

SHANNON

Maverick spirit struck

WITH the appointment of the full complement of board members and the new chief executive, the airport has a long-standing reputation for innovation and thinking outside the box as they roll up their sleeves to get to work as the new era dawns at Shannon, **Bernie English** takes a look

THE SEEDS of Perestroika (reform of political and economic system) presented new opportunities and led to the creation of a joint venture between Shannon and the Russian airline that culminated in the opening of duty-free shops in Moscow's Sheremetevo Airport.

It also resulted in Aer Rianta, the state organisation that managed Shannon, Dublin and Cork airports, building a paint hangar for Aeroflot airplanes that operates to this day, serving airlines from around the world.

"Trust played a huge role in business with the Russians and it had to be earned. If our Russian partners saw that they could trust us, and we fulfilled all the requirements agreed in advance, they would then agree to long-term cooperation. In no case could we betray any insecurity or weakness," Shannon Airport deputy manager Michael Guerin was quoted as saying at the time.

"If that business trust hadn't been built up, there is every chance that another company would now be operating duty free shops at Russian airports", he recalled.

In 1987, the late Martin O'Herlihy, who was employed by Aer Rianta Shannon as a consultant with a brief to monitor the lucrative Aeroflot operations in Shannon, brought Boris Krivchenko, the Aeroflot Ireland manager to meet with Shannon airport manager Liam Skelly, who was also Aer Rianta deputy director in charge of commercial activities.

Mr Krivchenko wanted to give the Irish the heads-up that Aeroflot was in discussions with Pan Am on plans for a Moscow/ New York passenger service and that the US airline had brought along a representative from a duty-free shopping company in Kennedy Airport as part of their team.

The Shannon crew had no intention of giving the opposition a clear playing field and despite the fact that it would be extremely difficult to dislodge the Kennedy team, they set to work.

Every Russian politician who set foot in Shannon was canvassed. Day and night, the VIPs were given tours of the shop and left with no doubt that this was the operation that set the bar for every other duty-free shop.

In 1987, the team flew to Moscow to meet with Aeroflot officials. A meeting that started in

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SHANNON CONTINUES ITS UPWARD CURVE

Shannon's trading performance continues on its upward curve for the third year in succession. With the terminal all a bustle in summer peak traffic and staff morale at an all time high, RUNWAY spoke to the Airport's General Manager and ACX-Shannon, Liam Skelly on the reasons for the growth and his prognosis for the future.

Liam was understandably cock-a-hoop. The figures for every area in Shannon are showing improvement and projections for the rest of the season are growing more optimistic by the day. He is delighted to see the massive boost to staff morale this is producing. He also takes great satisfaction in the fact that the benefits of the cost cutting measures, taken in the depths of 1979's loss making days, came on line to take advantage of the current upturn.

Cautionary

However, the General Manager did strike a cautionary note. "We must never again build up staff levels and structures that then require continually increasing traffic levels to support them, as happened in the

"We have to remain trim and employ temporaries to help out in any seasonal boom. In this way we can weather any and downward spiral which



Liam Skelly, ACX and General Manager, Shannon.

develop year round productive activities"

Records

The situation at Shannon

while freight is expected to reach a record of 25,000 tonnes.

Biggest sales

If the operational side of business is doing well, so is the commercial end of things. June and July saw the tills in the Freeport, Liquor Store and Food Shop combine to chime up the biggest sales in one day £75,000 — (£5,000 better than the previous best which was recorded on the August bank holiday weekend last year). In fact this record was well beaten again on the 27 July when total sales for the day in the Passenger Shops reached £90,000.

Castle Tours is showing an 11% increase in attendances at the medieval banquets. Mail Order continues to prosper with catalogues already posted to three million Americans. The orders from the States are expected to reach £1 million daily.

confusion resulted in an even better outcome than could have been expected.

The Aeroflot team came prepared to discuss their needs for having planes painted while the Shannon crew were there to push the case for being allowed to operate the Duty Free.

"We suggested that we would be able to marry both sides' requirements in a single plan," said Liam Skelly. "If we were allowed to open shops in partnership with them, we were prepared to organise a painting facility in Shannon to serve their needs.

"We told them that out of their share of the proposed duty free joint venture they could pay us for their painting requirements. We were careful to structure the joint venture on the basis that Aeroflot would receive a greater share of the

profits," said Mr Skelly.

A few trips to Moscow later, Shannon had the dream deal. The shops were built in Ireland and trucked to Moscow. The first shop opened in 1988 amid huge publicity. This was the birth of Air Rianta International and it enhanced the reputation of Shannon on the world stage enormously.

"The credit for its success was due to the work ethic of and dedication of the managers and staff of Shannon who travelled over to train staff, stock the shops and ensure that all systems and controls operated efficiently," said Liam Skelly.

"Special mention has to be made of the contribution made by managers David Hope, Michael Hanrahan and John Sutcliffe who each spent a full year or more in Russia".



Above: Liam Skelly on the cover of 'Runway' magazine for the business that had sales of US\$36 million by 1997

Fuelling Shannon's

IN AN era where the expression "thinking outside the box" was almost never heard, there was a maverick spirit at Shannon that brought business to the airport from sources that would have been anything but obvious.

Typical of that ethos was the deal that saw former Soviet state carrier Aeroflot return to Shannon in the early eighties after they had pulled flights in 1977, following a big increase in fuel prices that rocked the international aviation industry.

Michael Guerin, then deputy director of Airport Management and Operations, was at the head of a task force that went on a whistle-stop tour every year with a bag of incentives to try to get charter

operators in the USA to make Shannon their main stop on their North American/ European routes.

At the time, Aeroflot has pulled out of Shannon because of the fuel hike. The Shannon think-tank came up with a 'mountain to Mohammed' solution which saw Aeroflot flights through the airport not only resume but grow to 1,200 per year by the mid-eighties.

The deal centred on the proposition that the airport would build a fuel farm for storing Russian fuel, carried in tankers from Venzbils in the Baltic, across the North Sea and up the Shannon basin and delivered to a jetty in Shannon Airport.

Aer Rianta employed a subcontractor to load the airplanes, charging Aeroflot a per gallon fee for

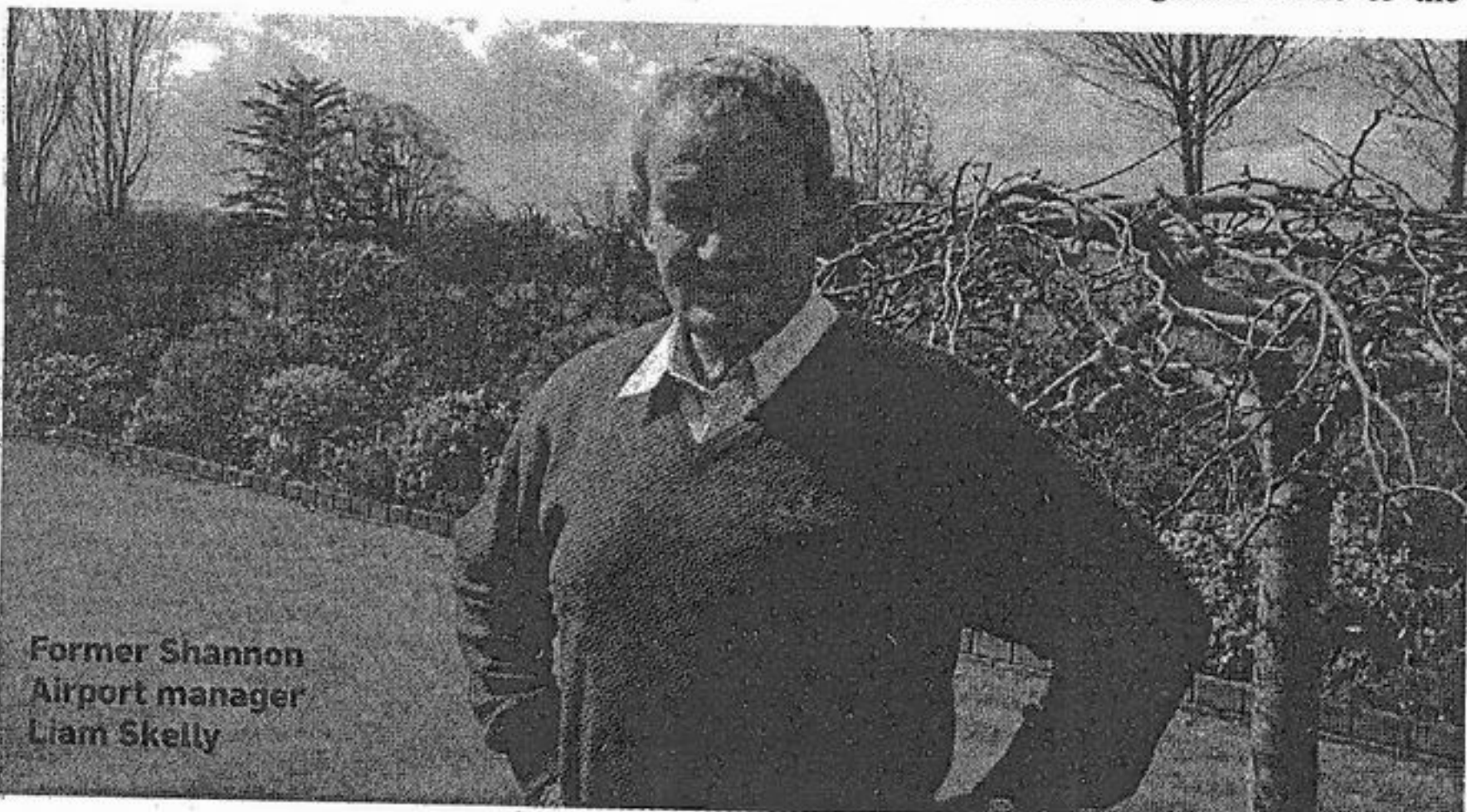
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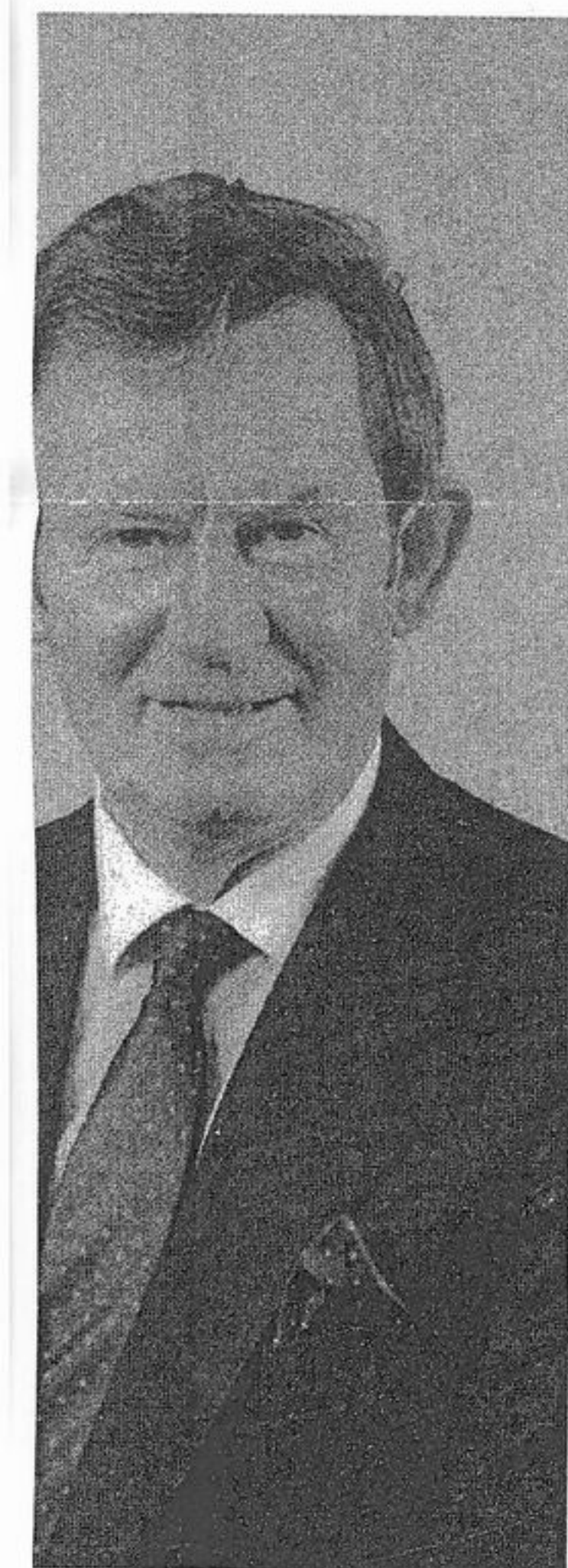
Right: Michael Guerin, then deputy director of Airport Management and Operations



Former Shannon Airport manager Liam Skelly

Shannon dream deal

Chief executive Neil Pakey, Shannon Airport is on the threshold of a whole new future. Thinking outside the box, two attributes which the new team will need in abundance work as the independent Shannon Airport Authority. It takes a look back at the genius behind the many earlier innovations.

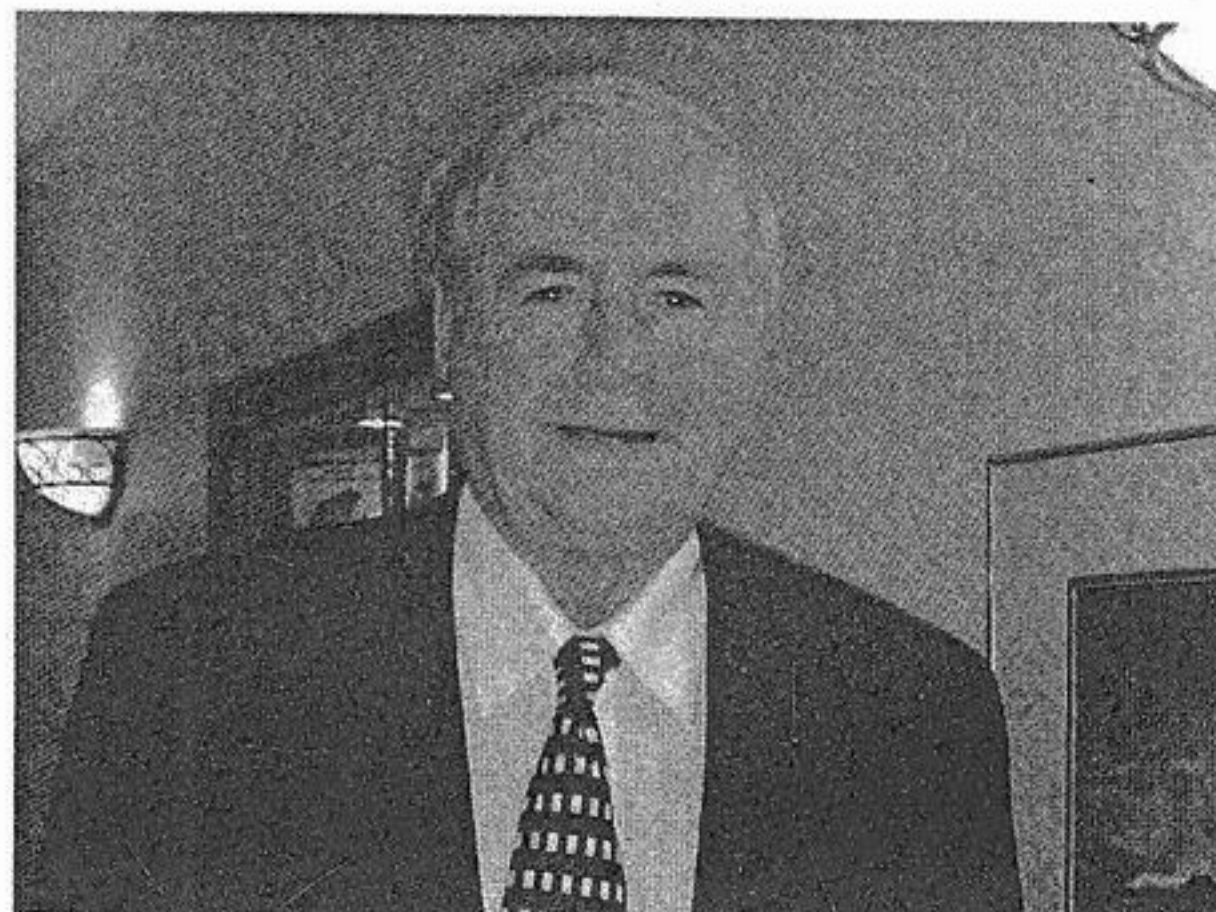


inway' magazine from 1992, and (second right) Liam opens the Frontier Duty Free shop between Russia and Finland, a milestone by 1997

n's growth

their main routes. Shannon ink-tank solution port not r by the that the Russian te Baltic, on basin t. load the fee for filling up. The deal made economic and practical sense to Aeroflot. Aeroflot, after seeing how cooperation with the Irish had proved successful, sent other transit flights through Shannon. With the participation of Aeroflot in Shannon, an entire village for Soviet crews and flight attendants was built and the Russian influence extended beyond the airport boundary and right into the heart of the local community.

Right: Michael Guerin, former deputy director of Airport Management and Operations



ARI Activity 1988-1991

February 1988: Signs an agreement with Aeroflot to create joint venture company called Aerofirst to operate stores and inflight sales.

May 1988: Opens two duty free shops in the Departures area of Moscow Sheremetyevo Airport Terminal 2, trading as Moscow Duty Free

August 1988: Begins duty free sales onboard Aeroflot flights out of Moscow

October 1988: Moscow Duty Free named Frontier Airport Retailer of the Year

November 1988: Signs second joint venture agreement, this time with Aeroflot - St Petersburg, to open duty free stores at Pulkovo Airport, St Petersburg

March 1989: Two Arrivals duty free shops opened at Moscow Sheremetyevo Airport

April 1989: Signs third joint venture, this time with Vyborg Regional Consumer Society for Russian-Finnish border shop at Torfionovka

June 1989: First duty free shops at Pulkovo opened, plus bars and inflight sales

August 1989: A joint venture signed with Intourservices and the Pribaltiskaya Hotel in St Petersburg to establish duty free shops there and in other hotels

December 1989: Pribaltiskaya Hotel shop opens

January 1990: ARI signs an agreement with Aeroflot - Tashkent for construction and operation of duty free shops at that airport

February 1990: A similar agreement is struck with Aeroflot - Kiev

April 1990: A new joint venture with Aeroflot and other Moscow business partners is struck to cover various commercial ventures in Moscow

May 1990: A new fragrances and cosmetics store is opened at Moscow Sheremetyevo

May 1990: A second downtown shop opens in the Moskva Hotel in St Petersburg; Torfionovka border store starts up

September 1990: Moscow Departures stores are significantly expanded

December 1990: A third shop opens in downtown St Petersburg in the Astoria Hotel

January 1991: An agreement is signed with Moscow City Soviet and the Novoarbatsky supermarket to develop and manage hard currency and rouble supermarkets in downtown Moscow. The shops open in August.

Update: Today Aer Rianta International has Russian stores in Moscow Sheremetyevo, Domodedovo and Vnukovo as well as St Petersburg Pulkovo. It also operates inflight sales onboard Aeroflot. In the 1990s the company phased out its downtown and border store operation.