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Out of the ashes

By Rebecca Goozee

No Comments

It's now well over three months since Iceland's Eyjafjallajökull volcano erupted and forced most countries in northern Europe to close their airspace in what has become the region's biggest shutdown since World War II. A period of increased seismic activity began at the end of 2009, but it wasn't until April 14 that the volcano erupted creating an ash cloud that has since wreaked havoc for travellers and businesses across the globe.



Airlines have undoubtedly been hardest hit by the crisis with 100,000 flights being cancelled between April 15 and April 20 alone at a cost of €1.4 billion. When disruptions were at their worst during that week in April, the International Air Transport Association claimed that lost revenues reached €325 million a day.

Airlines were already reeling from the effects of the recession, so the disruption couldn't have come at a worse time. "For an industry that lost €7.6 billion last year and was forecast to lose a further €2.3 billion in 2010, this crisis is devastating. It is hitting hardest where the carriers are in the most difficult financial situation. Europe's carriers were already expected to

lose €1.8 billion this year - the largest in the industry," says Giovanni Bisignani, IATA's Director General and CEO.

The widespread airport closures of April that saw most European airports - including Italy, Spain, Portugal, France, Germany, Switzerland and the UK - closed for days at a time have since subsided. And it is hoped that recent changes to ash cloud air safety rules will allow more flights to operate as the buffer zone - 60 nautical miles (69 miles) between areas of heavy ash concentration, where it remains unsafe to fly, and areas in which there are small levels of ash, deemed safe by aircraft and engine manufacturers - has been eliminated. This should hopefully alleviate the burden on both airlines and those planning to travel in the near future.

A recent survey by the NBTA Foundation - the research arm of the US National Business Travel Association (NBTA) - of corporate travel managers at major corporations across the globe found that the volcanic ash negatively impacted travel for 80 percent of companies, at an average cost of nearly €158,000 per affected company.

Travel companies too will feel a significant impact on their financial results this year. Thomas Cook, for example, has reported an €80 million loss due to the disruption - €23 million in lost revenue from travellers who decided not to rebook their holidays after being unable to fly and the remaining €57 million in costs related to supporting customers who were stranded and bringing them home.

The closure of European air space also forced the cancellation of many business trips and meetings before they had even begun. NBTA found that NBTA-affiliated companies cancelled nearly 5600 scheduled corporate meetings and more than 165,000 total trips that had not yet taken place.

However, for some businesses it would appear that even an ash cloud has a silver lining. Hotels witnessed an enormous spike in demand as stranded travellers sought accommodation until the airspace reopened and their flights were rescheduled. Car rental companies also saw a rise in demand as travellers looked to road travel for alternative routes around the continent.

Passenger numbers also soared for Eurostar and continental ferries as stranded passengers attempted to find alternatives to air travel. The high-speed rail operator admitted that it was struggling to keep up with demand as tickets sold out in record time. Brittany Ferries and P&O Ferries also reported being inundated with enquiries.

But Eyjafjallajökull's economic impact goes far beyond flight delays and a bottom line boost to the hospitality industry; the effects of the air travel restrictions were felt across the board by most industries. There were devastating effects for the food industry with both retailers in the no-fly zone and suppliers around the world unable to continue business as normal. Farmers in Kenya, for example, were forced to dump hundreds of tonnes of vegetables, fruit and flowers destined for the UK after cargo shipments in and out of the country were grounded.

Meanwhile restaurants, grocers and supermarkets across the region were left without countless products - from beans and chillies, to mangoes and kumquats - that are grown on foreign soil and shipped to Europe.

In addition, logistics were obviously hit hard by the crisis and many companies had to switch to road transport to make deliveries. Dutch mail group TNT stated that it was incurring higher costs as it was forced to switch to the road network to make its deliveries.

Indeed, the impact of the volcano has brought into sharp focus the strengths and weaknesses of businesses across Europe and the rest of the world. From creating more efficient and sustainable supply chains to ensuring business communications are up to scratch. The Business Continuity Institute (BCI) has produced a report on the disruption caused by the closure of European airspace due to volcanic ash, carrying out a quick poll of its 5000 members to understand the impact.

While some manufacturers in Europe like BMW and Nissan had pretty big challenges with a lack of components causing factories to be shut and goods not being shipped on time, 84 percent of survey respondents stated that their organisation faced some disruption, with the remaining 16 percent saying they experienced no disruption at all.

One in eleven survey respondents claimed that the closure of European airspace was on their organisation's risk register and 27 percent explained that they did actually invoke their plans.

Speaking to the BCI's Technical Director, Lyndon Bird, he is keen to emphasise the value of analysis and planning process of business continuity as opposed to any specific plans. "We've got to start looking at these things from a wider perspective and realise that individual companies and individual countries even, can't do things on their own - they're all in it together. There is a massive amount of interconnectivity, whether these incidents be pandemics or volcanic ash - they don't actually stop at national borders.

Bird goes on to suggest that businesses are no longer run on a national basis and as such manufacturers and distributors are operating on a just-in-time basis. This incident has made those businesses sit up and take notice of business continuity as a concept. "What they're probably doing is sitting up and concentrating internally on how best to plan for what could interrupt activities and broaden the scope of that planning," says Bird.

"However, while there's been a period of reflection, I don't think it's fair to say that companies are suddenly deciding they're going to have plans because of this," he adds. Indeed, it's not unreasonable to assume that there could be an interruption to European air space, and if there is and not having air transportation is a problem there needs to be a contingency plan in place.

Telepresence

Technologies like telepresence have been improving business communications both internally and externally offering the chance to communicate when physical travel is either impossible or if it is considered too costly and inconvenient. Even basic videoconferencing could and can be used to schedule ad hoc meetings. Gartner's recent telepresence poll suggests that about 15 percent of telepresence meetings directly result in the avoidance of travel for some users in the meeting.

Despite telepresence having a shaky start to life, today, with the end-user experience improved and networks supporting telepresence applications finally connecting to each other, people are using the technology all over the world. Howard Lichtman, President and founder of the Human Productivity Lab, reveals that the adoption of telepresence is a virtuous cycle. "The more companies that adopt and join telepresence exchanges or telepresence community-of-interest networks the more the next person wants to deploy it, not only so they can reach their partners, but so they can reach the people that just joined. It's a virtuous cycle that just keeps getting better and better."

And there are many benefits to implementing a telepresence solution. On a cost basis you no longer need to fly and it is

possible to do more with less, explains Lichtman. "By getting people off planes you're able to save three different costs: you're saving the hard cost of tickets themselves, plus hotels and so on; at the same time you're saving the soft costs of your employees time in transit; as well as the opportunity costs of what they would be able to do had that not been travelling at all."

Then of course there is also more flexibility to doing business. Meetings that would be impossible in other circumstances, because people would have been in different places at different times can now happen. "My running joke is that I'm not so interested in telepresence to keep me from going to India, I'm interested in telepresence to keep me off the Washington DC Beltway during rush hour. This is not something that is only available to speak to other countries, but across cities to improve communications."

Lichtman goes on to explain that the volcano eruption really reminded everybody that a disaster recovery or continuity plan needs to include action for when planes are not flying. "It really brought out the point that something you never could have considered in a 1000 years might shut down your ability to fly. And everybody still needs to do business. It's a remarkable example of why you need a business continuity plan in place."

Social media

As well as telepresence technologies, web conferencing, virtual worlds and remote collaboration vendors saw unprecedented demand during the volcano eruption, and likewise consumer-based communications, such as Skype, also saw a peak in demand. Skype users made over 20 million more minutes of video calls than normal in five days - roughly the same time as more than 2.5 million flights from London to New York or over 2000 trips to the moon.

Marco Scognamiligo, Chief Executive of marketing agency RAPP, was stuck in New York for a number of days and said at the time that the effect of the workforce's combined relocation could have been catastrophic for the business. Luckily Scognamiligo managed to stay in touch with his team and operate almost on a business-as-usual scale. "I've barely missed a meeting by using Skype voice and video calls to stay in touch with the office."

And even social media has provided an indispensable communication tool during the crisis. Gartner suggests reviewing the use of social media sites like Twitter and Facebook to effectively communicate with customers and employees.

The power of social media lies in its ability to get information out quickly. When Hurricane Ike caused major destruction in Houston, Texas, knocking out power for weeks, the Houston media called on citizens to contribute to the reporting through social media. This partnership resulted in the creation of interactive databases that allowed users to report and locate open petrol stations that hadn't run out of fuel, see which neighbourhoods had power and what businesses had reopened.

"The earthquake in Haiti earlier this year highlights another important aspect of social media use during major emergencies, namely its potential to rally people behind a cause and raise money for relief efforts. By allowing cell phone users to text donations for Haiti, millions of dollars in aid were raised," says Corinne Weisgerber, Assistant Professor of Communication at St. Edward's University in Austin, Texas.

Indeed without social media the thousands of people stranded around the world could have found the situation far more distressing. A Facebook group called Carpool Europe set up by the by the Swedish car-pool movement offered the chance to hitch a lift and Twitter hashtags quickly made the rounds, proving it is the fastest way of starting a movement. The #getmehome and #putmeup hashtags were incredibly useful for people trying to get home or needing a place to stay.

Unfortunately, while the key advantage of social media is speed, this also acts as a major drawback in a lot of crisis situations. "The Mumbai terrorist attack serves as a good example in this regard," says Weisgerber. "Although social media allowed people on the scene to report the events in real-time, that event showed how easily rumours and false information can be spread in a network that doesn't offer a formal accuracy check. Early Twitter estimates put the victims at up to 1000 and a rumour that the Police were requesting Twitter users to stop real-time updates related to the operations quickly made the rounds. An editor of the Poynter Institute's E-Media Tidbits blog later tracked the origin of that rumour down to a high school junior living in Boston."

Social media is also not necessarily a long-term solution to business communication problems or reliable in terms of a business continuity plan, however it should undoubtedly be considered as another tool in the financial executives communication tool kit. "The reason we are talking about it now is because it's new and completely reshaping the media landscape by allowing us to bypass the traditional media. I think in a few years, after the newness has worn off, we will just see social media tools as another way of engaging customers and colleagues

Undoubtedly the businesses that come out on top will be those businesses that have implemented robust strategies and

have built in a natural durability and resilience capability. If anything, the ash cloud crisis has shown that business continuity, disaster recovery and alternative technologies such as telepresence have a sizeable place within the business communication toolbox.

A week of chaos...

Wednesday, April 14: Spewing a cloud of ash, which rises to an altitude of 9000 metres (30,000 feet), the Eyjafjoell volcano, situated under the Eyjafjallajokull glacier in southern Iceland, causes earthquakes and flooding in the region, with 800 people evacuated.

Thursday, April 15: By now an enormous cloud of ash has paralysed air traffic in northern Europe, with airspace closures affecting Britain, Ireland, Denmark, the Netherlands, Sweden and Belgium.

Friday, April 16: Airports are closed throughout Europe and millions of passengers are stranded around the world.

Saturday, April 17: In an unprecedented situation, air traffic in 21 European countries remains static and almost 17,000 out of 22,000 scheduled flights are cancelled.

Sunday, April 18: 313 airports in Europe are out of use, leaving just 20 percent of the European network open. With 6.8 million passengers stranded, various European airlines carry test flights without passengers to press authorities into reopening airspace.

Monday, April 19: IATA strongly criticises the way the crisis has been handled and European Union transport ministers agree to ease restrictions.

Tuesday, April 20: Flights resume progressively.

Wednesday, April 21: Iceland's civil protection agency announces that the volcano eruption has lost nearly 80 percent of its intensity.

Volcano facts

- The volcano's last eruption ran from 1821 to 1823
- 100,000 flights and 10 million travellers worldwide were grounded between April 15-20, 2010
- 250 million cubic metres of ash has been produced since the beginning of the eruption
- The IATA has estimated that April's shutdown cost airlines €1.4 billion
- EU Transport Commissioner, Siim Kallas, estimates total cost of the volcanic ash cloud crisis to be €2.5 billion
- Ryanair was fined €3 million euros by Italy for failing to help stranded passengers
- At the worst, the crisis impacted 29% of global aviation and affected 1.2 million passengers a day
- Travel was affected by the volcanic ash at 80 percent of companies
- Two hours of jet fuel to divert to another airport can cost €5000-8000

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