

CHAPTER 4

THE FUEL FARM INITIATIVE

The Soviet airline, Aeroflot, had started to use Shannon for fuel stops in the late 1970s and had appointed Aer Lingus to handle their ground operation.

“However, they transferred their stop-over to Gander because of the high aviation fuel costs at Shannon, over which the airport management had no control,” explained former Airport Manager, Michael Guerin.

“The Soviet Union authorities had a unique system in that they allocated their national airline, Aeroflot, a quota of fuel for its sole use.

“I came up with the novel idea of trying to entice Aeroflot to use Shannon Airport as a fuelling base,” he added. “The idea was accepted by the Aer Rianta Board and we formalised a plan of action.

“We suggested to Aeroflot that Aer Rianta would import Soviet fuel to Shannon for Aeroflot’s use. We were already equipped with an oil discharge jetty on Dernish Island which was capable of off-loading fuel from a tanker.”

After a series of negotiations between the Aer Rianta team, led by Michael Guerin, and Mr Gregory Morzoyan of the Civil Aviation Ministry in Moscow, the unique proposal was accepted and a historic agreement was signed.

“We came to an agreement that if Aeroflot were to supply fuel to Shannon, we would construct a fuel farm to store their fuel and make the necessary ground arrangements to have the fuel delivered into their aircraft,” explained Michael.

“Tedcastles’ oil company agreed to handle the Soviet-origin fuel for us. We were given a deadline by the Soviet authorities to have the fuel farm constructed in time for the Moscow Olympics in July 1980. We met their deadline with a few months to spare. In fact it was ready at the end of May.”

On 11 June 1980 the Soviet tanker *Ardatob* unloaded a 1.25 million gallon cargo of aviation fuel at the Dernish Island jetty in the Shannon Estuary. The fuel

was then pumped for more than a mile of pipeline to the Aer Rianta tanks. The Russian tanker had come all the way from the port of Ventspils, Latvia, in the Baltic and travelled up the Shannon estuary.

The first Aeroflot flight to transit Shannon under the new Soviet/Irish bilateral agreement was refuelled on 3 July 1980.

The agreement between Aeroflot and Aer Rianta was unusual in the sense that Aeroflot insisted that Aer Rianta, as the State Agency operating Shannon Airport, would be held responsible for the satisfactory operation of all Aeroflot's ground-handling arrangements such as passenger check-in, baggage-handling, maintenance, aircraft servicing, etc.

"Our expertise was in airport management, not airline operations management," explained Liam Skelly, the airport manager at the time. "So I invited the former Station Manager of TWA, Martin Herlihy, to work with Aer Rianta on a consultancy basis to co-ordinate the ground-handling side of the Aeroflot contract."

Martin started his consultancy in 1980. "I oversaw the operations on the ground and also co-ordinated with Eddie Kinnane, the Tedcastle Aviation fuel farm manager, to ensure Aeroflot's satisfaction with the operation," he explained.

"The economies of the fuel arrangement were quite favourable for Aeroflot as they avoided having to purchase their substantial fuel requirements in convertible currency for their transatlantic operation. Equally, Aer Rianta and other agencies in the region which provided services to support the Aeroflot operation all gained significantly."

The Aeroflot operation became very important to Shannon. "From an original estimate of 300 flights a year, the operation grew very quickly to 1,000 flights a year within a year or two," explained Michael Guerin.

"Within another few years the operation had grown to 3,000 flights a year. Not alone were the Aeroflot flights operating through Shannon, they were also using our in-flight catering and ground services. Aeroflot was also unique in that it

operated on a year-round basis, so there was no valley period fluctuation as with other airlines.”

The fuel farm idea soon brought about another new development.

“Aeroflot allowed us to sell their fuel to other airlines in exchange for bartering payments due for landing fees,” he explained. “This availability of competitively-priced fuel then enabled our executives to market Shannon as the primary North Atlantic refuelling airport for transit flights. This generated an improvement in traffic through the airport.

“Naturally we had seen how the oil crises had affected us, so we didn’t want to be hostage to just one supply of fuel. So in 1986 we decided to build a separate tank farm to be used to store refined fuel from European refineries.

“This helped us to have competition in the sense that we weren’t totally relying on the Soviet-origin fuel. We also had a supply of European fuel to sell to airlines at a competitive price. We set up a subsidiary company called Shannon Aviation Fuels, which was given the total responsibility of operating the Aer Rianta fuel farms at Shannon.”

“The new fuel operation made a significant contribution to Aer Rianta’s financial results and was a major factor in helping Shannon over a very difficult period,” he added.

Michael Guerin was subsequently awarded the prestigious Transport Innovator Of The Year award from the Chartered Institute of Transport for his Russian Fuel Innovation Project. He was also appointed Limerick’s first Russian Consul in September 2000.

By the end of 1984 Aer Rianta Shannon had a healthy surplus of over £3 million, with Aeroflot greatly contributing to the profits of Shannon.

Charter flights by TWA, Rich International, American Transair, Worldways of Canada and Tarum Airlines from Romania were all transiting Shannon on a regular basis due to the availability of fuel at very competitive prices.

VIPs still continued to pass through Shannon regularly. “In the early 1980s I

remember meeting Ed Muskie, Cyrus Vance, Alexander Haig, Caspar Weinberger, King Hussein, Fidel Castro, President Daniel Ortega of Nicaragua, President Amin Gemayel of Lebanon and former President Jimmy Carter,” said Liam Skelly. I also met President Ronald Reagan and his wife, Nancy.

“I met Field Marshal Joseph Tito, the then President of Yugoslavia. I also vividly remember Michael Guerin escorting Idi Amin around the Shannon duty-free shop.

“I greeted Vice-President George Bush (father of the present US President) as he transited Shannon on several occasions. One of the most charming visitors I met was His Imperial Highness, Crown Prince Akihito of Japan.”

In 1989 Pan American Airlines returned to Shannon to operate scheduled transatlantic services and Delta Airlines announced that they intended to begin transatlantic services from both Shannon and Dublin out of Atlanta, Georgia.

In December 1989, Liam Skelly was named Businessman of the Year in the prestigious People Of The Year awards, which were presented by the Taoiseach, Charles J. Haughey at a gala function in the Burlington Hotel, Dublin.

The event was televised live on RTE and presenter Brian Farrell told the audience of how the success of Aer Rianta in Shannon had played a major role in the development of the Shannon Region and in providing employment in the Mid-West.

During 1984/85 both Michael Guerin and Charlie McCarthy had been actively promoting the idea of having a US Immigration pre-clearance facility service located at Shannon.

“In November 1985 a group of US Immigration and Naturalisation Services experts arrived in Shannon for a review of the airport’s facilities,” said Liam Skelly.

“Eventually agreement was reached and in 1986 the US pre-inspection facility was opened at Shannon on a trial basis.

“That facility became permanent and has become very popular with those

travelling to America, as it saves passengers from having to wait in long queues to receive clearance from the immigration authorities at their American destinations.”

Michael Guerin, who succeeded Liam Skelly as Shannon Airport General Manager, was awarded another Innovator of the Year Award from the Chartered Institute of Transport for his pioneering work on the US pre-inspection facility.

Such was the success of the Shannon initiative that a US pre-inspection facility has now opened in Dublin.

CHAPTER 5

THE JOINT VENTURE INITIATIVE

In the mid 1970s Aer Rianta was contacted by a number of airport authorities wanting help in setting up duty-free shop operations in their own countries.

“I visited Khartoum with the late Jack Ryan and the late John Dilger to give the Khartoum airport authorities advice and assistance in setting up their own shop,” explained Liam Skelly. “This led to them sending sales assistants to Shannon where we trained them in how to operate a successful duty-free shop.

“Airport authorities in Somalia and the Seychelles also contacted us and we carried out similar operations for them on a fee consultancy basis.

“Unfortunately just as the Khartoum duty-free shop opened for business, the President of Sudan, President Numeiri, embraced the Muslim faith and decided that all alcohol should be removed from the Khartoum duty-free shop. He made a public demonstration of his new found religion by pouring all the liquor from the duty-free shop into the River Nile!”

Dubai was the next airport authority to show interest in acquiring the expertise of the Shannon duty-free staff. “We agreed to operate a six-month consultancy assignment to set up and manage a new duty-free shop complex at Dubai Airport,” explained Liam.

“We sent a very experienced team to Dubai, led by Michael Hanrahan, the then Financial Manager at Shannon. The contract was carried out very efficiently, in record time and in difficult conditions. The temperatures were sometimes 110 in the shade.

“Looking back, the real regret about that particular contact was that Aer Rianta opted for a high-profit, short-term assignment, rather than a long-term partnership relationship which could have yielded more profits.”

Three of the Shannon team, Colm McLoughlin, John Sutcliffe and George

Horan, all subsequently decided to take up appointments offered to them by the Dubai Airport Authorities. "They added greatly to the major success that the Dubai duty-free shop has become," he said.

When Mr. Mikhail Gorbachev was in power in the USSR in 1987, he issued a unique decree on the setting up of joint venture companies.

"Mr. Gorbachev called his initiative the *Glasnost* programme," explained Liam Skelly.

"Legislation was introduced to restructure the Soviet economy more in line with Western marketing models. New arrangements were made, whereby foreign capital and know-how could be attracted to the USSR for the establishment of joint venture companies.

"The decree stated that the Soviet Union would encourage joint venture partnerships with companies who would help workers in the USSR to obtain expertise in manufacturing items they had previously imported. Joint ventures could also include the setting up of businesses which would benefit the USSR economy.

"Aeroflot had a manager in Shannon called Boris Krivchenko, who was a very eager beaver. He had previously been Aeroflot manager in New York and was full of ideas for the joint venture initiative.

"Martin Herlihy was acting as a consultant for Aer Rianta, overseeing Aeroflot's ground handling at the time. Boris suggested the possibility to Martin of Aer Rianta setting up a joint venture with Aeroflot to run a duty-free shop in Moscow.

"Martin felt that the venture could be very beneficial to both Aeroflot and Aer Rianta and they came to me with the idea. I thought it was a brilliant idea and put it before the Aer Rianta Board and got the approval for the go-ahead. I felt it would be a definite coup for Shannon Airport if we could get such a joint venture up and running at Moscow Airport."

Liam led a delegation to Moscow's Sheremetyevo Airport in October 1987. "I

met a group of senior Aeroflot officials, including Boris Krivchenko and Mr. Anticay, the Chief Engineer of Aeroflot. We discovered that the officials hadn't a single idea about the concept of a duty-free operation. They were all technical people who only seemed to be interested in aircraft painting and engines and hadn't a clue about retailing.

"We asked them if we could set up a joint venture to operate two duty-free shops at Moscow Airport which was controlled by Aeroflot. We were informed that the State already had shops called Berioska, but that they weren't doing very well.

"We explained to them that our concept was a totally different one and that if we were given a chance we would revitalise Moscow Airport and put it on the world map."

Aeroflot was already in a joint venture with Pan American Airlines for flying people from Moscow to New York. "We discovered in the course of our negotiations that Pan American Airlines were also trying to set up a joint venture with Aeroflot to provide duty-free facilities at Moscow Airport.

"We knew the competition would be fierce, so we started to discuss painting aeroplanes with them," he added. "We made an offer that if they allowed us to open the shops in Moscow, the profits made would be used to paint aeroplanes and we promised to build a special painting hangar in Shannon for this purpose. "At the end of 1997 two aircraft arrived in Shannon for a trial painting which proved successful. Early the following year Boris Krivchenko returned to Moscow to work with Aeroflot on developing joint ventures with foreign companies. He was replaced in Shannon by Mr. Slava Ovcherenko."

The Shannon team heard nothing positive from the Moscow side for several months. "I raised the matter with every Soviet VIP who passed through the airport," said Liam.

"I met the Foreign Secretary, Mr. Eduard Shevardnadze, as he was passing through Shannon one day and told him that we'd like to build duty-free shops in

Moscow. He spoke through an interpreter and did a lot of nodding and smiling. I then phoned Boris Krivchenko and told him that I felt the Foreign Secretary would like Aer Rianta to build the shops in Moscow.

“Boris then contacted the Aeroflot head office and told them the Foreign Secretary had said in Shannon that he wanted Aer Rianta to be the preferred partners of Aeroflot to open these shops! We were awarded the contract and set up a new company to run the project.”

CHAPTER 6

AER Rianta INTERNATIONAL

There were several reasons for setting up the new company called Aer Rianta International. “The first reason was to keep the activity at arm’s length from the main company, as we often had to make key decisions very quickly on the ground in Moscow,” explained Liam. “A new company allowing us a lot of commercial freedom also made sense.” Michael Guerin was appointed General Manager and Michael Patton, who later became General Manager, was appointed Financial Controller. Barry O’Shea, who later became Shannon Airport Manager, was appointed Operations Divisional Manager at Shannon Airport and reported directly to Liam Skelly.

“In January 1988 we signed the joint venture *Aerofirst* agreement between Aer Rianta International and Aeroflot. The date was to coincide with the Russian celebration of the Labour Day public holiday in Moscow”, explained Liam.

“We undertook to have the first duty-free shops open on the first day of May 1988. These were to be two identical shops at each end of the huge airport terminal building in Moscow.”

“No one believed that we could achieve that deadline”, said Martin Herlihy, who joined Aer Rianta International when it was formed. “When you consider the amount of red tape in the USSR at the time, it was a substantial challenge.

“Firstly, the joint venture agreement needed the approval of several USSR Government Departments of State before the document finally got the approval signature of the Minister for Finance. No one had any idea how long this procedure would take.

“We had no paper plans for the constructions drawn up and no discussions had been held with international suppliers, many of whom had been previously unwilling to supply the Russian market.

“We also had no infrastructure in place to bring the project to fruition. Russian

staff still had to be sourced, hired and trained. The retarding influence of the renowned Russian Bureaucracy could not even be contemplated at the time.

“Everyone who heard about our plans considered the deadline we had set ourselves a Mission Impossible. They joked that we might open in May some year, but not in May 1988. We were perceived to be a ‘very enthusiastic but very innocent’ young Irish company.”

What happened subsequently made international history.

CHAPTER 7

MEETING THE IMPOSSIBLE DEADLINE

“We were constantly being quoted seemingly quite insurmountable problems,” added Martin. “But one thing which was overlooked by those people was the capacity of Irish people when properly motivated to respond to challenge. Often the greater the challenge, the greater the response.”

When Liam Skelly returned to Shannon after signing the Joint Venture agreement, he challenged the Shannon staff to show the world what they could do.

“They responded magnificently,” said Martin. “This was a tribute to both Liam, as Director of the Shannon organisation, and to the ‘We Can Do It’ attitude which has always prevailed at Shannon Airport.”

The team decided the best way to approach the construction was to construct the two identical duty-free shops in Ireland.

“The Aer Rianta International team designed and built the shops on the premises of Modern Display Artists in Dublin,” explained Liam Skelly. “Every nut and bolt for the project had to be imported from Moscow.

“In the first week of March an Aer Rianta team of twelve people, led by the project leader, Dave Hope from Shannon, moved their operation from Shannon to Moscow to prepare for the May opening.

“Living conditions were very difficult in Moscow at the time, but a small local contractor from Shannon, Jim Woods, travelled to Moscow and renovated what were to become the Irish staff living quarters for a number of years.”

In early April the shops were ready in sections, to be transported from Dublin to Moscow in four 40-ft. trucks. The main problem facing the Aer Rianta International team was that the Joint Venture agreement was still awaiting formal government approval. This meant that the documentation needed to support

customs clearance at the USSR border was not available.

“We decided that if we were to meet the May 1 deadline the trucks had to get under way,” added Liam Skelly. “So we released the four Walsh Western trucks from Dublin.

“Five days later, they reached the northern border of the USSR at the Torfionovka customs post without the proper documentation. Luckily Boris Krivchenko managed, somehow, to secure the release of the trucks through the border. It was later remarked that our shipment was the first ever foreign consignment to enter the USSR without being correctly cleared at a border customs post!”

A similar problem arose when the trucks reached Moscow Airport, which not only had its own customs organisation, but also a major security service to protect against unauthorised entry to the airport area.

“Again Boris Krivchenko’s influence came to our rescue,” said Liam. “He somehow managed to gain us entry into the airport. We had to off-load the trucks by hand and physically move the contents into the terminal buildings.

“Great credit has to be given to the staff who went from Shannon on that mission,” said Liam. “They spent the first month recruiting and training staff and then started work on assembling the two shops immediately they arrived. They had to put up with all kinds of hardships and frustrations.

“To get the project completed on time they worked night and day without complaint. They delivered a great operation and it was absolutely fantastic to go and look at the two magnificent duty-free shops, one in each terminal, when they opened for business on 1 May 1988. The shops were officially opened by Irish Transport Minister John Wilson, along with his Soviet counterpart, Vladimir Valkov, on 11 May.”

The achievement of the Shannon Company created an exceptional international impact.

International aviation magazines and the world press extolled the fact that a

small group of people from an airport in the west of Ireland had succeeded in penetrating what had, up until then, been regarded as an impenetrable Soviet Union. They had constructed and were managing a western-type commercial venture of the highest quality at Moscow International Airport.

The name of Shannon Airport once again made headlines around the world.

In August 1988 the Aer Rianta Chief Executive, Derek Keogh, announced that Liam Skelly would become Deputy Chief Executive of Aer Rianta and retain his title of General Manager Shannon. He was also given the responsibility of co-ordinating all the company's commercial and overseas activities.

CHAPTER 8

FURTHER AER RIAN TA INTERNATIONAL EXPANSION

“The officials and employees at Moscow airport were mesmerised when they saw what we had accomplished in such a short time,” added Liam proudly.

“An added bonus from the world-wide publicity our achievement generated, was that it immediately projected the profile of Aer Rianta International to an exceptionally high level in the world of duty-free shopping, even though this was only our first venture as an international competitor.

“Our success was further cemented when the Moscow duty-free shop won the 1990 Golden Oscar at Cannes for being the best duty-free shop in the world”.

Further duty-free shops were opened under other joint venture schemes with Aer Rianta International. The first was at the Soviet/Finnish border customs post at Vyborg. The joint venture was named *SITOP* (a joint venture between A.R.I. and the Vyborg consumer society). Another joint venture, *Kievrianta*, resulted in a duty-free shop at Kiev airport. Two shops, *The Baltic Star* and *The Neva*, were opened in St. Petersburg under the joint venture *Intourianta*.

Lenrianta was the joint venture name given to duty-free shops constructed at Leningrad airport. The same joint venture company and also constructed two up-market shops in the five star Astoria Hotel in the city centre.

In April 1989 an Aeroflot Ilyushin aircraft, with Mr Gorbachev on board, landed at Shannon. He was the first Soviet Head of State ever to visit Ireland. Shortly after his arrival a summit meeting took place between Mr Gorbachev and the Taoiseach, Charles J. Haughey. After the meeting Mr. Gorbachev was taken on a tour of Shannon and the duty-free area.

By the end of 1989 there were over 100 Irish personnel working abroad on the varied A.R.I. joint venture operations. Both the Aer Rianta Chairman, Frank Boland, and Chief Executive, Derek Keogh, paid tribute to the workers for their

unbelievable commitment and dedication despite many inconveniences.

Liam Skelly was appointed Director/General Manager of Aer Rianta International in June 1989 and Michael Guerin became General Manager of Shannon Airport with responsibility for the day-to-day operation and development of the airport. Liam Skelly retained his title as Deputy Chief Executive of Aer Rianta.

Requests for the services of Aer Rianta International started to pour in from all over the world. Soon they were busy constructing duty-free shops in Karachi, Budapest, Warsaw and Dubai.

Such was the popularity of the Irish goods at the *Aerofirst* duty-free shop at Moscow Airport that another joint venture company was set up. This was called The Soviet Irish Trading Company. The company constructed an Irish store in the heart of Moscow City.

“*The Arbat Irish House* opened for business in 1991,” explained Liam. “It was located right in the centre of Moscow, between the Kremlin and the Russian White House. Its success exceeded all expectations. The shop was originally divided into three main sections, food, fashion/electronics and an Irish bar.

“We soon had to extend it and incorporated the Gastronome supermarket, a bakery and bread shop and a specialist souvenir outlet.”

The construction of a western-style shop in the middle of Moscow city again made international headlines, putting Shannon Airport and its enterprising employees once more firmly on the world map.



President Hillery at Shannon on his return from Moscow with Mr. L. Skelly, ARI Shannon, Mr. Nesterenko, U.S.S.R. Ambassador to Ireland and the late Mr. Paul Quigley, then General Manager, SFADCO

Pic: Shannon Development Picture Library



Michael Guerin Deputy General Manager Aer Rianta Shannon, signing the original Aeroflot agreement in 1979 with Gregori Mirzayan Deputy Director USSR Ministry of Civil Aviation, Moscow.

Pic: Michael Guerin personal collection



The Taoiseach in 1986 Garrett Fitzgerald presenting the Transport Innovator of the Year prize to Michael Geurin.

Pic: Michael Guerin personal collection



Eamon O'Brien, president Chamber of Commerce, Michael Guerin, the new Russian Consul and Russian Ambassador Evgueni Mikhailov.

Pic: Michael Guerin personal collection

Visit of Mr. Alan C. Nelson - U.S. Commissioner of Immigration to Shannon L to R: Mr. Michael Guerin, Deputy General Manager, Shannon, Dr. Diana Zanetti, Director - Europe U.S Immigration Service. Mr. Alan C. Nelson, Mr. Brian O'Brien, Department of Justice; Mr. Joe LaCombe, Project Director, U.S. Immigration, Shannon

Pic: Runway Magazine, Aer Rianta,





First Boeing 777 delivered to Shannon

Pic: Malcolm Nason Collection



Fr. Harry Bohan addressing a conference at Shannon

Pic: Runway Magazine, Aer Rianta,

June 1986, Mary Costello, Carmal Regan, Susan O'Sullivan, Ursula Cussen, Barbara Kennedy at the Shannon Freeport Shop's new information desk, offering information to the customers including price lists in Spanish and Russian to facilitate Aeroflot passengers.

Pic: Runway Magazine, Aer Rianta,



The painting hangar provided by Aer Rianta International for painting Aeroflot Aircraft as part of the Fuel Farm Initiative with Aeroflot

Pic: Malcolm Nason



E. Vasiliev, N Nacharon, Liam Skelly - Shannon Airport Director, V. Potapov, Michael Guerin, at press conference in Moscow announcing the setting of the joint venture Aerofirst

Pic: Personal collection of Liam Skelly

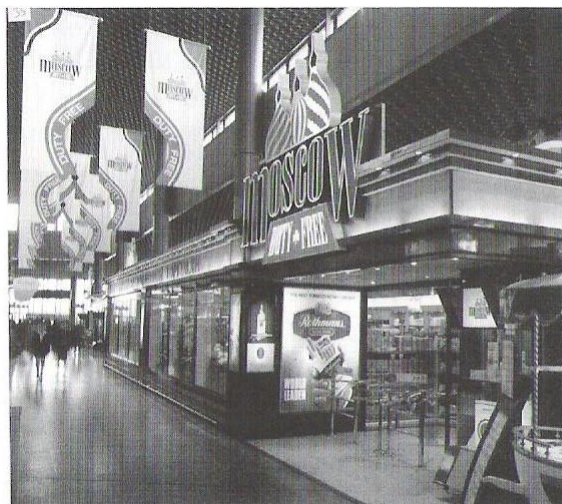
Frank Boland and Liam Skelly; Aer Rianta Shannon Airport Director, and Minister for Transport & Tourism at the official opening of Moscow Duty Free 'Aerofirst' Joint Venture between Aer Rianta International & Aeroflot

Pic: Personal collection of Liam Skelly



Celebrating the winning of the Oscar for Moscow Duty-Free, Shannon Airport Director Liam Skelly in Centre

Pic: Personal collection of Liam Skelly



Award winning Moscow Duty-Free

Pic: Runway Magazine, Aer Rianta,



The St. Patricks Day Parade Float in Limerick City, celebrating Retailer of the Year Award for Moscow Duty-Free Shop

Pic: Runway Magazine, Aer Rianta,



Perfume Gondolas, St. Petersburg Duty Free

Pic: Rachael Egan, Aer Rianta



*Bahrain Duty-Free Staff receiving their Awards
From left: Carol, Layla, Mayan, Jurrassic, Misham,
Vilma, Redova*

Pic: Runway Magazine, Aer Rianta,



*Aer Rianta Shannon delegation meet with officials to the Institute of
Civil Aviation of Cuba.*

*From Left:: Mr. Liam Skelly, General Manager Aer Rianta Shannon,
Mr. Libralo Valle, Director of International Affairs, I.C.A. Cuba, Dr.
Angel Arango, Director Legal Affairs, I.C.A., Cuba, Interpreter, and
Mr. Barry O'Shea, Operations Manager, Aer Rianta, Shannon.*

Pic: Runway Magazine, Aer Rianta,