

# AIRPORT WORLD

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## The value of a brand

# Positive thinking

CEO, Yiannis Paraschis, talks to Joe Bates about Athens International Airport's business strategy for what promises to be a difficult year ahead.

**A**thens International Airport has enjoyed almost unbridled success since its much-trumpeted opening on March 28 2001. In comparison to its predecessor, the delay-plagued Hellinikon, near downtown Athens, the Greek capital's new gateway is state-of-the-art, with some of the most sophisticated, common-use IT systems in the world.

The €2.1 billion airport – the first 'greenfield' airport to be designed, built and operated under the Build, Own, Operate and Transfer (BOOT) model and largest ever infrastructure development project in Greece – proved an instant hit with both passengers and airlines.

So much so in fact that in only its second full year of operations, Athens was named the best airport in the world, handling between 5–15mppa in the industry's annual passenger satisfaction survey, and it continues to perform well in today's Airport Service Quality (ASQ) awards.

The airport helped showcase Greece to the world during the 2004 Olympic Games in Athens and handled record passenger numbers from opening until 2007, when 16.5mppa (+10%) passed through its facilities.

Indeed, passenger numbers remained stable last year, with 16.5 million passengers again using the airport, but traffic began to decline in the latter half of 2008 after Olympic Airways axed 20% of its flights out of Athens and the impact of high fuel prices and the global economic slowdown began to hit home.

And such is the severity of the global economic situation today that operator, Athens International Airport (AIA), is predicting a drop in passenger throughput of between 5% and 10% this year.

Of course, it is not alone in its suffering, as many of the world's airports are predicting a decline in passenger traffic in 2009. However, if the year does pan out as expected, it will mark the gateway's first real setback since its 2001 opening.

Despite a host of global incidents that were out of its control, such as 9/11, SARS and war with Iraq, Athens International Airport has enjoyed a year-on-year rise in passenger numbers since day one, recording double-digit growth in both the Olympics year and 2007.

This is new and unwanted territory for AIA, and CEO, Yiannis Paraschis, fears that the hard times could last up to two years before things start to pick up again in 2011.

"Passenger traffic has dropped quite drastically all over Europe since last autumn and we've no idea if it a lasting trend or not," admits Paraschis. "What we do know, however, is that the aviation world has shown its remarkable powers of recovery in the past and I've absolutely no doubt that it will do so again. The only difference this time is that it might take the industry a little longer to recover.

"This is also a new experience for Athens International Airport as we've never faced a set of circumstances quite like this before. We handled around 16.5 million passengers last year, which is the same as we did in our record year of 2007 when passenger traffic jumped 10%, so I think in the circumstances we did well.

"We will experience our first ever decline in passenger traffic in 2009. It is difficult to forecast what kind of drop in passengers we will suffer this year, but the downturn could be in the region of 5%, and we don't anticipate a recovery until 2011."

The anticipated downturn in traffic is in sharp contrast to what has gone before, when average 7% per year annum increases in passenger traffic have seen throughput soar from the 11.8 million handled in its first full calendar year of operations to today's record high.

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Paraschis certainly hopes that January's 7% dip in passenger traffic is not a sign of things to come.

So what action has AIA taken to prepare for the year ahead? Well, it has acted swiftly to respond to today's "unprecedented circumstances" by revising the rolling five year business plan it only drew up last summer.

Key points of the revised plan, which predicts that 2010 will be a year of "consolidation" before traffic rebounds in 2011, includes actively looking to reduce AIA's operating costs and reviewing the timing of any planned new infrastructure.

"We aim to review our capital expenditure programme and work out the optimal timing and sizing of the investments given the fact that traffic isn't growing at the pace it was when the plans were drawn up," reveals Paraschis.

He is, however, quick to point out that this doesn't mean delaying the implementation of key projects that would in any way jeopardise the airport's future growth when the market picks up again.

Paraschis says that the airport has ample runway capacity, its parallel runways (4,000m and 3,800m) ultimately being capable of handling up to 50mppa, although for the gateway to achieve that lofty goal it would need a new terminal or expanded complex as the current facility is only capable of accommodating 21mppa.

IT advances primarily explain why, without a single brick being added, the capacity of the terminal building is 5mppa higher now than when it opened eight years ago.

A new, improved link to the midfield satellite terminal is currently under construction which will allow the complex to be used as a Schengen facility when it is finished by the end of 2010.

Additionally, a new 3,800 capacity multi-storey car park is in the design phase and is expected to open in the summer of 2011.

Next on the agenda is an expansion to the existing terminal, with the timescale decided by how quickly traffic rebounds from today's downturn.

"At some point in the future determined by demand, we will be looking to expand the terminal facilities to raise capacity," says Paraschis. "We are also looking at different opportunities to enhance our services and increase commercial revenue."

In line with the revenue generation strategy, new retail areas are currently being added at the satellite terminal and should be open for business shortly.



Outside of the terminal building, AIA's determination to be an airport city pioneer ensures that it potentially enjoys more opportunities to earn extra revenue from non-aeronautical related activities than most gateways.

To date, its airport city development projects include its own exhibition centre and a retail park that contains an on-airport IKEA superstore that has proved a massive hit with the locals.

Does the current depressed state of the market mean that the airport authority will be going that extra yard this year to try and stimulate traffic growth and route development?

"I am not sure if we can do much more, as attracting new airlines to Athens and building up our route network is one of our strengths, as winning the OAG-Routes Airport Marketing Awards for four successive years testifies," says Paraschis.

"We will nevertheless intensify our route development efforts and look back at our incentive programmes and see when, and if, improvements can be made. We work very closely with our airline partners but are acutely aware that in a year when pretty much everybody is cautious about expansion, persuading airlines to launch new services will be difficult."

The gateway's success in the OAG awards – it competes in the category for airports handling between 10-25mppa – has certainly owed a lot to its airline support programme that includes incentives to launch new routes or increase frequency on existing routes and co-promotion programmes.

He notes that during these tough economic times, it is also important for AIA to show its support for the airport's existing airline customers by fostering even better relationships and helping them boost load factors.

As the axing of 20% of its routes out of Athens last summer clearly demonstrated, Greek national flag carrier, Olympic Airlines, continues to struggle and may be privatised later this year.

All previous attempts to privatise the debt-laden state-owned airline have failed – it is estimated to owe in excess of €2 billion, and many remain sceptical about the chances of the latest fire sale succeeding, despite it receiving the greenlight from the European Union.

The Greek Government's plan is for a new private airline, Pantheon Airways, to launch flights and operate parallel to Olympic Airlines for about six months before Olympic will be shut down, allowing Pantheon to take over its remaining money-making routes.

If everything goes to plan, Pantheon will then be rebranded with the words 'Olympic' somewhere in its name. The airline will also adopt the Greek national flag carrier's famous Olympic rings logo.

The theory is that the new airline will be free of the old Olympic's debts and therefore finally give Athens and Greece a modern national flag carrier to take the country forward.

But with Pantheon Airways yet to take to the sky several months after its planned autumn 2008 launch date, many Greeks are already doubting whether the latest in a long line of last chances for Olympic Airlines will ever come to fruition.

Paraschis accepts that Olympic Airlines endured "some difficult times" last year, and believes the reduction of its fleet was the key reason behind its decision to reduce its network out of Athens.

He is, however, quick to point out that the airport's "good mix" of airlines ensures that the gateway's future success is not inextricably linked to Olympic Airlines (whatever form it takes), or any other carrier for that matter.

"We are possibly better off than most airports in Europe due to our balance of carriers," enthuses Paraschis. "For in addition to Olympic we have the highly successful home based carrier Aegean Airlines and a large number of international airlines. We also have our share of low-cost carriers that currently serve around 30 routes across Europe."

Olympic and Aegean Airlines – which celebrates its 10th anniversary this year – each currently enjoy around 30% share of the Athens market.

The Big Apple's sizeable Greek community ensures that New York JFK is the most popular of Olympic's three long-haul international routes. The others are Montréal and Johannesburg.

Germanwings, easyJet, Norwegian, MyAir, SkyEurope and Vueling are among the LCCs serving Athens, with easyJet now competing directly against Olympic on the popular routes to London and Paris.

Legacy carriers serving Athens in 2008 included Aeroflot, Air France, British Airways, KLM and Lufthansa, ensuring that in total, the airport was served by 67 scheduled airlines operating flights to 115 destinations across Europe, Africa and North America.

All have helped AIA achieve its goal of establishing Athens as a regional hub in southeast Europe, although the widespread appeal of the Greek capital ensures that it is principally an O&D gateway.

Indeed, transfer traffic only accounts for about 25% of all passengers handled in Athens, the airport's domestic hub status ensuring that around 80% of them never leave Greek airspace.

Nevertheless, regional hub activity has grown by an average of 20% per annum for a number of years, and is possibly the area where the airport will experience growth again this year if it is to enjoy any growth at all.

"We don't have all our eggs in one basket, which is a good situation to be in during times of increased risks," notes Paraschis.

Athens is used to that winning feeling and it isn't going to let the current tough operating climate dampen its ambitions.

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