



BLACK CASE

British Airways

*British Airways owner loses £170m
in value after IT meltdown*



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IAG shares fall 4% as airline's reputation is dented after IT failure stranded 75,000 passengers on busy holiday weekend



The market value of the British Airways owner, IAG, has fallen by £170m after [computer system outages](#) grounded hundreds of flights over the weekend.

IAG shares fell more than 4% to 588p in early trading in London on Tuesday after the flight cancellations left 75,000 passengers stranded over the bank holiday weekend and disrupted travel plans for many more. Later in the day they recovered some of the losses, closing down 1.4% – cutting the value of the airline group by £170m.

BA cancelled all departing flights at London's Heathrow and Gatwick airports on Saturday when check-in and operating systems crashed. The breakdown left the airline struggling even to locate and contact its staff. There were chaotic scenes at the airport. Passengers slept on yoga mats on terminal floors on Saturday night, and flights on Sunday and Monday were also affected.

BA said its systems had now been restored and it was back to running a full flight schedule on Tuesday.



An investigation is to follow, although the airline said its immediate priority was to ensure remaining passengers who had not been rebooked and still wished to travel could do so.

British Airways could face £100m compensation bill over IT meltdown

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BA is facing a compensation bill that could top £150m, according to some estimates.

According to reports, some passengers had to spend up to £800 for spare seats in premium economy cabins to reach their destinations, while customers who travelled with other airlines incurred extra costs of up to £1,600.

The airline said it had advised passengers to let BA rebook their seats, and about 50,000 people had been rebooked by BA on to more than 30 different airlines.

Asked whether passengers who had booked their own travel would be reimbursed in full, the BA spokeswoman said the airline would look at this case by case.

A significant number of customers who did fly from the UK still did not have their luggage, BA admitted, but it said it was working hard to resolve this. A spokeswoman said couriers would return the bags to passengers but added that it would “take some days to get every bag back to every customer”.

Customers said they had been told tens of thousands of bags were being kept in warehouses at Heathrow. Ola Holmstrom, 44, from London, whose family bank holiday break to see relatives in Sweden was aborted, said he had still not been reunited with luggage that included prescription medicine and his wife’s glasses.

Holmstrom had returned to Heathrow twice after being unable to contact BA online or by phone. He said he was a frequent flyer, adding: “We’ve chosen to be loyal to BA but you question your loyalty at times like these.”

BA said it would also reimburse phone charges, after it came under fire for pointing some affected customers to premium phone lines costing up to 62p a minute from some mobiles. The airline said it had a freephone number – 0800 727 800 – for people affected by the IT failure. And a spokeswoman said customers could add phone charges to any claims they submitted for consideration.



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Hannah Maundrell, the editor-in-chief of money.co.uk, said: “If you’ve paid out for seats in premium economy cabins or chosen to fly with a different airline, you’re still entitled to a full refund of your original ticket, plus compensation under EU legislation. BA may not cover your alternative travel costs in full, but this will be decided on a case-by-case basis so it’s worth asking.

“If you’ve been advised by BA to book flights with another airline and claim back the costs from them, make sure you keep a record of who you spoke to, as well as copies of receipts and flight passes.”

Under European regulations, [passengers can get up to €600 per person in compensation for cancelled flights](#). They can also claim for food, phone calls and accommodation. Maundrell advised passengers to contact BA directly (claims companies will deduct a percentage of each claim) and to go to the Civil Aviation Authority if their claim was rejected.

BA’s chief executive, Alex Cruz, who has faced calls to resign, [apologised to customers](#) and promised a full investigation into the IT disaster. He said there was no evidence there had been a cyber-attack.

Cruz gave his first interviews on the failure on Monday, telling Sky News: “On Saturday morning at around 9.30am there was indeed a power surge that had a catastrophic effect over some communications hardware which eventually affected all the messaging across our systems.”

British Airways (@British_Airways)

Our Chairman and CEO, Alex Cruz, apologises for the disruption caused by the recent IT system issues and... <https://t.co/DRqwuM3SvF>

[May 29, 2017](#)

The explanation provoked further confusion, however, with IT specialists querying whether a power surge could cause such failure and electricity providers saying they had no evidence of such a surge. SSE said its network was operating as normal in the Harmondsworth area on Saturday morning.

A BA spokesperson said on Tuesday there was a “power supply issue” but that there still needed to be a full investigation.



Cruz, who founded the budget carrier Clickair and ran the Spanish airline Vueling before moving to BA last year, said the outsourcing of jobs was not to blame for the “catastrophic” IT failure, after the GMB union suggested the mass travel disruption could have been prevented if the airline had not cut “hundreds of dedicated and loyal” IT staff and contracted the work to India in 2016.

In a statement, BA said: “We are extremely sorry for the frustration and inconvenience customers experienced over the bank holiday weekend and thank them for their patience and understanding. We are continuing to work to get delayed bags to customers as quickly as possible and information on how to track a bag can be found on ba.com.”

Competitors have already profited from the incident, with Ryanair reporting a surge in last-minute bookings. The airline said it had reviewed its own systems after this weekend, but had never had a major outage, with backup systems in three different locations around Europe and regular disaster recovery testing.

Contrasting the airline’s operation to BA’s outsourced IT, Ryanair’s chief financial officer, David O’Brien, said: “All of our investment in IT is in-house, in Europe – Dublin, Madrid and Rostoff – proximate to our business, and expensive. We invest our money where it needs to be.”

IAG’s chief executive, Willie Walsh, has yet to make a public statement on the incident. An IAG spokeswoman said the group never commented on movements in the share price.

George Salmon, an equity analyst at Hargreaves Lansdown, said: “While the costs of passenger compensation and refunds could well run into the tens of millions, the whole sorry episode has undeniably put a dent in BA’s reputation for delivering a premium service, and the worry for shareholders is that this unquantifiable impact could have longer-term consequences.”