

Who would have thought that would happen...?

A report on the disruption caused by the closure of European airspace due to volcanic ash in April 2010 as reported by BCI members



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Introduction

Who would have thought that would happen? A familiar refrain, although the answer is 9% according to the BCI's polling figures: 1 in 11 survey respondents stated that the closure of European airspace was in their organization's risk register.

The BCI carried out a quick poll of its members following the outbreak of the incident to understand the impact of the closure of European airspace due to volcanic ash. The survey results have been augmented with accounts from a number of members and two short case studies supplied by TUV Rheinland Japan and Guernsey Post.

We would like to thank those who took the time to respond to the online survey, without whose help, we would not be able to develop this report.

Survey Methodology

An online survey of BCM practitioners was conducted by the BCI between 22nd April and 12th May 2010 with 44 responding organizations.

The survey respondents worked in 12 different countries across 12 different sectors. 66% of respondents were UK-based. Financial services (29%), IT & Comms(22%) and manufacturing (15%) were the primary responding sectors.

Survey Findings

Experience of disruption

84% of survey respondents stated that their organization faced some disruption, only 16% said they had experienced no disruption.

"We had a trainer, scheduled to deliver a course for our clients. He was stranded abroad and the client cancelled the training because the trainer had spent much time learning about their business. They would not let us send a substitute."

Some 27% said the level of disruption required activation of their BCM arrangements. This typically involved the invocation of their incident management procedures.

"In areas of the organization we have had to activate crisis management arrangements"

A foreseeable risk?

"We identified travel disruption and review our

travel policy but we never considered air space shut down as a risk"

50% of those who have a risk register and for whom non-availability of European airspace would be a problem did not have this risk on their register. As mentioned earlier, 9% said it was on their risk register. The IATA stated that this disruption was the most damaging *since the last time an extended closure of airspace happened in 2001.*

Interestingly, 7% of respondents said their organization had a risk register but they (as BCM managers) did not have visibility of it and 10% said their organization did not have one.

Did BCM programmes make a difference?

In comparing the coverage of the impact of the disruption as reported in both business and general media with results obtained from the BCI members' poll, it is fair to conclude that the presence of a BCM programme brings the advantage of having considered many of the impacts resulting from this specific incident: managing staff absence levels; understanding supply chain vulnerabilities; and having well rehearsed crisis/incident management procedures, including a clear understanding of HR's role in such incidents.

"We tend not to "flag" every eventuality—we have a view that there are many scenarios as to why an organization may be interrupted and be prepared for interruption rather than having a plan for every eventuality".

"Loss of people was consistently assessed in planning and pandemic planning approaches were relevant. Improvements to technology and practices in remote working also helped."

Those without BCM may be looking to figure out their response as they go along through setting up a crisis team and then working out their contingency plans.

The financial consequences

On financial impact, 86% of respondents were able to articulate a cost incurred. 75% estimated that the figure was less than €100,000. The service sector was not particularly badly hit, however, those recording costs of €10 million or more were found in the manufacturing, energy and storage / transportation sectors.

Based on comments made in the survey, there is evidence that small businesses did suffer in the service sector (training and consulting) through cancelled or deferred business, additional costs of working and lost productivity.

Impacts experienced: Supply chain

"If it had lasted longer than ten days we would have had supply chain issues"

43% experienced supply chain disruption but very few to any significant level. However, if the disruption continued then 36% stated they would need to rethink their supply chain strategy. The challenge for some respondents is to have enough visibility through their supply chain to know whether they have a dependency on air transportation.

"I'm not aware of any dependencies on air travel in the supply chain. That is not to say there aren't any—just thinking wider, there could be hardware parts that arrive via air and in the event of failure may not be available."

The Federation of Indian Export Organizations (FIEO) is reported to put the value of high end merchandise exports to Europe and the USA affected by the crisis at USD 1 billion (through delays and cancellations).

Impacts experienced: People

"Due to the overload of alternative transportation we issued a guideline to minimize travel and increased support for web and video conferencing."

71% experienced disruption through absence of staff. However, only 32% recorded that absent staff were not productive. 39% were able to work

remotely even if not from the desired location.

"The main impact has been teachers stuck overseas as the disruption occurred at the end of Easter Holidays, there is not an opportunity for them to work remotely."

As might be expected HR were involved in dealing with staff issues related to this incident although 5% recorded that they were not engaged but should have been.

"The Business Continuity Team worked with HR in gathering the information regarding absence..."

"The only cost incurred was in relation to the HR Policy put in place to cover prolonged absence by those on holiday i.e. Some staff who were due to be absent for 1 week were actually absent for 15 days. Our HR policy created for this incident allowed for each member of staff to have 5 days' additional paid leave—therefore this was the only cost to the company as those stranded on business were still able to work remotely."

Business Interruption insurance

"We are only covered for additional cost of working"

The survey asked whether members believed they could recover lost revenues and recompense for increased cost of working through Business Interruption (BI) insurance. The general statements in the media suggested that this would be unlikely. The response to the survey endorsed this position with 54% stating that their BI insurance policy would not respond to this disruption. However, 30% were not sure and 16% felt they could make a claim.

Case Study

Tim Nakamaru, TUV Rheinland, Japan

Iceland's volcanic eruption had a mentionable impact on us. As a service provider we depend on other service providers. Our business of management system auditing sometimes uses auditors from outside. Ironically, we planned a yearly audit for EN 9100 (quality management system for the aerospace industry) in April 2010. Our German auditor's flight was cancelled. Unfortunately, audits need careful planning and our clients need to schedule in advance so as not to interrupt their own business. The maintenance of certification was interrupted and our client had a postponed audit and a time gap on certification cover. The negative impact on our client has led to them to demand compensation from us.

Our response to this situation therefore decreased our business performance. The key learning from this episode is the need for better preparation around the threat of audit postponement: We learned how important it is to have a *Plan B* and prepare ourselves and our clients for this situation to ensure business continuity.

Case Study

Chris Oliver FBCI , Guernsey Post

Guernsey Post Limited are an independent commercial postal authority based in the Channel Island of Guernsey and wholly owned by the local government, The States of Guernsey. Our universal service obligation (USO) is to provide postal services five days every week, similar to the Royal Mail in the UK. The majority of postal activity is through the UK via air and sea transport for business and social customers. We also have a number of internet associated bulk mail businesses which operate from Guernsey, such as Moonpig and HMV who rely heavily on speed of delivery as part of their products and services sets.

During the volcanic ash period we were unable to dispatch general air mail to the UK or receive this in return, meaning that goods took far longer having to go via the daily outbound sea route, in turn this had an impact on delivery in the UK and internationally. The customer base affected ran into hundreds of thousands of people who had placed internet orders and now received these sometimes a week later than expected, the impact of bulk mail and normal businesses based in the island was relatively small as the duration of the outage was reasonably short.

Information on the closure of airspace

50% of respondents felt that sufficient information had been made available by government, regulators, airlines and airports to help in defining the response. 39% disagreed. Sources of information included CAA, NATS, BBC, Met Office.

“The weak point about information availability is the fact that most info come from the media. None or only minor possibilities existed for BC and crisis managers to rapidly access information from officials and authorities .”

“The airlines and regulators appeared very disjointed.”

“We were being sent daily top line briefs from the Cabinet Office and other information as needed.”

“There was total chaos. Airlines were not clear on the subject and there was no certainty about the resumption of flights.”

Lessons to be learned

A selection of comments received from members are listed below:

- “Non-travel related meeting enablers need to be in place and effective as business as usual.”
- “Cheap air travel is a double-edged sword. Its low cost and ubiquity has made us over-dependent on it.
- Our reliance on air travel and expectation it will always be there. If it was to occur in peak holiday season it may have had more of an impact.

- Companies need to plan alternative strategies to air travel.
- This will happen again and it’s too big for companies. Government should have stepped in earlier.
- Overreaction by the government on health and safety grounds when sufficient data is not available.
- Better warning of impending risk, in this case there was no warning before air space was closed.
- Very short notice of UK airspace closure meant there was no time to invoke any plans. For an alternative operation outside of the closed airspace.
- That all companies should have staff as a key element of their BC plans.
- Plan for alternate modes of transportation for critical activities or supplies.

Conclusions

At the time of the crisis the BCI made three points publicly, which were picked up by a number of media publications including the Financial Times.

Firstly the BCI's Technical Director, Lyndon Bird FBCI, was keen to emphasise the value of the analysis and planning process that BCM offers rather than fixation on the ultimate usefulness of any specific documented plan referring to popular military quotations around the longevity of plans once encountering the actual enemy.

Secondly, organizations with effective business continuity programmes perform better during disruption due to their superior understanding of the organization's critical assets and processes and thorough their preparations to mitigate the impact of and recover faster from any disruption; as opposed to focusing scarce resources on identifying every possible threat or developing plans exclusively around specific threats .

In this case two potential impacts can be identified: the absence of staff, who may become stranded in locations where they cannot work; and disruption to supply chains, where critical items dependent on air transportation are delayed. Understanding these impacts does not require waiting for a volcano in Iceland to erupt as any number of other incidents could cause a similar impact. The survey clearly showed that planning which had seen businesses through last year's 'swine flu' pandemic . One contributor summed this up well:

"...it is not so difficult to imagine that airlines might not be able to fly for some non-specific reason... and it is something the better BCM plans have thought about."

The third point highlights a difficult problem where more thinking is required: namely, how to square the different 'risk appetites' of government/regulators and business. Businesses may prepare and rehearse excellent BCM programmes only to find that "blunt" government action makes the best laid plans redundant. The immediate answer would seem to lie in greater communication between government/regulators and industry. By way of example, in the UK, the government's Cabinet Office set up the Business Advisory

Network on Flu (BANF) to discuss and disseminate information around the 'swine flu' pandemic including consultation on how the government and other agencies would respond in different scenarios with concessions made on certain planning considerations. This model would seem worth extending to cover more broadly widespread disruption to critical infrastructure.

Finally, the BCI would like to thank again those who took the time to respond to the survey and provide the material to stimulate further debate. We would welcome any further thoughts from readers of this report.

End of Report

About BCM

Business Continuity Management (BCM) identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause. It provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

About the Business Continuity Institute

Based in Caversham, United Kingdom, the Business Continuity Institute (BCI) was established in 1994 to promote the art and science of business continuity management and to assist organizations in preparing for and surviving minor and large-scale man-made and natural disasters. The Institute enables members to obtain guidance and support from their fellow practitioners, as well as offers professional training and certification programmes to disseminate and validate the highest standards of competence and ethics. It has over 5,000 members in 90 countries active in an estimated 2,500 organizations in private, public and third sectors. For more information go to: www.thebci.org

The BCI Partnership, established in 2007, offers corporate membership of the BCI with over 70 member organizations including BAE Systems, BP, BSi Group, BT, ContinuitySA, Continuity Shop, DNV eBRP, EADS, Garrison Continuity, G4S, HP, Link Associates, Lloyds Banking Group, Lockheed Martin, Marsh, Milton Keynes Council, Prudential, PwC, Royal Mail, Savant, Steelhenge Consulting, SunGard, Vocalink, and Zurich. To join as a corporate member: www.bcipartnership.com

Contacting the BCI

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