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Taking your airline to new heights

JET STREAM

A conversation with Wolfgang Prock-Schauer, the chief executive officer of Jet Airways.



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Excess Baggage

External factors can have a dramatic impact on airline operations such as the tightened security measures resulting from the foiled terrorist plot to blow up trans-Atlantic airlines in August 2006.

■ By Michael Clarke | Ascend Contributor

The overall operations and productivity of the airline industry can be substantially impacted by external geopolitical and macro-economic factors that drive the global economy. Last August, for example, drastic changes to operating procedures related to security requirements at airports had a significant and crippling impact on the operations of airlines around the world. The immediate ban on hand luggage at London Heathrow Airport (a key international gateway), and the restrictions of liquid contents in hand luggage in Europe and the U.S. domestic network, which represents half of the world airline traffic, resulted in a significant increase in the level of checked baggage in the airline system. In many cases, airlines experienced more than a 30 percent increase in the number of checked bags with nominal increase in the number of boarded passengers.

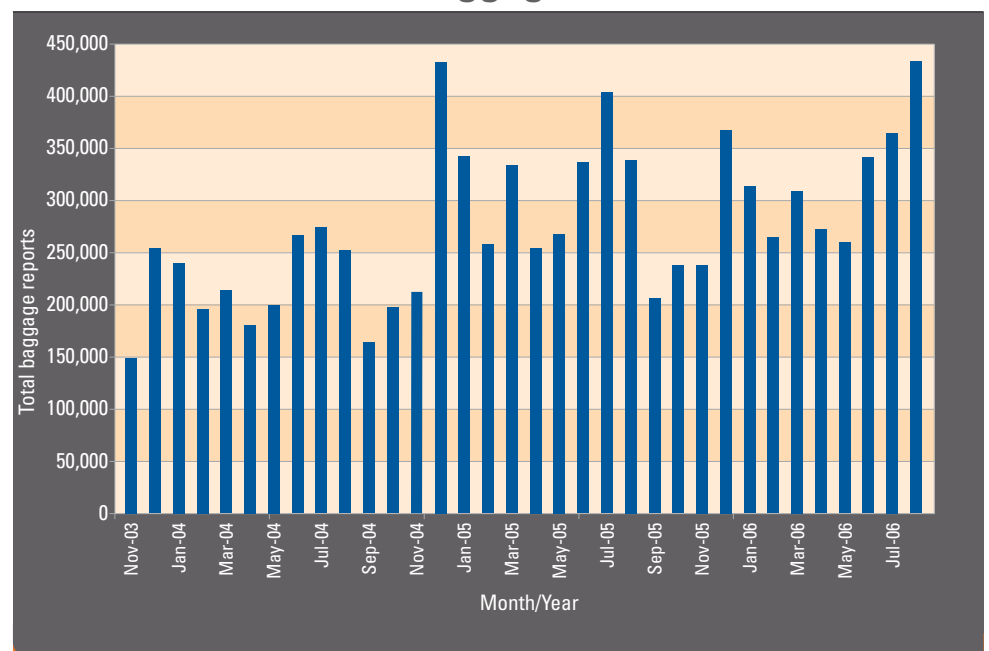
This sudden increase in checked luggage led to increased check-in and baggage claim times, as airlines during the last decade have streamlined their ground handling operations as more and more passengers carried on bags. As a result, there were insufficient ground resources available, especially at hub airports, to handle the influx of additional baggage. This operational problem was even more acute during schedule disruptions and irregular operations. Although most major network carriers were better able to handle the increase in bags by relying on overtime workers, low-cost and regional carriers were impacted substantially. As reflected by the number of mishandled bags reported last August, some regional carriers experienced a 100 percent increase in consumer complaints, as reported by the U.S. Department of Transportation. On average, 14,100 checked bags were mishandled throughout the U.S. domestic system on a daily basis. A mishandled bag is defined by the DOT as lost, damaged, delayed or pilfered.

An unanticipated byproduct of these new security rules and procedures was a noticeable decrease in passenger boarding and deplaning times throughout the U.S. domestic network. Although the new rules have not cut the amount of carry-on luggage travelers can have, many passengers have found it easier to check all their bags during their trip. For some major network airlines, they recorded a 10-minute (25 percent) decrease in the time required to board passengers, as there was less time spent by passengers storing

oversized hand luggage onboard aircraft. As a result, airlines that were able to handle the additional checked luggage with the appropriate ground resources actually ended up with reduced aircraft turn times, especially at spoke stations. On the other hand, many airlines ended up with flight delays at departure due to bag loading and waiting for revised weight and balance calculations.

The new security procedure also had a substantial impact on government and airport authorities responsible for passenger and bag-

Trends in Mishandled Baggage



The number of reports of mishandled baggage has trended upward since November 2003, and in August 2006, after changes in security procedures, equaled the highest level of the past three years.



With an extreme crack down last year on what was permitted in carryon luggage, many passengers began checking all of their luggage rather than taking it on the plane, which had an overwhelming impact on many carriers' baggage operations.

gage screening. In the immediate aftermath of the new rules, security personnel had to spend additional time searching hand luggage for banned items including everyday toiletries, medication and beverages. During the transition period, they were faced with the burden of educating the traveling public on what was allowed on board aircraft. To avoid the uncertainty, most passengers opted to check in their luggage. This sudden shift in checked luggage significantly impacted the operations at airports, especially the process of baggage screening. However, even before the new security rules were enacted, the U.S. Government Accounting Office reported that the U.S. domestic system was not adequately prepared to provide the required level of baggage screening. Before the surge in checked bags, it cost more than US\$1 billion for baggage screening, and airports typically had the ability to process 120 to 180 bags per hour using explosive detective systems.

During the immediate aftermath of the new rules, airlines were forced to rapidly adjust their catering requirements, as no beverages were allowed onboard the aircraft. This meant that carriers had to stock extra supplies of bottled water and other beverages to meet the needs of the passengers who typically brought their own drinks onboard. Some carriers started selling bottled water onboard as a source of additional revenue. Regulatory agencies have since relaxed this rule and now allow

beverages purchased airside (beyond airport security) to be taken onboard the aircraft.

One aspect of international travel substantially impacted by the new rules was duty-free shopping. Since a large percentage of goods sold in duty free are liquid (perfumes, colognes, liquor, cosmetics), many stores saw their sales plummet more than 75 percent. Within days, the rules were adjusted to allow the delivery of purchased duty-free goods directly to the aircraft. The issue still remains, however, as passengers with connecting itineraries are unable to transfer with their duty-free goods without having to place them in their checked luggage.

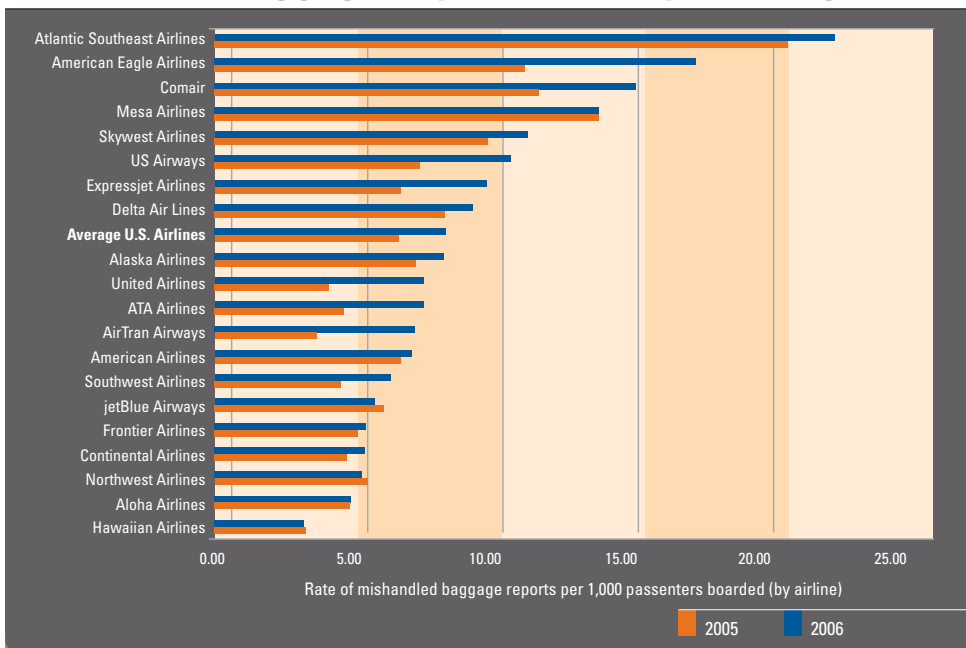
Airlines are still assessing the impact of the increased checked baggage on cargo operations, as many network carriers rely on belly cargo capacity for their cargo operations.

The displacement of cargo and mail revenue could have an impact on the overall profitability of a given route in the network. This operational issue is more apparent in the U.S. domestic network that relies on narrow-body aircraft with limited cargo capacity. Some carriers have noticed that passengers are checking larger bags than before, although the average size is influenced by recently implemented reduced free allowance. Most airlines now charge for bags in excess of 50 pounds, and passengers typically try to stay within those limits. Any additional revenue from excess baggage will help alleviate lost revenue from cargo operations.

The present environment of new security rules and procedures and the resulting increase in excess checked baggage in the airline network highlights the need for carriers to review their current standard operating procedures. In most cases, each airport gate is served by a dedicated team of ground personnel and resources on shift. If airlines were to better pool their personnel and resources, they would be better able to handle sudden variations in baggage levels in the network.

At many international airports around the world, a team of ground personnel are assigned to multiple gates, and they are better able to process inbound flights in a timely fashion. The system-wide acceptance and deployment of new technologies such as radio frequency identification tags could help address the recent increase in the number of checked bags. As airlines become better equipped to handle surges in luggage, it will help them better manage their operations and reduce the number of mishandled bags. With reduced mishandled luggage, passengers would be more inclined to check in their bags, which will help maintain faster aircraft turn times. Ultimately, airlines would be able to provide a consistent traveling experience, regardless of the impact of external factors on their operations. **F**

Mishandled Baggage Reports Filed by Passengers



Last August, the number of passengers reporting mishandled bags increased significantly year over year, particularly at regional airlines that were less able to handle the impacts of security changes that led to an increase in the amount of checked luggage.

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