



SUPER FLY GUY

Laidback, loudmouthed Ryanair boss Michael O'Leary has already transformed a struggling airline into the most profitable low-cost carrier in Europe. Now he wants to pay you to fly with him. What's up?

WORDS *Philip Watson*

MICHAEL O'LEARY is standing on the roof terrace of a London office block, kissing a middle-aged businessman fulsomely on the cheek. Wearing his trademark rugby shirt, jeans and black suede shoes, O'Leary is play-acting for the assembled photographers by getting affectionate with Toby Bright, the besuited and somewhat embarrassed looking Vice President of US aircraft giant Boeing. Both men are here, we are told, to announce Ryanair's landmark \$6 billion order for 100 new Boeing 737s,

with an option to take 50 more. Whether or not the man from Boeing has bargained for Michael O'Leary's headline-grabbing antics is less certain.

Still, if the coverage in the papers the next day is anything to go by, O'Leary's performance more than serves its purpose. Despite the fact that the press conference, held in January this year, has been organised and paid for by Boeing, and is the culmination of a year-long, often rancorous series of negotiations, O'Leary cannot resist boasting about the

High flyer Audacious and opinionated Michael O'Leary has become one of the airline industry's biggest success stories, much to the annoyance of the big players


deal he has struck. Roguishly letting it be known that he's getting a discount of "well over 34 per cent", a figure some industry experts later estimate as being as high as 50 per cent, O'Leary is asked if he thinks both parties are happy with the deal. "I would call the discount wholly inadequate," he replies, quick as a flash, smiling. "Boeing would call it rapacious."

He refuses to be drawn on the tactics he employed to achieve such an agreement. In August 2001, with discussions between Ryanair and Boeing





Sealed with a kiss Michael O'Leary with Toby Bright, Boeing's Executive Vice-President of Sales, after agreeing to buy 100 new 737s. Right, some of Ryanair's distinctive ads

EXPENSIVE BA _____ DS!			
	Ryanair from*	BA from*	
FRANKFURT	£ 69	£374	
GENOA	£ 129	£560	
TURIN	£ 119	£462 (H)	
ANCONA	£ 129	£562 (H)	
BIARRITZ	£ 99	£534 (H)	
DINARD	£ 99	£315	
 RYANAIR <small>THE LOW FARES AIRLINE</small>			



"When O'Leary goes into battle he boots the shit out of anyone or anything that gets in his way"

at a standstill, O'Leary dramatically cancelled Ryanair's options to buy planes with the Seattle-based supplier and sparked a bidding war by approaching Boeing's arch rival, the European manufacturer Airbus. While both parties knew that Boeing was O'Leary's first choice, because the next-generation 737-800s have more seats than comparable planes and lower operating costs, the Ryanair boss strengthened his hand by placing Wild West-style "Wanted" adverts in aviation magazines seeking second-hand planes, a campaign that generated many hundreds of offers.

Reportedly close to signing a deal with Boeing at the beginning of September, he decided to hang tough and battle for a bigger bargain. Then the events of 11 September changed everything, and O'Leary didn't fail to take advantage. With the airline industry in turmoil, O'Leary eventually secured a deal in a buyer's market that would supply his airline with new aircraft until 2009 at a price significantly below the one he had refused only six months earlier. One City analyst later described the discount as probably the largest ever secured by an airline on what is the world's most popular passenger aircraft.

It's a revealing episode that characterises the aggressive yet highly successful approach Michael O'Leary

takes to running his airline. Through a series of audacious business moves and a decidedly gunslinging approach to his opponents, the 41-year-old Chief Executive has made Ryanair the most profitable low-cost carrier in Europe. In a market once dominated by national carriers such as British Airways and Lufthansa, Michael O'Leary has cast himself as a corporate giant-killer and outspoken "people's champion".

Having argued that to break what he regards as monopolies you have "to shout, scream and campaign", he loves to needle the competition, particularly the "bunch of numb-nuts" at BA and the "nancy boys" at Aer Lingus. As one business associate bluntly puts it: "When he goes into battle he boots the shit out of anyone or anything that gets in his way."

His controversial newspaper adverts, which have included a British Airways provocation titled "Expensive BA****DS!" and a two-for-one ticket offer headlined "Blow me", have displeased many and occasionally landed him in court.

However, in a year that has been the toughest in aviation history, with record losses suffered and airlines such as Sabena going under, Ryanair recently announced annual pre-tax profits of £105 million. Ryanair is the only European airline that has been profitable for each of the past eight years. Despite the foot-

AIR FORCE:

O'LEARY SPEAKS

> "We're the airline that will fly you to places you didn't even know you wanted to go."

> "The Irish have always led transport developments in Britain. We built your roads and railways; now we're building your low-fares airline."

> "The biggest risk to Ryanair is me – and management indiscipline. If we get sloppy, start winning awards, pontificating, building new HQs, writing books, dating pop stars – sorry, that's OK – then I think we're dead."

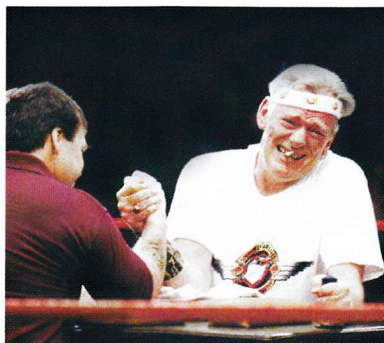
> "He's the son of a billionaire." [On being asked if he had anything nice to say about easyJet chairman Stelios Haji-Ioannou]

> "World domination, that's all we're after."

and-mouth crisis and the events of 11 September, passenger numbers on the Irish airline increased by 38 per cent to more than 11 million. In the past year, Ryanair has introduced 22 new routes and opened a base in Germany, its second on the continent. The airline now operates 76 routes in 13 European countries. Even the Blairs vote with their feet and fly Ryanair when they holiday in the South of France.

O'Leary has made himself a personal fortune estimated at £226 million. With his six per cent stake in the airline and a 250-acre farm outside Dublin, the unmarried Irishman is richer than Chris Evans, Posh and Becks, Naseem Hamed and Prince William... put together.

WHILE THE BUOYANT Irish economy, the 1997 deregulation of European air travel and the phenomenal growth of the internet have certainly helped Ryanair, Michael O'Leary's formula for success is brutally simple: cut costs to the barest minimum. The lower the airline's operating, marketing and labour costs, the lower the fares and the higher the profits. In a year when fuel prices and airport charges have risen significantly, Ryanair has cut its costs per passenger by 11 per cent and dropped its average fares by 8 per cent to just £33. This compares with an average fare across



My hero O'Leary, left, models himself on Southwest Airlines boss Herb Kelleher, above left, a man who dressed like Elvis, settled disputes by arm-wrestling and hired Playboy bunnies as cabin crew, right

"Kelleher, the godfather of no-frills flights, once settled a business dispute with an arm-wrestling bout"

the recently merged easyJet/Go operation of £52. O'Leary watches costs with the eye of a trained accountant, settling for nothing less than the lowest of any airline in Europe. He then lets the revenue look after itself.

One of six children from a hard-working and entrepreneurial middle-class farming family from County Cork, O'Leary was educated at Clongowes Wood College (a private Jesuit boarding school that has groomed the Irish elite for generations) and Trinity College, Dublin. He studied accountancy but never completed the exams. In the early Eighties he worked as a tax accountant before setting up his own practice, supplementing his income by "ducking and diving" through the recession by buying and selling property, mostly corner shops.

One of his tax clients was tycoon Tony Ryan, who had set up Ryanair in 1985, flying passengers from a strip near Waterford, south-east Ireland, to Gatwick and back in a single 15-seater jet. Ryan had also founded GPA, at that time one of the world's largest and most successful aircraft-leasing companies. In 1988, impressed by his quick-witted industriousness and the force of his personality, Ryan approached the 27-year-old O'Leary to work for his struggling airline. At first he refused; the balance sheet looked too red. "I said,

'Close it down because you couldn't give it away,'" O'Leary has explained. Only after he had negotiated a very favourable profit-share and bonus package did he come on board as Operations Chief and Ryan's personal adviser.

IN 1990, RYAN AND O'LEARY travelled to Texas to meet Herb Kelleher, the godfather of no-frills flights (see "No Frills USA", right). Like O'Leary, the 71-year-old owner of Southwest Airlines is renowned for his unconventional ideas. In the early Seventies, Kelleher's air hostesses were kitted out in tight tops, hot pants and white leather boots (his first chief hostess had previously worked on the Playboy jet) and he once settled a business dispute with an arm-wrestling bout, billing it "Malice in Dallas".

"It was like the road to Damascus," said the energetic O'Leary shortly after the trip. "I knew that this was the way to make Ryanair work. Ninety-nine per cent of people want the cheapest price. They don't want the best coffee or awards for the in-flight magazine. The plane has to be safe, on time and cheap. It's a bus service – it's transport."

One of the first things he did was to cancel in-flight meals ("They always taste like crap anyway"), saving the airline £1 million a year. The number of on-board staff was cut from six to three. He also

NO FRILLS USA: THE SOUTHWEST AIRLINES STORY

Herb Kelleher is the man who started the global low-cost airline revolution. Frustrated by the prohibitive cost of flying around his huge home state of Texas, where he was working as a lawyer, Kelleher dreamed up the idea of launching a budget airline to fly between its three biggest cities, Dallas, Houston and San Antonio. Now it is the most successful airline in the US, flying 75 million passengers a year. A true maverick, Herb would drive to work on a Harley and wear spangly shirts and Elvis suits around the office. "The man's the original genius," says O'Leary, "the Thomas Edison of low-fare air travel."

looked for more efficient aircraft, buying a fleet of planes from British charter airline Britannia at a knockdown price after the Gulf War in the early Nineties.

At the beginning of 1994, O'Leary took the helm. At a time when he and fellow directors were receiving multi-million-pound bonuses, he cut cabin crew's wages by 25 per cent and made a third of his staff's salaries dependent on increased productivity. Yet O'Leary prides himself on taking an "egalitarian approach" to work – shortly after taking over as Chief Executive, he would often work a couple of hours a week as a baggage handler. He also made all staff shareholders in the airline, a scheme that has subsequently rewarded long-serving employees.

Launching flights from Stansted in 1995, the parsimonious O'Leary looked at ways to further reduce costs (see "Ryanair by Numbers", overleaf). He abandoned the allocated-seat system, reduced travel agents' commission and set up a direct telephone-sales operation. And he battled successfully with Aer Rianta, the state-owned Irish airports authority, to reduce landing charges at Dublin airport. Looking for ways to capitalise on his assets and generate cash flow, O'Leary successfully floated Ryanair on the stock exchange in 1997; share prices have since multiplied in value many times.

As a hardened free-marketeer, O'Leary



"We Irish are naturally rebellious to authority and take great pleasure in knocking kings off their thrones"

has always railed against the fares charged by the big European carriers – "highway robbery", he calls it. He has likened himself to Robin Hood, taking money from the "the rip-off merchants" to help the poor passenger. Resolutely anti-establishment, he loves "stuffing it to the big guys, particularly BA". In old Irish parlance, he's a "cute whore", a shrewd chancer. In the new Ireland, he's the apogee of a confident and independent people no longer deferring to the church, the politicians or the British.

"It is very fitting that it's an Irishman who has shaken up the European airline industry, because upsetting the establishment is a cap that an Irishman is happy to wear," says Formula One driver and fellow mischievous Irish millionaire Eddie Irvine. "We are naturally rebellious to authority and take great pleasure in being the underdog, in knocking kings off their thrones. British Airways was in a very favoured and privileged trading position and what O'Leary has done is great for the consumer."

While "ebullient" and "wisecracking" are the most common adjectives applied to O'Leary, and he often appears flippant and likes to play the fool, much of his public persona is a clever act of deception. He'll self-deprecatingly refer to himself as a "jumped-up Paddy" and, in correspondence with *Esquire*, "a

gobshite" who has an affinity to "ill-educated, wild African Bushmen". He is, of course, anything but. Like fellow entrepreneur Richard "Woolly Jumper" Branson, Michael O'Leary may wear casual clothes but underneath he is a very smart operator.

"I think it's interesting that Michael O'Leary has this image as a rough-and-tumble profane Irish farm boy," says former Chief Executive of Go Barbara Cassani in *No Frills*, a new book on low-cost airlines by Simon Calder. "He's a trained accountant who went to one of the finest universities in Ireland."

Eddie Irvine agrees. "It's funny. I think we Irish are very good at playing dumb."

ONE THING THAT IS INDISPUTABLE is that Michael O'Leary's Ryanair has achieved a revolution in European travel. By reducing fares on some routes to a tenth of what they once were, O'Leary has made regular air travel affordable to all and no longer the privilege of businessmen and the middle classes. Not only do weekend trips from London to Venice, Dublin and Salzburg now often cost the same, in terms of both cash and effort, as taking the train to Edinburgh, but Ryanair has also developed tourism in such neglected but spectacular corners of the continent as Carcassonne, Biarritz and Alghero (see

RYANAIR BY NUMBERS

52% The break-even figure for the number of seats sold on a flight, after which O'Leary would rather sell a seat for 20p than have it empty.

94% The proportion of Ryanair flights bought online, incurring no costs to the airline (and no tickets) and no travel agents' commission.

£5 The "admin fee" on infants under two. There are no discounts for children over two.

£1.5 million The annual incentive payment/subsidy Ryanair reportedly received to operate out of Charleroi airport, 35 miles south of Brussels.

737 The only aircraft used by Ryanair, in order to reduce operating and maintenance costs.

"Five Great Ryanair Routes", *overleaf*).

However, O'Leary and Ryanair have their critics. With low costs being the primary driving force of the Ryanair business model, many believe that customer service is ignored. As an airline equivalent of mass-market operators such as Walmart or McDonald's, some have even suggested that Ryanair has become the unacceptable face of the free market.

Up until the summer of 2000, for example, Ryanair charged disabled passengers £15 to be helped on and off aeroplanes. O'Leary's industrial-relations policy led Irish Prime Minister Bertie Ahern to accuse him of practising "tooth-and-claw capitalism". And, after he placed Lord Kitchener-style "Let's Fight Back" adverts shortly after 11 September, O'Leary was charged with cashing in on the tragedy and practising "inappropriate and misplaced commercialism".

Customers have complained that promotional lead-in prices are often not available and that Ryanair flies to "secondary" airports a long distance from advertised destinations. Flights to Frankfurt land at Hahn, a former US Air Force base near Mainz that is 60 miles west of the German city it serves; and flights to the Danish capital Copenhagen actually touch down across the border in another country – Malmö in Sweden, 45 minutes away by bus. "Ryanair's



Hitting turbulence
O'Leary celebrates, but it hasn't all been blue skies: millionth customer Jane O'Keeffe, right, took Ryanair to court, and at Stansted one of its planes, below, caught fire



"O'Leary expects that 10 per cent of passengers will obtain free tickets for off-peak flights by 2004"

advertising is misleading," says Bob Tolliday of *Holiday Which?*, published by the Consumers' Association, which has branded some Ryanair routes "flights of fancy" and accused it of using a "smoke-and-mirrors technique". "For example, the airline advertises flights to Bologna when it actually uses an airfield at Forlì, 37 miles away. Forlì is not designated as a Bologna airport by the IATA [International Air Transport Association] and should not be classified as such. Bologna is not even the nearest big tourist town."

Organisations ranging from Watchdog to the Air Transport Users Council have also complained to Ryanair about its shortfalls in service. Check-in staff, seat comfort, legroom and aircraft cleanliness have all been criticised. If planes are delayed or cancelled, information and compensation have often been non-existent. Stranded passengers get no tea or sympathy. "With respect, go and buy a cup of tea yourself," O'Leary told *The Times*, when asked if he could look after his customers better. "It was never built into our airfare."

While many people are prepared to put up with such discomforts and frustrations in return for cheap tickets, there seems to be a growing group of no-frills refuseniks who are not.

"Ryanair is quite upfront about not

supplying any frills, but there is still a bare minimum of service that passengers have a right to expect – especially when things go wrong," says *Holiday Which?*'s Tolliday. "Ryanair runs the risk of losing the goodwill of its passengers. In the long run, it's a short-sighted policy to ignore customer service to the degree they do."

O'Leary's approach can be blunt and brash. Although he is not afraid to tread on toes and has said that he is not in business to be liked, he has been accused of being rude, insulting and insensitive. He is known for his "shock-jock" radio interviews and Father Ted-style swearing. This year, he lost an expensive and high-profile court case in Ireland when a judge ruled that O'Leary had been "hostile, aggressive and bullying" to a woman who had been promised free flights for life with Ryanair for being the company's millionth customer, only to find it later reneged on the prize.

HOWEVER RYANAIR IS STILL very much an airline on the rise. While many smaller national flag carriers such as Ireland's Aer Lingus and Italy's Alitalia are facing severe financial difficulties, laying off staff and pulling out of routes, Ryanair is looking to expand – and, although new players may enter the low-cost sector in the future, it seems to have the room to do so. In the US, low-fares carriers have

FIVE GREAT RYANAIR ROUTES

Alghero Fun resort in north-west Sardinia with soft sandy beaches and a cobbled old town with great seafood restaurants.
Biarritz Once grand but still stylish French resort on the Atlantic coast with big waves, surfies, bullfighting and casinos.
Carcassonne Medieval fortress citadel in south-west France, with evocative history and beautiful views.
Kerry Only Donegal can match the majesty of this rugged, beautiful coastal corner of south-west Ireland.
Venice Still just about the most romantic and unforgettable city in the world, but best avoided during high summer.

18 per cent of the market; in Europe they have just eight. With air traffic expected to double by 2015, O'Leary is said to be talking to up to 40 airports in Europe, most of which have approached him.

O'Leary forecasts that Ryanair passenger numbers will grow by 30-35 per cent a year for the next two years, and that the airline will be carrying 40 million passengers by 2010. He will soon launch a Swedish domestic service and plans to expand into Spain, a country as yet untouched by "the Ryanair effect". He wants bases in Italy and France. "Ryanair is going to be monster," says O'Leary. "We're going to be the biggest airline in Europe within the next 10 to 12 years."

O'Leary claims that Ryanair will continue to beat the competition because he will continue to beat down prices. O'Leary has even stated that he wants to take Ryanair's low-fares policy one stage further. With in-flight shopping, car hire and hotel booking tie-ins already in place, and plans for pay-per-view television, internet gambling, casino machines and charges for passengers checking in luggage, he may even be prepared to make some Ryanair flights loss leaders. He says he expects that 10 per cent of passengers will obtain free tickets for off-peak flights by 2004. "Conceptually," he says, "there must be a way we can actually pay people to fly with us." **3**