

Impact of ash cloud on british airways

[Environment](#), [Air](#)



INTRODUCTION

Purpose: The purpose of this project was to analyse a current issue that has affected the current hospitality industry drastically. In the recent scenario, natural disaster has been seen to put a major impact on major hospitality industry . The main purpose of the task was to choose a situation of unavoidable circumstances, which could be either terrorism or natural calamity, that organisations have faced recently, and provide a solution of the situation recently faced.

Scope: While investigating the current scenario, it was important to focus on the operation and functions of the company and how these operations got affected due these particular circumstances

Method: The method used in this task, was through information gathered, mainly from the secondary sources such as business magazines and articles and some old news papers. Secondary sources came out to be very helpful in gathering the customer reviews and staff reviews who were affected by these circumstances

Limitation: As every project work has some limitation. As an author, it would be imperative to mention the limitation of this task . The main limitation of the task was relying only on the secondary sources of the information as primary sources were meant to be more confidential by the company. I would consider this as a limitation as it is a belief that secondary sources always have some differences with the primary one.

LITERATURE REVIEW

By Peter Apps

LONDON | Fri Apr 16, 2010 7: 58pm EDT

European fuel cost of jet marked degree of difference to ICE-traded gas oil contract went down to \$ 0. 50 on Thursday and \$ 48 a metric ton on Friday. But forecasters said the enduring price effect would be least once flights recommence; most of the airline purchase is done through long-standing contracts.

European gas, oil, gas electricity production is unexpected to be affected. Some PLANES FROM THE OIL RIGS COMMENCED , BUT THE SOURCES SAID THAT THE IMPACT OF SOLAR POWER WOULD BE MORE RATHER THAN THE CLOUDS THAT ARE PASSING BY. ACCORDING SOURCES OF THE WIND INDUSTRY SAID THAT COLD DUST WOULD NOT CREATE PROBLEM FOR THE WIND TURBINES .

IMPACT ON HELTH

World Health Organization warned the ash could create problems for them, who have breathing difficulties, though it did not still had assessed this sort of specific eruption. A respiratory disease Scottish expert said to Reuters that the less poisonous DUST THOSE WER DRIFTING AROUND UK WAS LESS LIKELY TO DO ANY BIG HARM BECAUSE TO HARM PEOPLE , THE QUANTITY SHOULD BE EXTRA

AGRICULTURAL AND CLIMATE IMPACT

Scientists SAID THAT THIS ERUPTION DID NOT SEEM TO HAVE CREATED ANY MASSIVE DUST THAT WOULD IMPACT PEOPLE OR FARMING, BUT THEY WERE BIT CONCERNED THAT A BIGGER ERUPTION FROM KATLA VOLCANOE WOULD BE DIFFERENT THING ALTOGETHER (By Andrew Torchia)

By Andrew Torchia)

Near about 17, 000 planes were LIKELY to be STOPPED FROM FLYING on Friday, with airdromes clogged across much of subcontinent.

Shares in airlines fell between 2 to 4 percent. Ryanair said it may cancel planes to and from north European countries till GMT 1200 on Monday.

The interruption is costing air industry in excess of \$200 million a day, (Fraport AG), that operates Germany's major airport in Frankfurt, states its primary estimate was for the dust ash to incur it between 2. 5 to 3 million Euros a day.

Iceland's position means the flare-up could prompt broader disturbances to international aeroplanes.

"Iceland falls in the right on one of the crucial routes between USA and the Europe and as per meteorological circumstances it might also affect aeroplanes from Europe to Asia, that's why there are 2 big global flows which might be affected by this," as said by John Strickland, who is director of consultancy of air transport(JLS Consulting).

“ There could be still disturbances to other planes or might have to go for more indirect routes, which increases costs and maybe even require flights to land as it would not be possible to go through direct route.”

ALTERNATIVE TRANSPORT'S

Eurostar, that runs from London to other European continent, said railways were running at full capacity and it may lay extra trains if required.

A taxi company of London Addison Lee said it took requests for travels to European cities Milan, Paris, Salzburg, Zurich and in Austria.

IMPACT ON AIR CARGO

Landed CARGO PLANES HAD TO STOP DELIVERY of stuffs such as microchips, vegetation and mails. Europe's major express delivery dfirm “ Deutsche” said it had to switch to roadways wherever it was possible.

Clicking to sea cargoes would be an alternative for longer deliveries, though not for less life items such as flowers, but ship forecasters said it would probably take more days before companies started booking again by marine.

Pharmaceutical equipment in particular is frequently transported by airway, but specialist forecasters said there were plenty stocks, therefore there should be no bigger shortages for that time.

ENERGY

JBC Energy's replica for Europe jet fuel utilization puts daily expenditure at 1.17 million barrels in a day, so presuming an approximate 80 percent of

Europe's aerodromes were close for 48 hours, the interruption would have cut 1.87 mn barrels in demand

"Some demands may just vanish and those who have to fly will ultimately fly, but there will certainly be some planes that just don't take place," as said by JBC Energy fuel forecaster David Wech. European oil prices of jet went down from \$48 to \$50.50 on Thursday, but the analyst told that future impact would only be less and as soon as the flights will resume, it will do fast recovery. ACCORDING TO THE SOURCES FUELS AND GAS PRICES WERE LESS LIKELY TO SUFFER. ALSO THE SOURCES SAID THAT SMALL HELICOPTERS COMING AND GOING FROM THE OIL RIGS ALSO COMMENCED

IMPACT ON INSURANCE

Airlines are believed to have less recourse to insurance companies. Most of the airlines are not insured next to cancellations nor commerce trouble at aerodromes.

Munich Re said it might offer cessation insurance to air companies if essential. "Till now there hasn't been any demand in market, as said by a spokeswoman." Perhaps that will change at this time."

<http://www.reuters.com/article/idUSTRE63F65A20100416?feedType=RSS&sp=true>

Iceland volcano Ash cloud: airline passengers face further misery

Image 1 of 5

The cloud has caused massive disruption to European airspace. Photo: AP

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Iceland volcano Ash cloud: airline passengers face further misery

Image 1 of 5

Passengers face further disruption as airlines struggled to change flight plans. Photo: AFP/GETTY

Iceland volcano Ash cloud: airline passengers face further misery

Image 1 of 5

They received good news, however, after the High Court outlawed further strikes by BA workers. Photo: AP

Iceland volcano Ash cloud: airline passengers face further misery

Image 1 of 5

The airline has been hit by the wave of industrial action. Photo: PA

By " Andrew Hough, David Millward and Caroline Gammell" 8: 15AM BST 18 May 2010

Postponements were still expected at aerodromes throughout the country in spite of a last minute slab being placed on manufacturing action intended by BA crew strike and an repair of aviation " no flying" regulations to decrease future airline closures caused by Iceland's Eyjafjoell eruptions.

Official staffs admitted disruption would possibly carry on for the majority of the week.

Airlines were struggling a lot to return timetable to normal after cloud of thick ash girt over the continent, shutting major aerodromes and making more than 1, 000 planes to be negated.

Airlines, that have incurred millions of money due to the ash alertness, criticised Monday's shutting of airports and criticise the replica used to forecast the spread of the volcanic dust as " obsolete and out of place".

Executives act in response with rage to what they disagree were unnecessary limitations introduced by over watchful security watchdogs.

British Airways CEO Willie Walsh directed the disapproval, labelling limitations as " a gross over response to a very slight risk".

Experts told that the volcano, which lasted month, resulted most of Europe's aerodromes to be close down for one week, has released massive quantity of ash dust, which can block jet engines, as it began to explode one month ago and cautioned that there was no finish to this in sight.

Last month's eruption strained many countries in north Europe to close their aerodromes, making in excess of 100, 000 flights to land and an approximate 10 million explorer globally.

The (IATA), the international airline industry branch forecasted that last month's closure was – Europe's major since 2nd World War – cost transporters in excess of £1. 1 billion.

The latest outbreak strained London's airports to close for 6 hours on Monday, leading to lots of postponements and score of aeroplanes in the incorrect place.

Near about 200 flights were abandon at Heathrow, 88 in Gatwick and 40 in Liverpool airport. And also 50, 000 passengers were stranded.

Aerodrome official cautioned travellers it may take time for aeroplanes to clear the log jam of postponed flights and recommended them to get in touch with their airlines before leaving for the airport.

After a day of confusion, passengers afterwards received a twofold dose of positive news after the Court banned the back-to-back agitation by cabin crew of BA while the Civil Aviation Authority (CAA) distorted its criterion for allowing aircraft to take off.

The court decision came very late for BA to re-establish its full flying timetable at Heathrow that had been interrupted earlier in the day by the ash dust.

In spite of the High Court ban, British Airways confessed that planes will still be affected for the whole of the week

The airline industry has been anxiously trying to restore the 80 small haul and 30 lengthy haul planes from Heathrow which faced curtailments had the strike went further ahead.

One spokesman for the airline industry told half of small-haul and 40 % of lengthy-haul services from London's may be affected as it was too late to restore a overall service.

He told that its function, however, was thought to return to usual by the end of week.

The verdict was a enormous relief for the industry which told the court that as it had planned for five-days strikes, it would have coasted the airline industry£138 million.

Union representing BA crew, prepared to plea against the ban which stopped strike action planned by 1000 of members in the acidic row over employment, staffing and pay levels.

The ruling came as the CAA proclaimed that it had formed a new " limited time zone" to allow specific aircraft to go through a bigger density of dust than previously allowed.

The change that came into effect at noontime on Tuesday would not only have an effect on Flyby initially, but other airline industry is believed to follow.

Once producer and airline companies have offered a joint " safety case" which gives a proof that they can go through the dust ash without harm, they will be permitted to fly.

“ As a consequence of this alter, there are no forecasted limits on UK air in the instant prospect,” said Richard Deakin, the CEO of Nats, the traffic control company.

The CAA blamed the Met Office for the newest close down.

“ The Met Office replica was forecasting ash which wasn’t there when the check flights were done,” a spokesman from CAA said

“ We have enquired the Met Office as to why their forecasted model showed a thing that was not consequently backed up.”

The Met Office backed up its computer system, insisting it was assisted by imagery of satellite, observation, laser checks of the ash in the environment and other proof from test planes.

It said the dust was over South East but not in the levels that ground aircraft

“ The amount of ash is uncertain on an hourly base. The circumstances are very runny,” a spokesman said to the Daily Mail.

In Iceland in the meantime, there have been no signal of the volcano ending.

Experts told that the Eyjafjoell flare-up, which started on April 14, have shaped up thrice, with the newest surge of movement coming Friday in April.

“ from the starting of the outbreak, they predicted that 250 million cubic metres of tephra (ash and other fragmental material) has been formed,” as said by Iceland geophysicist Magnus Tumi Gudmundsson.

The civil protection of Iceland agency told that the ash cloud was travelling to the north and wasn't expected to drift to Europe in coming two days

May2010 by Andrew Hough, David Millward and Caroline Gammell

<http://www.telegraph.co.uk/travel/travelnews/7735248/Iceland-volcano-ash-cloud-airline-passengers-face-further-misery.html>

CASE STUDY ON BRITISH AIRWAY

(April 16, 2010) Steve Rothwell and Sabine Pirone

On April 16 (Bloomberg) — British Airways and Virgin Atlantic Airways Ltd. and cargoes that depend on lengthy -haul business tour for earnings would be worst-hit by the close down in air travel affected by the outbreak of the Icelandic volcano.

Airline companies may incur \$1 billion loss, if ash cloud keeps the European airports closed the weekend, the central for Asia Pacific Company said. British Airways, which earns daily revenue of near about 24 million pounds (\$37 million), halted all planes today as U. K. aerodrome was confined until 1 a. m. tomorrow least.

“ Airline industry will have to incur their major losses in the trans- Atlantic business-passenger group,” Ashley Steel, Global Chair for Transport and Infrastructure at KPMG, said in a conference. “ For airline like BA, every day as their plane being grounded will likely to incur millions of money. The effect on economy-class sales is likely to be weakened because persons will be changing their bookings and ultimately still fly.”

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The ash cloud from the Iceland's Eyjafjallajökull volcanoes roofed parts of Britain, Germany, Norway, Ireland, Sweden, Finland, Belgium, Netherlands Russia this morning and afterwards glided over France, Poland Czech Republic. It's estimate to reach Switzerland, Austria and Hungary by midnight, according to U. K. Meteorological Official data. 6 million passengers could have been affected if closures extended to April 18..

Business Trips

British Airways, which is the No. 1 transporter in the market of north Atlantic including planes between London to New York, was prone to undergo loss most from the interruption because of its dependence on traveller making trips of business that cannot be rescheduled.

U. K's top. Billionaire Richard Branson's Virgin Atlantic, which is the largest long-haul competitor to British Airways at Heathrow Airport, would have also lost revenue that would have been doubtful to be recovering, as said by KPMG's Steel. Coach class travellers and all those flying with the discount air buses on vacation or may be to visit friends, family were more likely to rearrange their journeys, she said.

British Airways and the Virgin Atlantic said it will be very early to provide an approximation for the cost of the interruption.

They said " We aren't giving any direction on the cost incurred at this moment," BA'S spokeswoman Cathy West told in a phonic interview. " We have got no clue when it is going to finish yet."

The Virgin spokeswoman Anna Knowles told the Crawley, which is an England-based company, that virgin is concentrating on getting process up the operation and the running and that it is “impossible” to put figure on loss till now.

Never Return

“Lots of BA and the Virgin passenger goes for top cabins and these people are travelling on totally -refundable tickets,” said Steel. “Most of the money will not return to them as passengers will just not go for rebooking the berths.”

The closedown could also “tilt the balance” for unbeneficial SAS AB, the current owner of Scandinavian Airlines, were one of the first flights to scrap planes as the cloud swept over Norway, Sweden, Denmark, as Steel said. Competitor Nordic carrier Finn air told that the languishness is incurring it 2 million Euros (\$2.7 million) in a day. The carrier had to cancel 435 flights so far, and affected 54,000 travellers.

SAS plans to approximate volcano-related expenses by April 19, Sture Stoelen, head of investor relations, told by telephone.

“It’s complex,” Stoelen said. “We’re losing revenue but also saving on operating costs, but then there are other costs for hotels and so on.”

The ash cloud has interrupted flying just like European carriers moved to hectic and more well-paid summer schedules, said Yan Derocles, who is an analyst at Oddo Securities Paris. “This is the most busiest time for airline

industry, specially on North Atlantic direction,” . Derocles said that “ the leading names” will be losing 40 million to 60 million Euros in a day.

Physical Damage

Airline industry insurance strategy won't normally pay out unless there's a damage to the equipment, as said Alexandra Lewis, who is a spokeswoman for London-based Benfield branch of Aon Corp., which is the world's biggest insurance broker.

“ Insurers cover up business disruption only if bodily damage is the cause for it,” as said Richard Manson, a spokesperson for the manufacturing insurance unit of Munich-oriented Allianz SE, continents major insurer. “ That's why they did not anticipate claim from clients which included airline industry as well aerodrome.”

The closedown is likely to incur aviation industry near about 0. 25 percentage of their yearly income per day as said by Joe Gill , who is an analyst in Bloxham securities at Dublin that covers firms like Ryanair Holdings Plc, EasyJet Plc, which is continents two major low fare carriers.

The aviation industry will be clawing back good amount of money by looking for to increase give up a measure of prices of tickets — as demand rushes in the immediate consequences of the airport shut downs. The largest expenses will be for re-booking and re-funding travellers, MR Manson said, with income losses partly offset by petroleum savings.

Airline industry will be losing a combined billion \$2. 8 in 2010 following an approximate billion \$9. 4 increasing loss previous year, as predicted by the International Air Transport previous month.

<http://www.businessweek.com/news/2010-04-16/british-airways-virgin-atlantic-may-suffer-most-from-ash-cloud.html>

With support from Robert Fenner in the Melbourne, Oliver Sues from Munich, Crowley at London. And the Editors: Chris Jasper and Kenneth Wong.

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Company overview

COMPANY FINANCIAL OVERVIEW

British Airways is among the world's leading listed finest international airline company. The organisation chiefly operates in the Europe and US. This organisation has headquarters in Harmondsworth, in the UK and employs 41, 494 staffs. The company has recorded earnings of GBP 7, 994 million equivalent to \$12, 761. 1 million) throughout the fiscal year ended

March 2010 -(FY2010), a diminish of 11. 1 percent as compared to the FY2009. The functioning loss of the corporation

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Was GBP 231 million equivalent to \$368. 8 million as during the FY2010, compared to the functioning loss of GBP 220 million (\$351. 2 million) in the FY2009. The net- profit was GBP 182 million -\$290. 5 million as in FY2010, compare to net loss of GBP 1, 360 million (USD 2, 171 million) in FY2009.

History

The foundation of British Airways runs equivalent to the history of civil airline industry in the globe. On the August of 25, 1919, The British Airways predecessor company – The Aircraft Transport and Travel – commenced the world’s first every day international planned air service running between London to Paris. In March 31, 1924, UK’s four airline company – Inston and Handley Page Transport, and Daimler Airways and British Air Marine Navigation – fused to form the Imperial Airways Ltd. About this time, a quantity of small UK air companies also had started their functioning. All these combined in 1935, to shape the new private owned BA Ltd.

During 1939 November, UK Government made Imperial Airways along with British Airways nationalised, to give ascend to the beginning of the British Overseas Airways Corporation. After the Second World War, The BOAC sustained to function lengthy-haul services, whilst other international I European and local flights were runned by a novel airline company, British European Airways Corporation (BEA). On 1972, BOAC and the BEA were merged under the new created British Airways Board. Afterwards, the separate airline companies were fused to shape British Airways, on 1974.

Privatization

With a vision to switch British Airways to private high revenue making Airline Company, late Lord King supposed the situation of its president, in 1981. After which he selected Colin Marshall as CEO of the airline company. The arduous efforts of King and CEO ultimately made the massive loss making Airline Company to one of the major profit earning air planes in the globe. Consequently, the airline company said itself as ‘ The World’s much-loved Airline Company’, in that time when other big airline company suffered to set up their place in the civil airline industry. The airline company’s image was transformed under the leadership of king. Ultimately, this resulted to the British Airways privatisation, in the year 1987.

Fleet and S Destination

The British Airways has a up to date fleet which has average age of 9 years. It includes of near about 228 aircrafts, including Airbus (A319), Airbus (A320-200), Airbus (A321-200), Boeing (737-400), Boeing (747-400), Boeing (757-200), Boeing (767-300ER), Boeing (777-200) and Boeing (777-200ER). Currently, the British Airways travels to 6 local places and in 143 intercontinental places in 69 countries, which includes six continents around the world. , British Airways to Delhi and Mumbai, Chennai, Bangalore and Hyderabad.

<http://www.iloveindia.com/airlines-in-india/international/british-airways.html>

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Effect of ash cloud on British airways (based on the guardian report)

As per the report British Airways said the confusion caused by the air travel ban across much of continent is incurring between 15m to £20m in a day and that it will be looking for reimbursement from EU and UK government.

Travel operator, the Tui Travel approximated its expenses at GBP 5m AND £6m per day whilst budget plane service Easy Jet had put its expenses at GBP 5m per day. The Shares in airline companies and the holidays companies Around the Europe struggled with quick falls in stock market places as the interruption intensified.

CEO of BA Willie Walsh told: “ This is an unparalleled situation which is having a enormous impact on travellers and airline companies alike. They told that they carry on offering enormous support to their customers. Though, these are unexpected conditions that are beyond all airline companies ‘ hold.

“ To help us with these circumstances, The European airline industry has enquired EU and country governments for monetary compensation for the shutting of airplanes. There is a reason for this to happen as reimbursement was paid after the shutting of US airplane subsequent terrorist incidents of 9/11 and obviously the effect of the current circumstance is more significant.”

The BA shares were among the major fallers in FTSE 100, plummeting just above 3% to-227p. Travel group the Thomas Cook was downwards 4.. 5

percentage at 249.8p and the easy Jet shares were slated by 5% at 545p and the Tui tour went down almost 4% to 280.4p.

British Airways said it has “important financial support available to it to maintain a substantial period of shutting of the UK’s air industry”. In the beginning of the fly limitations on 14 April, it was having above £1.7bn of hard cash and near about more than GBP 400m in on hand credit line, it can sustain if necessary.

It told passengers, those booked to journey on cancelled planes can claim a full reimbursement or book again their journey afterwards.

Tui, which is the company at the back of Thomson Holidays and the First Choice, said it is going in loss between 5m to £6m per day as of the flight prohibit. The interruption resulted from the dust erupted from the Iceland’s Eyjafjallajokull eruptions has already incurred the holiday agents GBP 20m, and also it said that near about 100,000 of its passengers are stranded globally, and it is not able to fly them home whilst European airlines remains shut down.” As for the organisation, this is a phase of somewhat low vacation programmes, but the interruption to our plan will still have a monetary impact,” it told.

The concern said it provided “appropriate help” to passengers jammed in their holiday places. Passengers who can’t start their vacation because UK aerodromes have been stopped while late last week was been given the option of a recompense from the Tui, or scheduling their trip again. Near about 90 percentage of UK consumers had opted to rebook.

Tui also added that it had been working with other dealers and airline companies in a belief that regulators “ allow the recommencement of flights as early as possible”.

Tui reported previous month to that it was considering a revival in customer demand as the summer business period comes near. In the previous financial year it made a fundamental profit of GBP 366m, from income of £13. 8bn.

<http://www.guardian.co.uk/business/2010/apr/19/ba-volcanic-ash-losing-money>

Discussion

As we can see that natural calamities are unpredictable, and cost millions to the companies which depends on weather . In the case of British airways we can see that ash cloud was, such a calamity which costed not only British airways in millions , but other airlines too. Particularly in the case of British airways, we can see that, it incurred heavy losses. According to the report by Rob Hull as stated in share prices . com Share prices in the air industry rose late in the market to a close price of 235p after information reports recommended operations from main airports may be backed up and operating at some point .

In spite some planes were able to go further on Tuesday morning from north UK aerodromes, The British Airways had to land all of their short haul flights for the 6th successive day because of uncertainty hovering the latest volcanic ash dust.

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Because of which, BA share dropped again to a low of 229.30p currently with current prices at 09.15 being 230p and 0.73% down, with forecasted sum losses 15m to GBP 20m per day for group.

British Airways told in the statement from that morning: that they were preparing to function short haul planes scheduled to leave from 7pm, which was later cancelled.

They told that they are still hopeful to run long haul planes which were planned to leave after 4pm, Tuesday 20th April, though these leftovers subject to the whole and permanent start of air planes."

Another report regarding the possible re-opening of aerodrome from National Air Traffic Service which was due at 15:00 that day with NATS sustaining close contact with the Meteorological Office concerning the state of British airdrome.

And as they headed to the sixth day of cancelled flights, airplanes and travel companies have reportedly turned to Government for the deals.

According to the reports, Travel TUI was GBP 20m downwards with every day bills going up to GBP 6m, Easy jet also lost a sum of GBP 40m until now and the Thomas Cook was supposed to have lost £7m .

All the four groups including British Airways had approached Government for recompense for these enormous losses.

Though, Easy jet and the Thomas Cook organisations along with Ryan air were in optimistic province , with FTSE 100 0.36 % upwards in all 09:40 , Tuesday , 20th April.

TUI share cost, like British Airways , were still downwards but the company had disclosed information by saying that it intends to increase near about 500m of fresh financing through convertible bond and also added bank services. Therefore we can see that, whereas short haul airways such as Ryan air and easy jet were not so much affected by the ash cloud, British airways and Virgin airways, which are basically long haul airlines were heavily affected by this calamity

(April 2010) RobHull shareprices. com

[Adapted from] April 2010, Business week : <http://www.businessweek.com/news/2010-04-16/british-airways-virgin-atlantic-may-suffer-most-from-ash-cloud.html>

A final thought In a final thought we can say that natural calamities are unstoppable and, companies relying on it has to frame additional plans that can help cope up with busy and anxious situations like this . In the case Of British Airways and Virgin Atlantic, It would be a suggestion to plan with government authorities and financial institutions to safeguard heavy loss during this type of situations