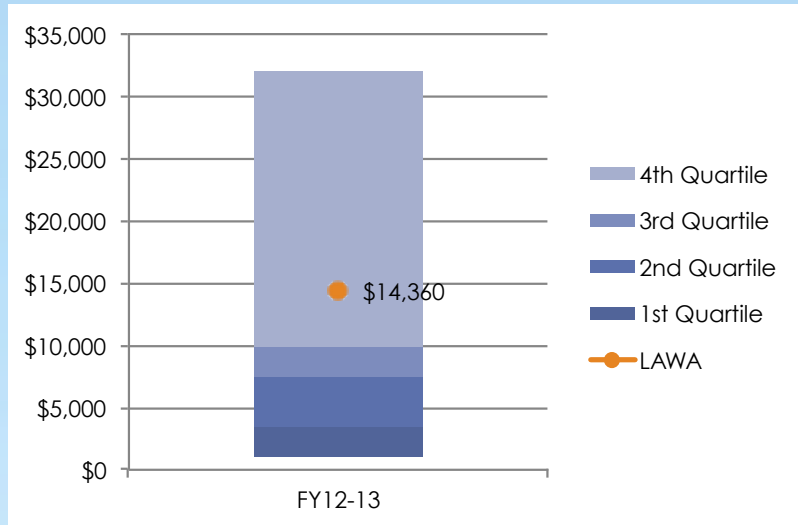


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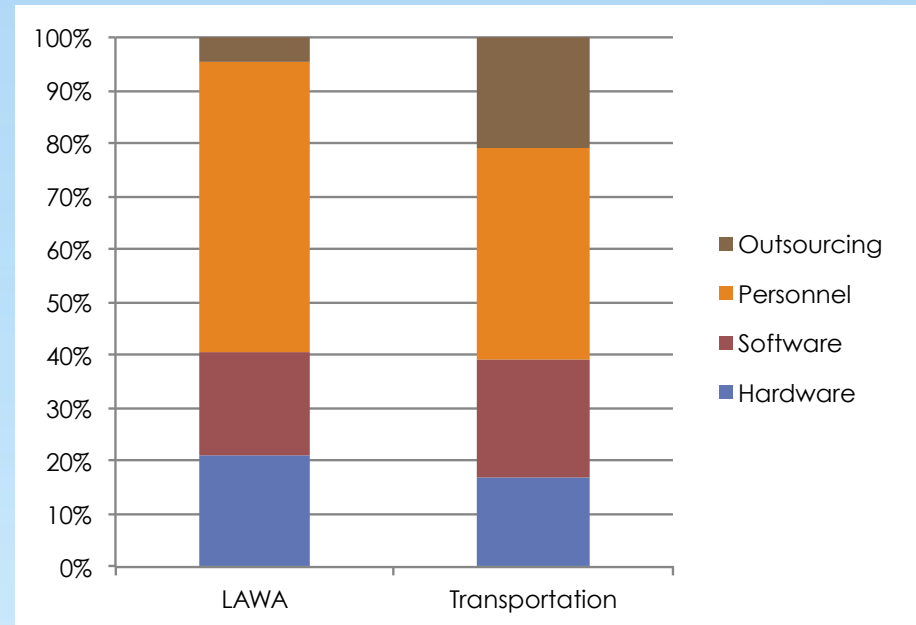
High Level Benchmarks

IT Cost per Employee



Based on Gartner metrics for Transportation industry.

Distribution of IT Spend



Lessons Learned

- Focus on cost components IMTG Management can optimize easily
- Continue to evaluate costs
 - Network and Telecommunication Costs
 - Create stronger alignment between business needs and IT costs, including total lifecycle costs
 - Continue evaluating IT Costs each year
- Continue to evaluate LAWA against industry benchmarks

Lessons Learned

(continued)

- Allocation assumption is key
 - Must have CIO and CFO consensus
 - Shared systems are problematic
 - CCTV, ACAMS, Badging / Credentialing
- Networking costs reflect building a carrier class network; most airports do not have integrated networks
- Collaboration costs are probably too low
- Tech refresh should focus more on backend (network, storage and servers) than frontend (PCs/Windows/Office)

Lessons Learned

(continued)

- Invoicing must be set up to track costs going forward
 - Vendors that cover a number of services need to invoice by function
 - E.g., “ATT \$X,XXX,XXX.XX” isn’t transparent
- Commit to three years to see the trends
 - FY13 done (just completed)
 - 1.5 FTEs + 4 months (Feb 2014 – May 2014)
 - FY14 in process
 - FY15 pending

ACI – NA BIT Committee Proposal

- LAWA offers to be the repository for ACI NA BIT airport IT budgeting data
- Airports that want to participate complete a budgeting spreadsheet
- A summary of participating airports is provided on an annual basis at the national BIT meeting
 - 30 minute session
 - Similar to the annual SITA IT Survey Update

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Questions...?

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IT Costing Resources

- IT Costing Resources
 - Benchmarking
 - Gartner (www.gartner.com)
 - Computer Economics (www.computereconomics.com)
 - Books
 - Enterprise Architecture as Strategy: Creating a Foundation for Business Execution (Harvard Business School Press) By Peter Weill, David Robertson and Jeanne W. Ross
 - IT Governance By Peter Weill
 - Research
 - MIT Sloan School of Management – Center for Information Systems Research (<http://mitsloan.mit.edu/faculty/research/systems.php>)

Thank you!!



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