

GROWTH and Prosperity

Iceland's national airport and air-navigation service provider Isavia is in a period of rapid growth with upwards of four million people using its facilities each year for domestic and international flights.

Images courtesy of Isavia

The story behind Isavia is one which includes many unique challenges and instances of change. Prior to Isavia's foundation, the Icelandic Civil Aviation Administration was responsible for the running of the country's airport and air-navigation services with the exception of the largest airport, Keflavik International, which came within the purview of the Ministry for Foreign Affairs due to the co-located US Naval Air Station. However, in 2006, a separation of operation and oversight roles coinciding with the departure of the American defence force from Keflavik called for the integration of the country's entire airport and air-navigation sector.

Isavia, a state-owned company, was subsequently formed to improve

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profitability, efficiency, and expertise, while also facilitating positive urbanisation in Iceland. Today, the Minister of Finance is responsible for the state's share in Isavia, the Minister of Interior is responsible for the strategic planning in collaboration with the company's board of directors, and the Icelandic Transport Authority is responsible for the administration and safety oversight of air-transport structures and navigation.

Björn Hauksson, Managing Director of Isavia, was appointed in May 2010 after previously working as the Managing Director of Keflavik Airport for two years. He says that Isavia has grown considerably since 2011 and that this trend is set to continue for some time yet. While growth is ultimately a good thing, it has also

presented some challenges for Björn and his team.

"We've had fantastic growth at Keflavik International," he explains. "The increase in the number of passengers, in the past few years, has been much more than we ever envisaged. We are talking about a sustained 15-to-25-per-cent annual increase while the average increase in Europe has been between 3 and 7 per cent. This is from 2011 when we really started moving.

"The risk factor, for the company, is to ensure that our preparations for expansion are done with sufficient due diligence so we don't create a future situation that we might regret in three, four or five years time. That is surely our biggest challenge now. We need to ensure that if this growth >



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continues, which it apparently will at least in the foreseeable future, we have to be really up to speed both in developing our organisation and planning. This is in order to be able to ensure a product of the quality that we would like to give to our customers, the airlines.

“Since 2009 we have basically tripled in size. A jump by 200 per cent in just a few years opens up all kinds of problems, or challenges, because even though we would like to continue this growth, physically it’s difficult to build, get in the systems we need and meet all staff requirements.

“What has to happen, and what we’re doing now, is to make some organisational changes.

We’ve had to do this twice already and will probably restructure again before the end of the year. This is to ensure that we don’t lose focus during this growth period and expansion of facilities. If you continue to grow larger than expected year by year then you have to be very ready to change your organisation to cope with it.”

Björn largely attributes this outstanding growth to the increased number of passengers travelling to Iceland. He adds that Iceland has gained a status as an intriguing destination for holiday makers and that it benefits from its location of being between Europe and North America.

Isavia employs approximately 830 employees, and this figure swells to more than 1,000 people when its subsidiary companies are included. The company’s key values are safety, cooperation, and service, and these priorities also extend to and align with its supplier base.

Björn believes it is critical to develop strong strategic partnerships in order to be successful in the long run.

“When we start a business partnership, in terms of purchase of equipment and services, we make a very detailed analyses on what we want so we won’t be caught by any surprises,” he says. “We build up a partnership where we ensure that the business is beneficial for both parties and we put a high price on a solid supplier base that follows and supports our development. The outcome of a successful tender is that it usually results in a great friendship because the second the equipment is in, you’re bound to each other normally for quite a long time.

“If our relationship with the suppliers is good and of a high calibre it lasts longer. This goes for infrastructure projects especially because they are so costly. A good example is buying a new airport

radar. It costs nearly €8 million. With this type of equipment we must get all that we can out of it because the initial investment is so large. I mean we can’t stop in three years time and say we are just going to throw it away because we want another. We need to ensure with the supplier that this one will be able to perform and develop.

“At Keflavik Airport, we started with our primary radar over 20 years ago and we are still upgrading it. We’ll keep working on it until we have to change the system completely. We hope we can keep doing this because it means simply that the cost for us, and of course for our customers which are the airlines and the passengers, can be kept lower. That’s our aim; to keep a low cost base which then ensures that our customers will want to fly in here and that they don’t feel overcharged. If it’s too high there are a lot of other places in the world where they can fly their aircraft to.

“This is the competition in a nutshell. We are not competing directly with other airports, but at the same time we can’t price ourselves out. The customers will always be looking for not necessarily the cheapest, but a fair price. So if I go back to the suppliers, the better connection we have with them means the lower we can keep our cost base so we can offer the airlines a lower, or more acceptable, service fee.

“It’s very rare that we would go to our suppliers and say, ‘We don’t want you anymore, we want to cancel this product and we want to go out to tender for a new one’. Something like that would happen only at the stage where the product is obsolete and we need to go out and find a replacement. This emphasis on investment is very important. It’s not a question about having the cheapest investment, it’s having a well performing and serviceable product for as long as possible.”

Looking forward, Isavia plans to invest over €500 million into Keflavik Airport to support its

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predicted growth in the future. Björn says the facility can deal with more traffic in terms of runways; however, the company needs to start building more terminal facilities to cater for the inevitable influx of passengers. “We were aiming for something like 3.45 million passengers when we made the master plan back in 2008,” he notes. “Today, we

foresee to have nearly 4.9 million passengers in 2015. So it’s going to be much more than what we expected. We have to start to really do the big things now, which is basically a complete rebuild, especially the terminal buildings, the aprons, and all the other things. We are taking a long-term view. That’s very important.” •

“SITA and Isavia have a longstanding, successful partnership with a particular focus on the fast-growing Keflavik Airport. There we have focused our joint efforts on delivering the best in customer airport experience, including streamlined processes and extensive customer self-service.” - Murray Smyth, VP Sales Northern Europe, SITA

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