

A MAGAZINE FOR AIRLINE EXECUTIVES

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# ascend

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EXTREME AIRLINE MANAGEMENT

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Photo courtesy of Cathay Pacific Airways

# Unexpected

## *A conversation with Alan Wong, Cathay Pacific Airways*

**W**hile the global airline industry struggled with an economic downturn, the events of Sept. 11, 2001, in the United States, and the outbreak of conflicts in Afghanistan and Iraq, Cathay Pacific Airways managed to weather the storm. In March, the carrier announced record profits even in the face of such challenging conditions. Weeks later, however, another blow to the industry dramatically affected the Hong Kong-based airline. With the outbreak of severe acute respiratory

syndrome in Asia, Cathay Pacific suddenly saw travel to and from its home base plunge. The World Health Organization issued a travel warning for Hong Kong, and bookings in its home market decreased 80 percent. In May, the carrier averaged 5,500 passengers a day — a dramatic decrease from the 33,000 a day it carried during the same month the previous year.

The drop in passenger traffic forced Cathay to issue its first-ever profit warning and to take other dramatic steps to address the crisis and maintain its position as one of the world's preeminent carriers. In the months following the outbreak, the carrier reported a rise in passenger numbers and plans to return to a full schedule.

Alan Wong, a general manager at Cathay, discussed how the airline reacted to the crisis and some of the lessons it learned.

**Question:** *Although it's impossible to anticipate an event such as the outbreak of SARS, you have a plan in place to deal with crises. Can you outline your crisis management process?*

**Answer:** As an airline, we always have plans to handle flight disruptions. Our corporate decision is that we use a response-driven contingency planning

methodology instead of the more commonly used scenario-driven method.

This response-driven planning methodology enables us to avoid having to write and maintain a library full of specific plans for specific crisis scenarios.

**“Our corporate decision is that we use a response-driven contingency planning methodology instead of the more commonly used scenario-driven method.”**

There are too many potential crises out there for a modern airline. It also allows us to clarify our thinking throughout every level of the company on our core business functions as well as their delivery processes — what may be affected, what needs to be protected.

This method ensures systematic business continuity planning throughout all departments and outposts, such as overseas offices, by making use of a corporate standard planning template. And it maximizes cost savings in pooling resources and manpower by making use of an integrated, holistic corporate response infrastructure.

Photo courtesy of Cathay Pacific Airways



Alan Wong, a general manager at Cathay Pacific, said the airline's crisis management process helped it cope with the severe downturn in traffic earlier this year.

**Q: What are the steps involved in it, and what input and types of information do you seek?**

**A:** Basically the crisis management process involves all departments and staff at all levels. When a crisis is called, a crisis team composed of representatives from various departments will be formed and meet on a regular basis. The team is chaired by a Cathay director. Its job is to monitor the situation and devise, communicate, implement and evaluate our response from an opera-

structure was adequate in ensuring business continuity and dealing with issues such as impact on personnel.

**Q: Have you identified any changes that you would make to the crisis management process so that it would work even better in future crisis situations?**

**A:** The spread of SARS and its impact on us was so quick that it deepened our belief in ongoing preparation. Every group must maintain and update its plans on a regular and periodic schedule — it's no good if the plan was updated

12 months ago. Everyone must be trained according to the plan — it's no good if the staff doesn't know how to use the plan. We also conduct drills and exercises to ensure efficient execution of the plan including all levels of staff from frontline staff to company directors.

**Q: During the height of the outbreak, you took some dramatic steps — cutting more than 40 percent of daily flights, parking 22 aircraft, cutting dividend payments, placing staff on unpaid leave — how did you identify specifically the**

“Even though there was no specific plan on SARS, the generic corporate response structure was adequate in ensuring business continuity and dealing with issues such as impact on personnel.”

tional and communication point of view.

Any information related to the crisis will be needed. For the SARS outbreak, we worked closely with the International Air Transport Association, the Association of Asia Pacific Airlines, the World Health Organization, Hong Kong Department of Health, et cetera, to gather the latest SARS information. We needed them for decision making and message development for both internal and external audiences.

**Q: How well did your crisis management process address the SARS outbreak? Was it robust enough to handle such unprecedented changes, or did you have to adjust it to manage the magnitude of the situation?**

**A:** SARS is so new that it's probably not included in any contingency plan. Nevertheless, our established plans are response-driven rather than scenario-driven. We were able to meet the challenges of the SARS event. Even though there was no specific plan on SARS, the generic corporate response

Once the World Health Organization lifted its travel advisory for Hong Kong, Cathay Pacific Airways moved to allay fear of travel to the city through its “Flying without Fear” campaign. Cathay Pacific also worked with other tourism





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**most effective steps to take? Were there other options that were not pursued?**

**A:** Dealing with something unknown like SARS, other than protecting the health of our passengers and staff, our first priority has to be the preservation of the business and jobs. The outbreak of SARS posted the most challenging

period in our 57-year history.

The measures mentioned were all necessary to conserve cash and preserve jobs. The fact that we survived and are now able to work toward our recovery is due to our prompt business decisions, the admirable teamwork of our staff and management, and our shareholders' continued confidence in the company.

**Q: Were any of the changes you made permanent?**

**A:** Operation wise, we were back to

normal by the end of September. The outbreak of SARS has reinforced our belief that the aviation industry is very dependent on the global economic cycle and is very vulnerable to exogenous events like 9/11 and SARS. One item that we can consciously control is cost, and we will continue to keep a close watch on it.

**Q: Under normal circumstances, key decisions are made after thorough discussion and debate. Did the need to react quickly to a crisis situation alter the decision-making process?**

**A:** Quick decisions and actions are crucial in handling a crisis. Our established plans have enabled us to do so. SARS first became an issue for us on March 16 when we were told that a passenger that had flown with us to Canada 10 days previously had taken ill. It was immediately apparent to us that SARS could have commercial implications for the airline. Our first concern was to protect the health of our passengers and staff. At the time, there were very limited recommendations for airlines to deal with the situation, so we devised our own.

On March 18, we formed our SARS committee chaired by the director of service delivery and brought together representatives from all departments. Its job was to monitor the situation and devise, communicate, implement and evaluate our response from an operational and communication point of view.

**Q: How long do you believe it will take you to fully recover from the affects of the SARS outbreak? Do you believe the recovery process was hastened by having a crisis management plan?**

**A:** Passenger numbers are picking up across the network. However, yield is low as a result of all the promotional offers to encourage people to travel and help to rebuild the tourism industry in Hong Kong. Full recovery will take

partners to launch the “We Love Hong Kong” campaign. Such steps have helped the airline rebound. In August, Cathay Pacific carried 23.9 percent more passengers than the previous month.



some time. Having a crisis management plan has definitely helped the company to manage the crisis in a more structured way. Very soon, it became clear that the

“In times of crisis, people need to be briefed. Unity among staff and confidence in the company are essential ....”

crisis would break down into three broad phases with specific focus in each phase. After taking the necessary measures to protect our passengers and staff and cutting costs, we moved quickly from the response phase to the reassurance phase in order to allay the fear of travel because of SARS. We launched a "Flying without Fear" campaign in April. Faced with the rapidly declining local economy, we had to do something to build confidence and stability among Hong Kong residents and to get life back to normal. Together with other tourism partners in Hong Kong, we launched the "We Love Hong Kong" campaign. Once the World Health Organization removed Hong Kong from the SARS-infected area list, we rolled out an aggressive plan to rebuild the tourism industry in Hong Kong.

**Q:** As you emerge from the impact of SARS, have you readjusted your operations and/or your overall strategy?

**A:** We are progressively reinstating more flight frequencies. We were

back to full operation by the end of September. For destinations such as London, Melbourne and Auckland, the frequencies will be even higher than the pre-SARS level.

Notwithstanding current difficulties, we will continue with plans to grow our fleet, develop our network and strengthen Hong Kong's position as Asia's leading aviation and logistics hub.

**Q:** Since Cathay has successfully survived the SARS crisis, do you think you are better prepared to handle future situations that may arise?

**A:** We are coming through an extremely difficult period with our company, staff and product intact. The experience has given us very good lessons on how to manage the company during an extremely difficult business environment. While we remain vigilant, we believe the experience we had will help us handle future situations that may arise.

**Q:** What key lessons did you learn from the SARS outbreak and its affects on your airline?

**A:** Although SARS created a very different crisis to one an airline might normally be prepared for, it nevertheless highlighted some very fundamental lessons.

The key lesson is the need to be prepared. We are always sensitive to possible threats and a strong sense of crisis is in our corporate culture. If we had not identified the possible implications of SARS early on and

acted to contain them, the outcome to the company, its staff and shareholders could have been much worse.

Very important was our ability to act quickly in the face of crisis, both to protect the health of passengers and staff and to make swift decisions in order to safeguard the business in the short term and maintain confidence in the company in the long term.

In times of crisis, people need to be briefed. Unity among staff and confidence in the company are essential to ensure that everyone puts in their best and moves in the same direction. Communicating promptly and transparently to external audiences also helps to retain people's confidence in the company.

From our point of view, it was important that we did not just wait for help. We provided leadership and took action to rebuild our own business as well as support government and industry initiatives, both to maintain confidence in air travel and restore vigor to the tourism industry of Hong Kong.

The steps taken by Cathay Pacific to address the issue have helped it make a strong recovery. In August, Cathay Pacific carried 1,083,011 passengers, a 23.9 percent increase over the previous month. Its passenger load factor climbed 3.2 percent year-on-year to 85.3 percent, and it carried 70,452 tons of freight, up from 67,340 tons in July. **a**

## +count it up

**Less than 2** — Number of minutes for the world's shortest scheduled flight, from Westray to Papa Westray.

**4** — Number of doctorate degrees held by members of the Sabre Airline Solutions consulting team. Team members also hold 15 master's of business administration degrees.

**7.1** — Percentage of decline for overall passenger traffic year on year for the first half of 2003, according to the International Air Transport Association.