Rutherford first worked at Aerocare as a student, with a casual job on the ramp at weekends. At that time, Aerocare had only 37 employees. Later, in 1997, he rejoined in a managerial role and has since overseen periods of growth at breakneck speed. In the past four years, Aerocare’s share of the market has grown by 300% compared with less than 10% for its competitors. Aerocare now has 3,000 employees working at 35 airports and the fourth-largest percentage of the Australian and New Zealand ground handling business. The company services 3,200 flights per week and 41,200 passengers per day.

“IT’s been a rollercoaster ride for sure,” says Rutherford. “We’ve always run our own race and not followed our competitors down any paths. We were a new entrant to an established industry and we challenged every accepted method with our processes, resource structures, role demarcations and even our GSE design. At every stage we have asked, ‘what could be done differently?’”

Rutherford has been the CEO of Australian ground handler Aerocare, which has experienced rapid growth and has been noted for its innovation and strategy. The company has successfully challenged accepted methods in the industry.

The story of Aerocare’s rapid rise is a mixture of great strategy and good old-fashioned luck. The company began life in 1992 with one man running operations supported by his friends and family. For a long time, Aerocare had only small bases at three Australian airports – Newcastle, Sydney and Melbourne. But on September 14, 2001, just three days after the terrible terrorist activities in New York city, Aerocare’s fortunes changed overnight with the collapse of Australia’s second-largest domestic carrier, Ansett Airlines.

The demise of such a big operation had far-reaching implications for everyone in the Australian aviation sector. For a start, it was the largest sacking in Australian corporate history, with 16,000 staff laid off instantly. Ansett had been hit hard by cutthroat competition in the industry, particularly from the arrival a year earlier of two new budget airlines, Virgin Blue and Impulse. For Aerocare, the most significant consequence of Ansett’s collapse was that it opened up a host of opportunities with the emergence of Virgin Blue, which later became Virgin Australia.

“Virgin Blue approached us in September, 2001, and asked us to set up ground handling operations at six airports in six weeks all over Australia, from Darwin in the north of the country to Canberra in the south,”

Glenn Rutherford, the CEO of Australian ground handler Aerocare, has been on what he calls a “rollercoaster ride” in his two decades with the company, as David Smith discovers.
Handler Focus

Andrew Bartlett, head of Qantas Airport Services, agrees that the market in Australia is divided into two between the major cities (which are dominated by the big ground handlers) and regional areas, especially in Western Australia and inland Queensland where smaller players prevail. He describes these companies as “small businesses with highly motivated owners, but sometimes hindered by transient workforces”.

“These markets fluctuate with suppliers, reliant on airline traffic which may be linked to mining and industry changes,” Bartlett adds. “Periodically one of the larger Australian ground handling companies makes inroads into these markets linked to securing contracts with the larger Australian airlines. Generally the service provided by these companies is very personalised and highly responsive.”

MARKETS

Most of Aerocare’s business comes from domestic demand, which is enormous in Australia. As the world’s sixth-largest country, much of it uninhabitable, Australia’s population is scattered far and wide. Last year, there were about 59 million domestic passengers compared with 36.6 million international flights, according to Australian Government data. Although there are 19 air operators in the domestic market, it is dominated by three airlines: Qantas (35%), Virgin Australia (29%) and JetStar Airways (21%).

“In Australia there are two distinct markets: domestic and international,” explains Rutherford. “Aerocare has the largest share of the domestic market, with a handful of smaller agents that create a competitive environment. But lots of smaller operators have disappeared over the past few years. To succeed in this market, we’ve taken an aggressive approach to scaling up, which has been the right strategy to lower overheads and meet customer expectations of better prices. We’ve grown 300% in the past four years compared with our competitors growing at less than 10%.”

Part of Aerocare’s success is down to making strategic acquisitions of smaller companies to scale up its operations. In 2015, for example, it purchased Aviation Ground Handling (AVGH) from Queensland Airports. AVGH is now integrated and operating as Aerocare with 200 staff offering a full range of ground support services for passenger, cargo and military aircraft at Gold Coast, Townsville, Rockhampton, Mackay, Sunshine Coast, Miles, Brisbane, Roma and Whyalla passenger transport and other ground services. It employs around 400 staff and a fleet of 140 vehicles.

In New Zealand, Aerocare secured a strong foothold four years ago when it purchased Skycare, a significant fixed-based operator (FBO) and the ground handler for JetStar. In addition to other ground handling services, Skycare has become the flight support service provider for VVIPs and government officials throughout Australasia.

Another important part of Aerocare’s success has been its embrace of technology solutions to increase efficiency. When it could not afford to buy expensive kit in its early days, it opted to build its own. Fortunately, these cheaper versions usually turned out to be much better options. “We went about building software that suited our modern business. We were able to keep our modern practices and let the software fit around the business rather than trying to adapt old technology,” Rutherford observes.
Aerocare, he says, has developed some of the most impressive technology solutions to be found anywhere in the ground handling world. In particular, the company has access to an extraordinary quantity of input data from customers, airports and air traffic. “We’ve got more data than anyone and a fully integrated database, which includes payroll, performance reporting, resourcing and asset management. We analyse so much information that we can fix issues even before our customers come close to knowing there’s a potential problem,” Rutherford states.

Aerocare has mainly used a capable small in-house team to design technology solutions. But it employed an outside company of specialists in optimisation to design its latest piece of kit, which is called AROS (Aerocare Resource Optimisation System). “It enables us to combine all the permutations of training and rosters and live schedules and staff preferences. It’s the most efficient roster possible and in such a competitive environment, it’s fundamental,” says Rutherford.

For a long time, Aerocare employed just one payroll person part-time to pay 1,000 employees at 15 sites over two and a half days each month. Now there are triple that number of employees based in two separate countries and the entire payroll consists of just three people. “This is tactical as well as technical. Although we are a happy company where people enjoy working, we don’t want to do work that doesn’t need to be done. If a machine or a web tool can populate forms, or write rosters, then we will invent it,” explains Rutherford.

GOING INTERNATIONAL
Most of Aerocare’s expansion has been domestic, but Rutherford says that in the past four years, its share of international ground handling has grown from 4% to around 17%. It now lies in fourth position behind the two multinationals, dnata and Menzies, and the legacy Australian airline, Qantas. Aerocare, he says, is getting enquiries all the time about its international services.

“The multinationals tend to be only interested in international and cargo because the contracts are more lucrative than domestic business,” he outlines. “They have the advantage that they can leverage global deals and keep their prices down. But Aerocare has advantages, too, because local knowledge counts for a lot in the Australian region. As an Australian company, we understand the cultural and indus-
trial landscape very well. Our business model is continually evolving and there are always international contracts coming up for renewal, whereas the domestic market is more static.”

More international ground handling business is bound to emerge in the coming years in Australasia, one of the world’s most dynamic aviation markets. The International Air Transport Association (IATA) is predicting 3.4% average growth in international passengers until the end of the decade. Australia is increasingly becoming a tourist destination for well-off Chinese, Japanese and Koreans. Figures from the Australian Bureau of Statistics showed double-digit year-on-year growth in visitor arrivals was recorded in all of the first 10 months of 2016. Although New Zealand remains the largest market by annual visitors, China will soon overtake it. An estimated 1.17 million passengers arrived in Australia from China last year.

Chinese and Australian airlines now have unrestricted international access into each other’s markets through a new arrangement for an ‘open aviation market’ between the countries. This will pave the way, in particular, for China-based carriers to maintain their strong growth into Australia and add new routes from China’s emerging second and third-tier cities. It will also open up opportunities for Aerocare both in Australia and New Zealand, and potentially in China. Rutherford says Aerocare is now looking to expand into overseas markets for the first time and is weighing up a few options, including in the Indian and Chinese markets. He believes market conditions are increasingly favourable to such a move.

“Asia is the fastest-growing market and we are right on the fringes and well-placed. The business model is changing there, too, and that will help us. The old model of cheap labour won’t work there as time goes on. As wages in Asia are rising quickly, the ability to manage the labour workforce efficiently becomes a high priority and we have done a better job building technology to manage that because of the comparatively higher Australian wages,” he concludes. ❖