

Security Issues: Their Effect on Business, and What to Expect

Staff VP, Continental Airlines, Bob Edwards

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Background: Continental Airlines is the fifth largest U.S. airline, based on passenger traffic in 211 airports and 1,997 daily departures. Approximately 46 million passengers were enplaned in 2000. As of September 2001, Continental operates a fleet of 345 jets and Continental Express flies 33 turboprops and 126 regional jets. The airline has received many accolades including the following: Best Transatlantic Airline, 2001 OAG Airline of the Year Awards (2/01); Top International Airline, National Airline Quality Rating Study (4/00); Best foreign-flag carrier to North America, Nikkei Business Magazine survey (12/99); Top Airline to North America, Travel Trade Gazette Europa (3/99). Best Short Haul Executive/Business Class; 2001 OAG Airline of the Year Awards (2/01); Best Long Haul Executive/Business Class, 2001 OAG Airline of the Year Awards (2/01); Top U.S. airline, Inflight Research Services(10/99); and so on.

Edwards: On January 11, at the monthly meeting of the Technical Business Network members in Austin heard Bob Edwards, Staff Vice President for Continental Airlines, give a rundown of how the airline is responding to the new world order for the industry. Edwards oversees a \$50 million data warehousing operations as well as the company's largest outsourcing agreement.

The changes in the airline industry that were wrought by the September 11, 2001 havoc have had a sustaining affect on IT at all the airlines. Regardless, the number one priority is still safety.

"It's a very low margin business – very capital- and labor-intensive with high debt equity ratio," said Edwards. "Revenues do not yet cover airline fixed and variable costs."

While the billions that were set aside by government to aid the airlines is welcomed, Edwards explained that most airlines were reluctant to avail themselves of the \$10 billion in loan guarantees because of the potential for government intrusion in managing the airlines and their employees.

The measures that Continental has taken to minimize losses include a 20 percent reduction to schedule. Continental has permanently grounded 24 DC10s, 35 MD80s and 23 turboprops. They've furloughed 20,000 employees and 3,500 employees have kept their jobs and benefits by agreeing to share jobs.

Meanwhile, the airlines are experiencing additional costs associated with implementing increased security. More bags and people are being searched electronically and physically. Carry-ons are limited to one plus personal bag.

Ironically, Continental had just finished expanding overhead compartments to fit four bags instead of just two.

On Sept 11, Edwards was in a rental car with cell phone guiding modifications. In addition to reconfiguring the optimization scheduler to re-deploy planes, crews and re-schedule passengers, airlines were participating in helping the FBI with the profiling database. "There's a lot happening in the background that is not known," is all Edwards could say on that matter.

The IT departments for the airlines were also tasked with implementing increased security rules both behind the counters and beyond the checkpoint.

Holds are being searched and aircraft are being guarded. Cargo security has increased. Retail business beyond the checkpoint has dropped precipitously. Onboard, cockpit door restraints have been installed.

Although it is well known that the airline transportation industry IT is very tightly integrated so that competitors can transfer tickets to each other, the industry still didn't realize how quickly it would take to make changes to the TPF(Transaction Processing Facility). EDS manages Continental's databases with 300-400 staff. EDS handles 51% of TPF programs in the world.

Make sure those systems are up to date and all documents meet federal rules. Mainframe and micro pulled together. These, too, Continental found that these were more tightly integrated than was understood. The airline infrastructure – the TPF systems -- provide reliable 10,000 to 15,000 devices connected via old coax.

Continental has the most extensive network of automated check-in kiosks in the industry, with 607 eService Centers in 92 airports throughout the United States. Many of these kiosks are located in its hub markets of Newark, Houston and Cleveland. Continental Airlines recorded its highest volume of customer check-ins through its automated kiosk program in December with more than 650,000 domestic eTicket customers.

The next big challenge will be bag matching that must be initiated by January 18. While wireless solutions are a possibility with directional antennas, the airline is exploring alternatives to avoid air conflict in the terminal.

The challenges for Continental and the other airlines are both technical and economical, but the overriding concern is the well-being, safety and security of the passengers and cargo.

Report submitted by Emily Sopensky, The Iris Company

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