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A TOP CONTENDER

A Conversation With ...
Enrique Cueto, Chief
Executive Officer, LAN
Page 12.

18 Cambodia has a new, proud national flag carrier

41 A new era in airline technology is upon us

76 single, robust platform

More Smoke Than Fire

The volcanic eruption in Iceland earlier this year created angst and uncertainty among airlines, travelers and numerous businesses alike. What could have been a long-term crisis for the air transport industry, however, was contained, but not without valuable lessons learned.

■ By Kay Denton | *Ascend* Contributor



On March 21, the United Kingdom, Ireland and Iceland awoke to region-wide flight disruptions, travel chaos and potential financial losses due to a seldom active volcano, with the unpronounceable name “Eyjafjallajökull,” which a pundit translated as “I laugh at your losses.”

For the aviation industry, only recently on the road to recovery from the global financial crisis, the volcanic disruption seemed like a final visit from the Four Horsemen of the Apocalypse. During the past decade, the aviation industry had been hit by war (the terrorist events of Sept. 11, 2001, that triggered wars in both Iraq and Afghanistan), pestilence (SARS and H1N1) and famine (in the form of skyrocketing fuel prices that airlines could not afford), but until March, the industry had been spared an act of nature approaching biblical proportions.

The ash cloud slowly spread across Europe, and an eerie silence fell over the skies and once-bustling airports. Analysts expressed concerns for the health of Europe’s economies in the wake of what might be called “volcanic fever.” It seemed at the time that the rumble of the eruption might have been the harbinger of the death of the European aviation industry. A few months after the event, however, and the volcanic disruption is only a sharp “V” on demand, revenue and even profitability graphs for airlines.

The interesting question arising from this event is, “Why wasn’t the volcanic disruption a bigger event?” After all, it seemed — at the time — to be a bigger issue than H1N1, but in the end, it held little more impact than the Y2K bug. A decomposition of the event perhaps sheds light on why the volcanic eruption ended up being more of a yawn than a roar.

First, there is the matter as to why the airspace was closed at all this past March. On June 24, 1982, British Airways flight 009 inadvertently and unknowingly flew into a cloud of volcanic ash while flying near erupting volcano Mount Galunggung in Indonesia. During the course of a frightening hour, all four engines of the Boeing 747 failed, the windshield of the aircraft became scored to opaqueness by volcanic grit, the aircraft filled with smoke and ash, oxygen levels dropped in the cabin, and the aircraft hurtled toward the ground.

Due to the bravery and prompt actions of the flight crew, however, the aircraft was brought under control and was able to land safely without the loss of life. This is a notable incident in aviation history and a point of reference that dictated the regulations regarding flying through volcanic ash clouds.

Basically, as a result of this event in 1982, the civil aviation authorities of Europe have little tolerance for volcanic ash. At the time, there were few who questioned the airspace closure on safety grounds — regulators appeared to have the public’s best interests in mind when issuing the flying sanctions.

Photos: Kolbeinn Arinbjarnarson

In the days following the initial eruption, ongoing eruptions caused the ash cloud to spread over Belgium, Holland, Scandinavia, parts of Germany and northern France and thousands of passengers were stranded across the globe. Trans-Atlantic flights were cancelled and customers bound for northern Europe had to fly to Rome or Madrid to make their way to European destinations. Travel disruption abounded, and ferries and trains across Europe were oversold as they endeavored to transport displaced passengers. The Eurostar terminals in Calais and Paris, France, overflowed and passengers had to pay for temporary accommodation amidst the uncertainty of when they could travel.

In an interesting nod to mass psychology (or “herd mentality”) otherwise calm, experienced travelers suddenly started treating their existing location as little better than a penal colony. Business travelers who had enjoyed excellent weather in London suddenly had to find any means to leave the city. Of course, everyone wanted to return home, but many travelers resorted to extraordinary means that were reminiscent of scenes from “The Great Escape.”

The press played its part in sensationalizing the extent of the disruption because bad news is much more interesting than good news. This is one of the reasons the recent volcanic event ultimately had little lasting impact.

Unlike most major events to hit the aviation industry during the past decade, the eruption of Eyjafjallajökull did not result in a downturn in airline demand — even temporarily. To be certain, there was a downturn in capacity as the airlines were grounded, but there was no downturn in unconstrained demand.

Instead, the volcanic disruption increased short-term demand and required several forms of intra-modal travel that resulted in a sharp uptick on the backside of the “V” when the airspace reopened. Intra-modal travel occurs when different forms of travel are mixed to reach the final destination. In the case of a passenger traveling from London to Dallas, Texas, for example, intra-modal travel may have required a taxi ride from London to Dover, a trip on a ferry from Dover to Calais, a train ride from Calais to Paris, a bus ride to Madrid and then a flight from Madrid to Dallas.

The airports of Rome and Madrid became bursting European aviation hubs as traffic plentifully flowed through due to the principal airports of northern Europe (including Paris, London, Amsterdam and Frankfurt) being closed. As such, these southerly hubs experienced an increase in traffic and certain airlines, such as Alitalia, received a financial boost as they carried more passengers than usual to Asia and the United States while their more northerly competitors were grounded.

In fact, Alitalia released narrower operating losses at the end of the second quarter than predicted due to an increase in international passenger volumes in the wake of the volcanic eruption. When the restrictions were lifted and flights recommenced, the load factor of many



In the aftermath of Eyjafjallajökull, Iceland’s infamous volcano that erupted earlier this year, Rome and Madrid became aviation hubs due to the closing of many northern European principle airports. These southerly hubs transported much higher volumes of passengers to Asia and the United States as a result while many of the continent’s northerly airports were closed and airlines grounded.



The eruption of Iceland volcano Eyjafjallajökull caused brief but significantly reduced restrictions on northern parts of Europe's air transport industry, with severe warnings of imminent flight disruptions due to the volcano's history of erupting for months at a time. However, after the initial eruption and airspace closures, there has been little lasting impact.

flights was near 100 percent for several days due to the backlog of passengers eager to reach their destinations.

While many airlines have undoubtedly recorded losses from the Icelandic volcanic disruption, some carriers were winners, and the industry quickly bounced back — especially in markets such as Asia-Europe where the green shoots of financial recovery were only temporarily singed by airspace closures.

At the tail end of the first week, several airlines started questioning the validity of the airspace closures. The weather in England, of course, did not help this situation. Late March can normally be counted on for cold drizzle and overcast grey skies — much like the remainder of the year. During the volcanic eruption, however, the weather was just beautiful in England; skies were gloriously blue during the day, the sunsets were blood red and spectacular, and temperatures were balmy — especially for the time of the year.

Stranded travelers in England were forced into unthinkable acts such as praying for rain in March, which would be similar to praying for extra heat in Dubai in the summer. By the end of the week, airline executives — including Willie Walsh of British Airways — were asking if the airspace closures were truly necessary.

Air France, British Airways and Lufthansa, among other airlines, operated test flights into the ash cloud then anxiously examined the aircraft. While they found some advanced wear on

some parts, there was little damage, and after seven days, almost all airspaces were re-opened. There were brief and greatly reduced restrictions on airspace with the subsequent eruption of Eyjafjallajökull and dire warnings of future flight disruptions because the volcano has been known to erupt for months at a time, but after the initial eruption and airspace closures, there has been little lasting impact. In the light of this event, however, there should be lessons learned.

The first set of lessons learned should be for passengers. Travel insurance is specifically designed to address additional costs in the event of flight disruptions. It doesn't cost a lot, mainly because the events it covers are fairly rare. Passengers should purchase travel insurance just for peace of mind unless they are really hooked on the adventure of intra-modal travel. Purchasing travel insurance will allow them to apply the second lesson: don't panic when travel disruption occurs. Furthermore, passengers should not overly worry about returning to work or school; everyone will understand. After all, the disruption was pretty much the best example of force majeure impacting myriad lives.

The second set of lessons learned should be for regulators. One event, such as the incident with British Airways Flight 009, should not create a trend. Regulators should be prompt to apply public safety measures, but they should also be just as prompt at testing the validity of their safety concerns. Test flights should have commenced

earlier in cooperation with airlines, and the airspace should have been opened earlier. Fewer flights means less taxation, so governments should be interested in seeing a prompt return to flights. Cooperation between aviation regulators and the industry works the best for addressing these types of issues quickly and efficiently.

The third set of lessons learned should be for airlines. Airlines should take every step not to overreact when events are, for the most part, out of their control. The Great Volcanic Disruption of 2010 simply did not materialize because the industry is resilient to crisis, if for no other reason, simply because it has undergone so many shocks in the recent past. Of course, the costs of such disruptions should be contained, and airlines should be swift to take advantage of short-term opportunities that result from such challenges. Automated recovery of passengers, aircraft and crew can be a great aid to reducing the impact of disruptions and enabling costs to be contained. Nonetheless, airlines should not make knee-jerk reactions to these events simply because the press does.

A final set of lessons should be understood by all stakeholders of the airline industry. Airlines are an economic enabler. When they operate on schedule, a host of other businesses operate efficiently. There are the primarily impacted businesses in related industries such as airports, ground handlers, freight forwarders, manufacturers, maintenance providers, fuel and catering suppliers, and airline technology suppliers. These are the chief businesses impacted by aviation disruptions. Then, however, there are secondary stakeholders such as manufacturing businesses, retailers, financial institutions and similar firms that rely heavily on airlines for transportation. These secondary stakeholders are greatly impacted when airlines are disrupted, even if the impact on them is not easy to measure.

Finally, there is the remainder of the population that is impacted by macro-economic influences when airlines are disrupted. Airlines are the first businesses to be hurt in an economic downturn and the quickest businesses to rebound when economic forces improve. The lives of all stakeholders, which include most of the world's population, are improved by a healthy airline business environment.

The industry will be faced with similar impacts in the future — some foreseeable and some not. The ability of airlines to manage these events in a calm and efficient manner will provide the confidence to shareholders, regulators and, ultimately, to the traveling public that airlines are strong enterprises that react decisively to threats — even those threats from gigantic ash-clouds. **F**

Kay Denton is an account manager in Europe for Sabre Airline Solutions. She can be contacted at kay.denton@sabre.com.