

Airlines cut IT spending

Resources are going to find devices that help customer service

BY DANIEL MICHAELS

As airlines face their worst slump in years, carriers are slashing investments in information technology overall, but boosting spending in customer-oriented areas, according to a survey to be released today by SITA, an information-technology company owned by airlines, airports and their suppliers.

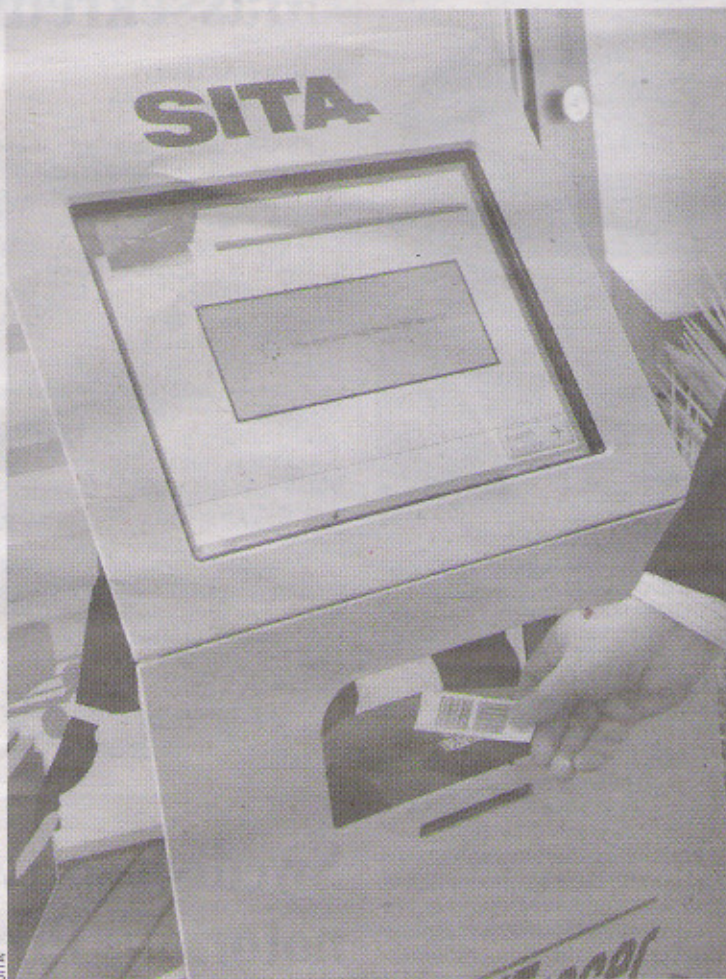
One result: Air travelers will soon be able to trace their checked luggage at self-service airport kiosks, in a development typical of airlines' push to use computer technology to boost customer service while cutting costs.

According to the survey of 116 airlines world-wide, the carriers' spending on information technology and telecommunications will drop to 1.7% of revenue this year, the lowest level since 2002, when there was an aviation-industry crisis after the terrorist attacks of Sept. 11, 2001. The current downturn marks the first time since then that airline spending on technology posted a year-to-year decline, SITA said in a summary of the survey.

Airlines for years have invested billions of dollars in computers and data systems to handle back-office tasks that customers never see, such as seat reservations and ticket pricing. That back-office focus began changing a decade ago with the rise of Internet bookings.

Despite the cutbacks, passengers are seeing more self-service features. The SITA survey said that 60% of responding airlines now offer online check-in and 92% expect to offer the popular service within three years. Internet check-in allows travelers to select their seats up to one day before a flight, print boarding passes at home and avoid ticketing lines at airports. It also lets airlines cut their costs for airport staff and paper processing.

Mobile-phone services are a new growth area, with 38% of responding airlines saying they already offer notifications of flight status and delays via text messaging.



A new self-service kiosk will allow passengers to report missing bags in two minutes. Dealing with an agent now takes 45 minutes on average, industry officials say.

Airlines are also beginning to cut costs by sharing self-service check-in kiosks. SITA, which is a for-profit company owned collectively by more than 550 aviation-related companies, has been developing generic kiosks that all airlines can use.

SITA Chairman Paul Coby, who is also chief information officer at British Airways PLC, said the effort illustrates a shift under way at SITA, which was founded in 1949 by 11 airlines to transmit flight information globally. Over the past decade, it has become a technology company serving the companies that own it. "We need to provide the technology to have the services people want," Mr. Coby said in an interview.

One example of this, he said, is the baggage-tracing kiosk, to be rolled out later this year. The unit will allow passengers to scan the bar codes on their luggage tags to learn the location of their bags. SITA says the device should allow travelers to report missing bags in fewer than two minutes. Today, it takes on average of 45 minutes to report lost bags to an agent, according to SITA.

The International Air Transport Association, a global trade group, said Tuesday that its members posted a net loss of more than \$3 billion in the first three months of this year. IATA predicted carriers will post losses totaling \$9 billion for the whole year.