

What is the cost of an accident?

By Robert Jensen, president of Kenyon International Emergency Services, with support from Sean Gates, senior partner of legal firm Gates and Partners

For everyone involved, an aviation accident is a life-changing event. For some people, it is a life lost. For the chief executive officers of the airlines, it is living with the loss of friends, employees, passengers, typical financial impact of over €150m both in insured and uninsured costs, potential criminal investigations and jail time (possibly in a foreign country) and the collapse of the airline.

Although the chances of loss are low, many carriers have invested heavily in rigorous safety and training programmes. So why spend precious and very limited funds on accident response? The answer is simple. It is impossible to prevent all losses. Accidents do and will continue to occur. The question is not if an accident will happen but when and to whom.

Airlines consequently carry insurance, develop crisis management plans and in some cases identify support resources. So the problem is solved? No. Far from it. Unfortunately, many chief executive officers do not learn the true cost of an accident until their airline is involved in a loss, and then it is too late.

Take insurance, for example. Typically a carrier purchases coverage for the hull, third-party claims and passenger legal liability. However, many policies exclude costs associated with crew and employees. The costs for medical care, identification and repatriation of mortal remains and family care for a crew of five people can easily exceed €500,000. Additionally, few airlines prepare to cover the cost of supporting investigations. It is clearly in the best interest of carriers to participate in the investigation. These costs often exceed €1m. Similarly, costs for defending executives and other airline employees during criminal investigations can again exceed €1m. Finally, costs for identification, repatriation of the deceased and their belongings and family assistance may be over €5m, which may exceed policy limits.

Many carriers have crisis management plans but how are they validated? Do you operate aircraft without scheduled checks because the aircraft is working fine? Of course not. Why treat crisis management any differently? Many carriers base their crisis management programmes on a written plan alone. These plans are often created by people without actual crisis experience. Plans may specify what actions should be taken but not who is going to execute them or how to do so. Most plans then miss the important step of training people to implement and execute the

trained resources at the time of the loss and provide a seamless response also allows the airline to focus on business. With proper coverage and access to resources, combined with a validated plan and recurrent training, an airline then has a real crisis management programme.

Clearly, the main benefit from such a programme is most apparent during a loss but there are other benefits that are less visible and often ignored. The first benefit for an airline is with an insurer. A solid crisis management programme



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plan. Continuous training, including exercises to test the plan, is vital to the success of realistic programmes.

What about resources? What does a carrier with a staff of 100 people do when confronted with the reality of running an airline and dealing with family members after an accident? You can expect that each person on board an aircraft will have 4-6 members of family or friends who contact the carrier and then travel to the scene. For 75 people on board a flight, that equals 300-450 people who need attention, before you even consider your own employees and other parties.

The simple truth is that an airline cannot cope by itself. Establishing relationships with the operating partners, local governments and specialist firms is key. Having a coordinated plan to integrate

can lead to discounts. Why should you pay the same as someone who is not prepared for the same coverage? Secondly, use the system to respond to and minimise other service disruptions, such as labour action and severe weather, which have an immediate impact on the bottom line. Crisis management is not just for losses.

The key to this matter is to be informed and ask the right questions. The challenge is that few people have loss experience, so make sure that you involve those people who have genuine experience. Losses do not have to result in an airline failing, protracted litigation or bad press. People realise and tolerate the fact that accidents occur. What people do not accept is a poor response. Airlines should know that losses occur and therefore be professionally prepared for when the worst happens. ■