

Aviation

Can airlines recover after terror ordeal?

The alleged Heathrow bomb plot sent the industry into a tailspin. Widespread cancellations, passenger chaos, missing luggage and now mounting safety costs. Why did airports lose control - and who should pay for increased security? Industry leaders rehearse their arguments

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Steve Ridgway

Chief executive, Virgin Atlantic

Several questions need to be asked of BAA regarding contingency planning - what worked and what didn't. Some airlines have incurred millions of pounds in costs. A robust, long-term plan needs to be put in place. The threat level is not just severe for an airport but for the whole of the UK. Therefore it's appropriate that the government steps up to that responsibility and helps provide the right resources to ensure passengers have as smooth an experience as possible.

Michael O'Leary

Chief executive, Ryanair

It will be very easy for the low-cost industry to adapt to increased security checks. The low-cost airlines adapted better to last weekend's increased security checks than the high-fare carriers. If the UK government does not reverse these increased and ineffectual security measures, then they will have handed the terrorists a PR victory.

The way to defeat the extremists is to return air travel to normal. The sooner the government returns the London airports and British air travel to normal, the sooner the growth in air travel can continue. It is unfair to blame BAA for the massive security disruptions of last weekend. It was the government who quadrupled the required security checks on Thursday 10 August and yet failed to provide additional army and police personnel to enable this fourfold increase to be carried out. The government will have to revisit this failure and ensure it doesn't happen again whenever there is another security threat at Britain's airports.

What the government could and should have done when there was an immediate risk to British air travel, was to send in police and army reserve personnel to help BAA security staff. What the government should then have done was return air travel to normality in much the same way as it successfully restored normal operations to the London Underground within two days of the 7/7 attacks. It is the government's failure that is allowing these terrorists to alter Britain's normal way of life and claim a PR victory. There shouldn't be any increased security costs because the government should return airport security to its normal high level, and send a clear message to the extremists that they will not be allowed to disrupt the economic life of Britain.

We will be launching a claim under Section 93 (9) of the Transport Act 2000 against the Secretary of State for Transport for compensation to airlines suffering direct loss arising from compliance with government directions 'in times of actual or imminent hostilities or of severe international tension or of great national emergency'. The Home Secretary has confirmed that the potential terrorist attack of 10 August was one of great national emergency.

Gehan Talwate

MD, Ascend - aviation analysts

It's been a PR disaster for airlines and airports. Inevitably there's been a certain amount of mudslinging and positioning for compensation. But when the dust settles, airports and airlines will have to work together.

It was fairly obvious that adequate contingency plans weren't in place. It's hard to say whether this was down to inadequate long-term planning, or recent changes in BAA management.

When you look at the facilities at Heathrow, it doesn't have places to put in lines and additional security equipment. Heathrow is an old airport. BAA hasn't been able to develop the airport for this. Having tents is a bit developing world.

What could be part of the fall-out is some kind of security levy, which passengers will probably shoulder. It wouldn't be the first time that passengers get to carry external costs.

Passengers in the past have been willing to pick up fuel surcharges. A security levy could be used to pay for an increased number of staff, better training and equipment upgrades and more sniffer equipment.

It won't be for at least six months until we see whether passengers are put off flying. Most flights were pre-booked before news of the alleged plot broke. People are resilient - just like airline stocks, which have risen in the last 10 days.

In the short term there are no winners. In the longer term this will create change. The low-cost airlines' planes fly 10 or 11 routes each day compared with seven for long haul. They have developed a business model based on a 30-minute turnaround and are moving to hand luggage. They will be facing difficulties with increased security.

But low-cost airlines have been successful innovating business models. Frequent flyer programmes that will entail profiling to fast track passengers could be developed.

The whole airport space is one where there has been a lot of merger and acquisition activity. A lot more airports that are publicly owned are being privatised as the government realises that the money it takes to get airports up to 21st century standards means you have to obtain private finance.

As this happens there will be greater willingness to look at regulation of airports once owned by governments who didn't worry about monopolies when airports were owned by them. This is a trend that may lead to the sell-off of some of BAA's airports two or three years down the track.

Andrew Harrison

Chief executive, Easyjet

The low-cost model has proved itself to be by far the most resilient of the airline businesses. After 9/11 we heard the same uninformed, illogical questions about the ability of the low-cost airlines to survive yet it proved to be the watershed in European aviation since when the low-cost airline model has proved to be, by far, the most successful.

Our model is based on quick aircraft turnarounds, efficient use of resources, direct selling etc and there is nothing in the new regulations that would have a substantial impact on our business. The bigger question is whether there is a future for transatlantic air travel. The travelling public is remarkably resilient to changes in their travel patterns. Just like after 9/11, some airlines will do better than others and we could well see another redistribution of passengers away from the traditional airlines to the low-cost carriers.

As a user of five different UK BAA airports, we think BAA has done a pretty good job in exceptionally difficult circumstances. Could they have done some things better - possibly. But that's not a question for now.

Some airlines (not Easyjet) are still cancelling flights and the industry should be concentrating on ensuring that it delivers the outstanding passenger experience that customers want. There is a time for finger-pointing - but it isn't now.

The first duty of any government is to protect its citizens and Easyjet commends the UK government for acting decisively. However, this incident highlights again the inadequacies of the European rules for compensating travellers which were introduced in February 2005. These oblige airlines to provide assistance in the form of hotels when flights are cancelled regardless of the reason for cancellation.

Common sense dictates that airlines should be responsible if the cancellation is their fault but if the cause is the responsibility of another party, eg airports or air traffic control, they should be liable. If the cause is some other exogenous factor such as weather, war or terrorism, and the government wishes to compensate the consumer, then the tax payer, should pay. Easyjet delivers outstanding value to its customers with an average fare of just over £40. These ludicrous compensation rules are well intentioned but nuts and act against the interests of all consumers.

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