# Chapter 4. The era of crisis management

## 1. Simultaneous terror attacks in the USA

### 9/11: an unprecedented catastrophe

The morning of September 11, 2001, in New York was bright and sunny under clear blue skies. In Japan, it was 10:00 p.m., and the evening news shows were just beginning. The programs led with shocking video showing that American Airlines Flight 11, after taking off about 15 minutes earlier, had crashed into the north tower of New York's World Trade Center, causing a fire. People had barely realized what had happened when United Airlines Flight 175 crashed into the south tower, live on television. It was like watching a scene from a movie. Within an hour and a half, both towers collapsed.

Then the news came that American Airlines Flight 77 had crashed into Pentagon, home of the Department of Defense in Washington, DC, causing yet another fire. The passenger jets had been hijacked in acts of terrorism striking at the heart of the US government and economy. That morning, New York City declared a state of emergency, while the US Military put all units in the USA and abroad on maximum alert status for the first time ever. On the economic side, all US stock exchanges were shut down.

The World Trade Center before 9/11

Most of the personnel at NCA's New York Branch were on their way to work when the incident occurred. Many heard preliminary reports on their car radios that an airplane had crashed into a building, but they had no idea of the scale of the incident. Most assumed a small plane had crashed into some obscure building.

The window of the Branch's Flight Operation Department, however, gave a clear view of black smoke rising into the blue sky from the towers of the distant World Trade Center. The wind carried the black smoke from the fire into the sky over the airport as well. Local NCA personnel watched in stunned, disbelieving silence as the second plane struck the World Trade Center.

In the afternoon, the entire airport was closed, police officers were positioned in front of various facilities in the airport area, and barricades were put up to stop traffic. People were prevented from entering NCA's warehouse from the outside as well. All bridges and tunnels to Manhattan were also closed, forcing people to travel on foot.

When the second plane hit the World Trade Center, the FAA headquarters in Washington, DC, issued an emergency order telling all US air traffic controllers to direct all aircraft flying in US airspace to land immediately at the nearest airport. All aircraft not complying with those directions would be considered hijacked.

Subsequently, all airports in the USA and Canada were closed. No one had ever experienced a situation like this. The sky above the New York Branch, normally busily crisscrossed with aircraft, was eerily quiet. Very few cars, and no trucks at all, passed by on the road in front

of the office. As for communications, all regular New York telephone circuits became full immediately after the terrorists struck, and the emergency lines for public transportation malfunctioned as well.

Under these unusual conditions, and on the advice of airport authorities, the New York Branch sent all its non-managerial personnel home. Other North American branches also sent their personnel home that morning. All highways on Long Island, where JFK Airport is located, were closed, so employees had to find other routes home. With the closing of airports, acceptance of freight orders was suspended that afternoon. At US branches, only the few people needed to maintain contact the Head Office and other US branches remained at work. The following day, personnel from the New York Branch waited at home because the airport was closed.

### Three long days until operations returned to normal

When the terrorist acts occurred, NCA had four planes in the air between Japan and the USA, one of which was in US airspace. Three of the aircraft returned to Narita, but Flight KZ116 from Narita to Anchorage had already gone too far to turn back and was diverted to Fairbanks, Alaska. In addition, Flight KZ107, on its way from San Francisco to Anchorage, was ordered to land in Vancouver, Canada.

Air traffic control ordered Flight KZ116 to land immediately, but would not give a reason even when the flight's captain asked. Flight KZ116 discussed the matter by radio with aircraft from Korean Air and Asiana Airlines, which were right behind it on the way to Anchorage.

They were equally puzzled, but it was obvious that something significant had happened. Although Flight KZ116 landed in Fairbanks, that airport was in chaos from handling so many diverted passenger flights. Flight KZ116's crew and passengers, NCA personnel traveling on business, were unable to deplane for eight hours after landing.

Because neither Fairbanks nor Vancouver had staff members who could inspect NCA aircraft, maintenance personnel had to be sent to those airports. Ordinarily, they would have been sent by commercial passenger flight, but with the airports closed, two mechanics rode straight through by taxi from Anchorage to Fairbanks. Meanwhile, one mechanic and one traffic staff member rushed from San Francisco to Vancouver.

NCA hired a van and two drivers from the company that usually provided employees with transportation to and from the airport. They drove about 1,300 km in 17 hours, with very few breaks. In Vancouver, the NCA jet was parked in front of a cargo warehouse, but under the strict security in force, only flight crews were allowed near aircraft from any airline. With no local contracts, at first NCA was unable to do anything.

Using part of an office that ANA leased from Air Canada, NCA negotiated with Air Canada so that shipside maintenance could be performed as soon as possible. As a result of tenacious negotiating, NCA was finally able to obtain temporary passes allowing it into restricted areas.

In the USA, meanwhile, each airport had to wait for FAA instruc-

tions rather than using its own judgment on when to reopen. Due to fatigue and lack of sleep since the incident, however, the FAA officer in charge went home on the night of the 12th, so no new orders could be issued until the 13th.

In addition, individual airlines could only resume operations with the advance permission of the FAA Principal Security Inspector (PSI) overseeing them. The PSI for NCA was stationed in Los Angeles, and because NCA ordinarily had no contact with him, it was difficult to get a response. Oral permission to resume operations was obtained from the PSI in Los Angeles on the morning of the 14th. Flight KZ116 and Flight KZ107 finally departed Fairbanks and Vancouver at 1:00 that afternoon. Operations had resumed after three days. During this time, 25 flights, 14 US and 11 European, were canceled.

### Introduction of security charges

Following the terrorist attacks in the USA, the risk of acts of war or terrorism increased, leading to a major increase in the fees for aviation reinsurance on September 25. This in turn led casualty insurance companies around the world to announce increases in insurance premiums for commercial airlines. For aviation insurance, the maximum payout for third-party liability insurance on acts of war or terrorism was cut in half, from $2 billion to $1 billion, while premiums were increased almost 10-fold.

In response to this situation, NCA set a special insurance fee of ¥500 per invoice for cargo originating in Japan. This was collected with

the cooperation of customers from November 1, 2001, through July 31, 2002. Overseas as well, NCA introduced security charges to recover some of the costs related to security measures. In Japan, airlines asked the government to cover the gap between the current maximum insurance liability and the conventional $2 billion limit until arrangements could be made for different insurance products. The government agreed to cover the difference until December 2003.

## 2. Response to crisis management

With the approach of the year 2000, NCA faced an era requiring greater awareness of crisis management. Issues requiring crisis management, such as the year 2000 problem, simultaneous terror attacks, SARS, the Iraq War, and a major power blackout in the northeastern USA, appeared one after another. At the same time, various measures to strengthen security were implemented.

### The year 2000 problem

The year 2000 (Y2K) problem stemmed from computers using two-digit dates for the year. If computers misread "00" as 1900 instead of 2000, it could have led to disruptions, malfunctions, and shutdowns of various computer systems. NCA established a Y2K office to address the problem in 1999.

Each department, office, and branch devised a crisis management plan that anticipated the occurrence of Y2K problems, would enable NCA's core business to continue, and would restore computer systems quickly in order to minimize losses to NCA and influence on third parties. Practice drills were carried out based on risk scenarios that could result from anticipated problems. In addition, the Information and Communications Section (as then constituted) led the way in thoroughly tracking down systems with potential Y2K problems and carefully applying programming fixes. The Section also prepared response procedures to be followed so that work could continue even in the event of a system breakdown.

## Strengthening crisis management systems

The simultaneous terror attacks in the USA on September 11, 2001, were a catastrophe that dramatically changed the way that commercial airlines look at crisis management.

In July 2002, NCA formed a Security and Crisis Management Committee in order to deal with aviation security and crisis management in a unified way. Its first meeting was held that August. In the committee's second meeting, held that September, it agreed on a proposal to construct an internal, companywide emergency contact system, which had not existed to that point. The committee subsequently met seven times over the following two years. The committee discussed and approved a wide range of crisis management policies on issues such as the Iraq crisis, SARS, avian influenza, and responding to the aviation security guidelines required of cargo airlines by the US Transportation Security Administration (TSA). As of May 2005, the committee continues to tackle a variety of issues related to aviation security and crisis management.

## SARS

Severe acute respiratory syndrome (SARS) is believed to have first appeared in China's Guangdong Province in November 2002. With SARS poised to spread all over the world, on March 15, 2003, the World Health Organization (WHO) issued an unprecedented travel alert to airlines because of fear that the disease could further spread by air travel. In addition, on April 2 it advised foreign travelers to postpone travel to Hong Kong and Guangdong.

NCA convened its Security and Crisis Management Committee, which implemented steps such as providing surgical masks and antibacterial tissues on its flights and disinfecting the upper decks of its aircraft flying from infected areas to Japan.

### Major blackout in the northeastern USA

Shortly after 4:00 p.m. on August 14, 2003, the northeastern USA and eight Canadian provinces experienced a sudden power blackout, causing widespread panic. In NCA's New York Branch as well, backup power supplies to its information terminals stopped functioning after only five minutes. From that point, all of its information systems shut down, as did its SITA line. With the blackout, security cameras and other security systems also stopped functioning, so NCA immediately sent security guards to watch over its warehouse.

When the blackout occurred, Flight KZ166, scheduled for a late-night arrival in New York, had already left Anchorage and was headed towards Chicago. Because it was unclear when power would be restored and ground handling would be dangerous in a blackout, the flight stopped in Chicago and, after the crew had a nine-hour rest, flew back to Anchorage.

Based on the experience of the September 11, 2001, simultaneous terror attacks, the following day only the necessary minimum number of personnel reported for work. Although power was gradually restored in the city by 10:00 a.m., the power in the airport area was still off in the afternoon, with no word on when it would be restored. The Chicago–

New York leg of that day's New York flight was cancelled as well, and the flight returned from Chicago to Anchorage. The power in the airport area finally came back on at 8:00 p.m., 28 hours after it went off.

### Oil prices and fuel surcharges

Compared with airlines that have a passenger sector, NCA has lower personnel costs, but fuel is its highest single cost. Fuel costs are closely tied to the ever-fluctuating international oil market, and have a constant major impact on NCA's bottom line.

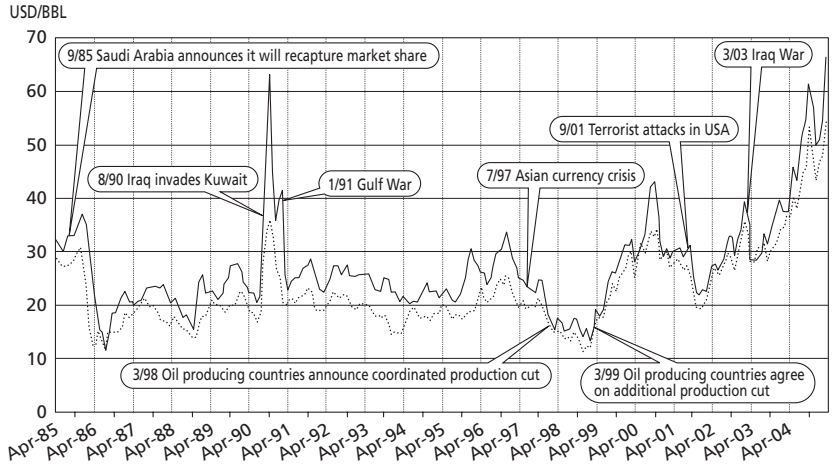
The sharp rise in oil prices since 2000 surpasses anything airlines can change on their own. Coming on the heels of declining cargo demand due to the collapse of the IT bubble, high fuel costs had a major impact on NCA's results in FY 2001. NCA therefore examined the possibility of adopting a fuel surcharge, based on study undertaken by the IATA in 1997. The NCA decided to implement a surcharge whenever oil prices increased sharply above normal levels.

The first fuel surcharge was implemented from May 16, 2001, through December 31, 2001. With the simultaneous terror attacks in the USA that September, economic activity temporarily slowed, causing oil prices to decline. This led NCA to drop the surcharge. As the world economy recovered, however, oil prices rebounded in March 2002. Oil markets reacted hypersensitively to the Middle East situation, instability in other oil producing countries, fluctuating OPEC production limits, and other elements of uncertainty, causing a continued price rise. This series of price jumps led NCA to impose a surcharge again

Fueling an airplane

on October 16, 2002. Unexpectedly large price rises have continued, leading NCA to set fuel surcharges several more times.

**Table 4-1. Crude oil (WTI) and Singapore kerosene**




## An accident causing aircraft damage

For airlines, safe operations naturally take precedence above all else. Since it began operations, NCA has striven night and day to operate safely and has been fortunate enough to avoid any serious accidents through its first 20 years operations.

In October 2003, however, NCA had its first accident that was recognized by the JCAB (Japan Civil Aviation Bureau) as an accident causing damage to an aircraft. Fortunately, only a part of the aircraft was damaged and none of the four-member flight crew was injured in the accident, but it was still an extremely regrettable incident.

On October 22, 2003, Flight KZ062 (a Boeing 747-200F, number JA8191) departed Narita Airport for Anchorage at 9:56 p.m. Upon beginning a turn, the aircraft's stall warning system engaged intermittently. The crew stabilized the aircraft and rechecked its airspeed. It became clear that the plane was flying well below its proper speed. Because this may have been caused by the aircraft's fuselage tail section coming into contact with the runway, it was decided to return to Narita, where the plane landed at 10:49 p.m. An inspection at Narita confirmed scratches on the rear of the fuselage consistent with having made contact with the runway during takeoff. The cause was simple human error. The flight engineer had entered incorrect data when filling out the takeoff data card, and neither the captain, the co-pilot, nor the co-pilot in training noticed the mistake.

Because of this accident, NCA implemented a manual to ensure that multiple operating crewmembers check both takeoff and landing data in order to prevent errors. The airline made it clear that basic work required for safety must be performed strictly and carefully. In addition, NCA widely disseminated the accident as a case study in order to encourage caution and strive for safer operations.


Atlanta Office


Hong Kong Branch


Singapore Branch


Bangkok Branch


Seoul Branch

Kuala Lumpur Branch

Manila Branch


Shanghai Branch

# Manufacture of a B747-400F (NCA's first aircraft)

The nose

The rear of the fuselage

Mounting the engines

Nearing completion

First test flight (Photo by Richard Green)


Painting the fuselage

Final inspection

Towards a test flight (Photo by Richard Green)

In flight