

6th International Association of Prosecutors (IAP) Middle East & Asia- Pacific (MEAP) Regional Conference

**Risk
Management at
KLM Royal
Dutch Airlines**

**Ben
Swagerman
Senior Vice
President KLM
Security
services**

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Dubai (UAE)**



Introduction

- KLM Security services
- Risk Management:
 - Template
 - Environment
 - Prioritizing risks
 - Security risk assessment methodology
- Threats in aviation security
- Mistakes in risk management
- Aviation security system : - shortcomings
- Differentiation

KLM DATA

- **Foundation**

October 7, 1919:

Foundation of KLM, Royal Dutch Airlines for the Netherlands and the Colonies.

- **Number of employees**

The KLM Group employs 33,000 people of more than 70 different nationalities. Around 28,000 of these work in the Netherlands and 5,000 abroad.

- **Traffic figures (2008)**

Passengers: **23.4 million**

Cargo: 657,022 tons (Air France Cargo-KLM Cargo)

- **AF/KLM**

one group, two airlines

KLM Data (cont.)

- The KLM fleet consists of 195 aircraft with an average age of 10.8 years. Owing to the new acquisitions KLM has succeeded in reducing the average age of its fleet (including that of transavia.com) by 1.2 years. This investment in products and services for our clients also significantly reduces the impact our operations have on the environment. The new aircraft make less noise and consume less fuel.
- KLM is owner of KLM UK/Cityhopper (100%), transavia.com (100%), Martinair Holland (100%) and partly Kenya Airways (26%), 25% interest in Alitalia (AF/KL)
- KLM flies to 148 destinations (127 KLM + 21 codeshare).
- Member of Skyteam (Aeroflot, Northwest, Delta, Continental, Aero Mexico, Alitalia, Air France, Czech Airlines, Korean Air, China Southern)

Mission KLM Security Services (SPL/AV)

- Security Services has an essential role in safeguarding the continuity of the KLM Group by managing physical and intrinsic risks.
- SVP Security Services is authorized to initiate and impose/enforce special measures during periods of increased risks and/or for critical flights or routes, as well as regarding assets and staff

Organization KLM Security services

7 clusters

Risk Analyses& Control

Analyse threat levels
Security Mgt outstations.
Flight Ops/inflight services
Investigations

Cargo

Cargo security
VAL
Mail/Express
Investigations

Immigration & Fines

MOU's
Training handling staff
Fraud ticket/cc/freq fly
Investigations

Operations

Security SPL
AV Control Room
Investigations
Security Buildings

Organization KLM Security services

7 clusters

Integrity

Management protection
Screening KL Staff
ICT Security
Investigations

Systems & Procedures

Security rulemaking
EU regulation
TSA regulation
Investigations

Quality & Training

Quality programs (JAA/KLM)
Sec KLc/HV/ MP
Security Training programs
Investigations

Internal investigations (Integrity)

- Based on employment contract (collective agreement) and internal protocol
- Information security policy + ICT security policy (in close cooperation with ICT department)
- Internal investigation: in close cooperation with police, law enforcement agencies.
- Public/private partnership, powers; observation (also camera's), random hand search on bags of employees, computer investigation, interrogation (voluntarily)

Risk assessment template

Risk category

1. Financial 2. Legal 3. Operational 4. Safety & Security

Describe the risk

Risk history – has this happened before? What was the impact?

Probability – what is the chance of the risk occurring?

1. Doubtful 2. Unlikely 3. Possible 4. Definite

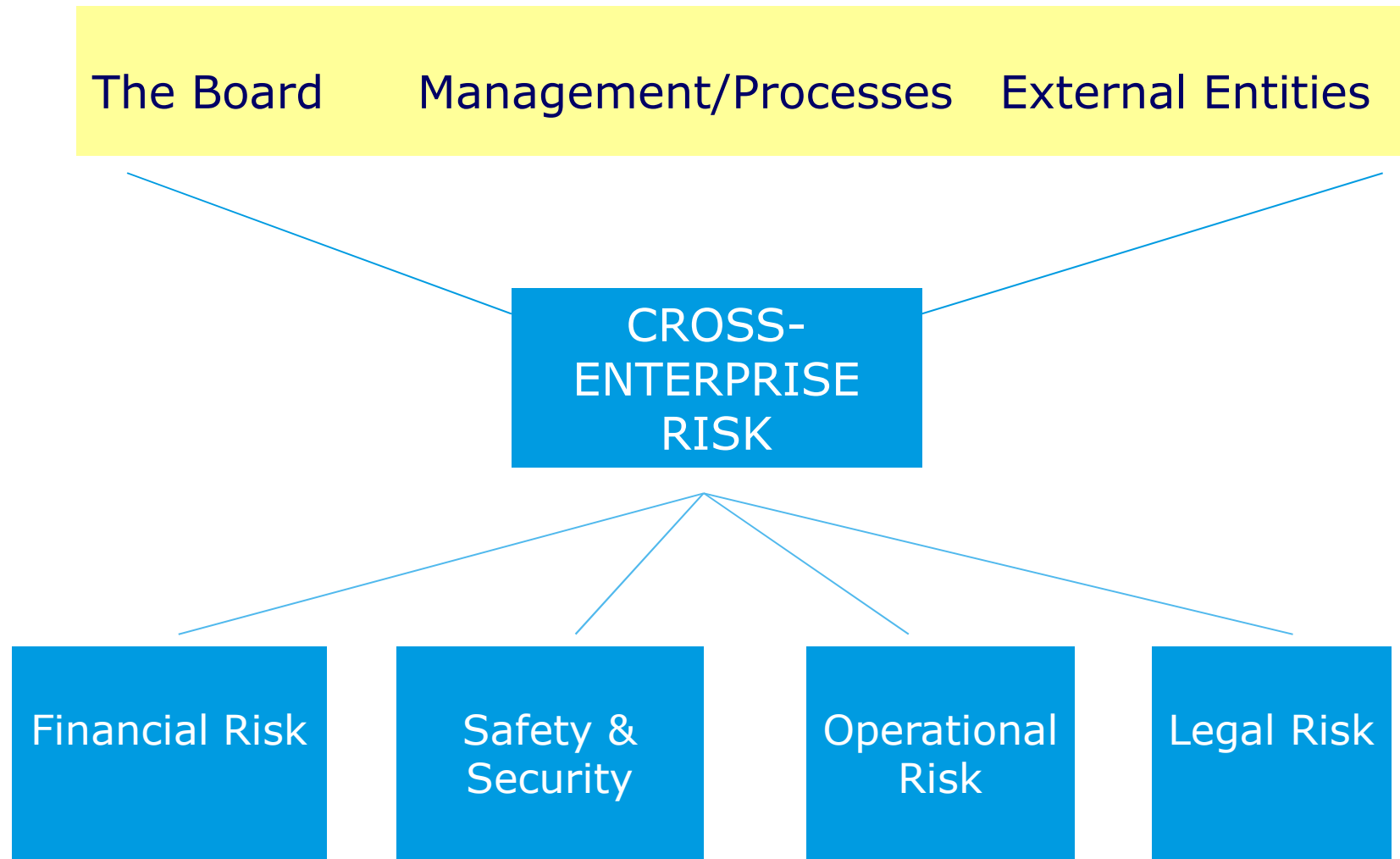
Is the risk more or less likely than it was at the time of your last assessment?

1. Less likely 2. More likely 3. Unchanged

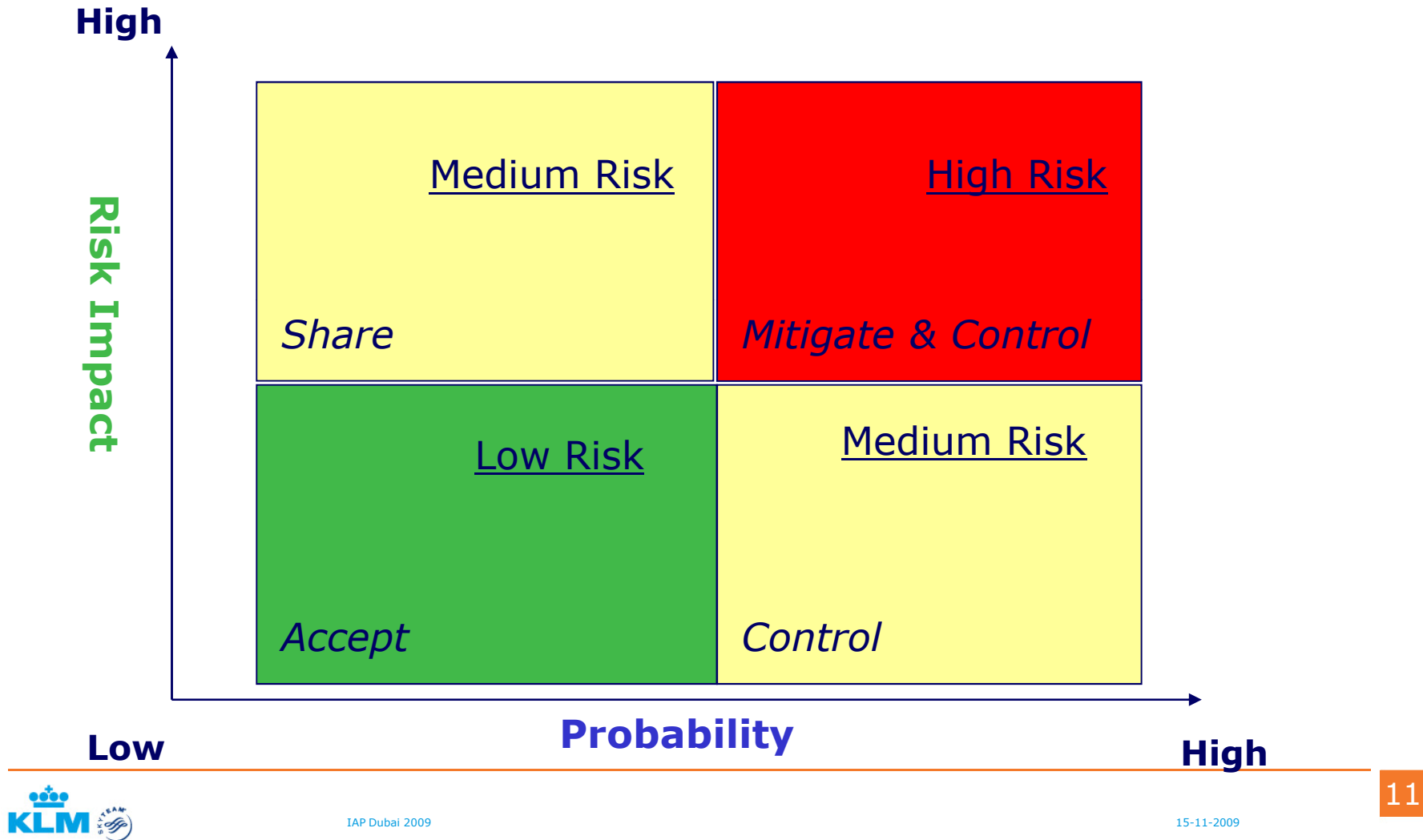
What is the financial impact of the risk?

1. Low <\$1M 2. Moderate 1-\$10M 3. High >\$10M

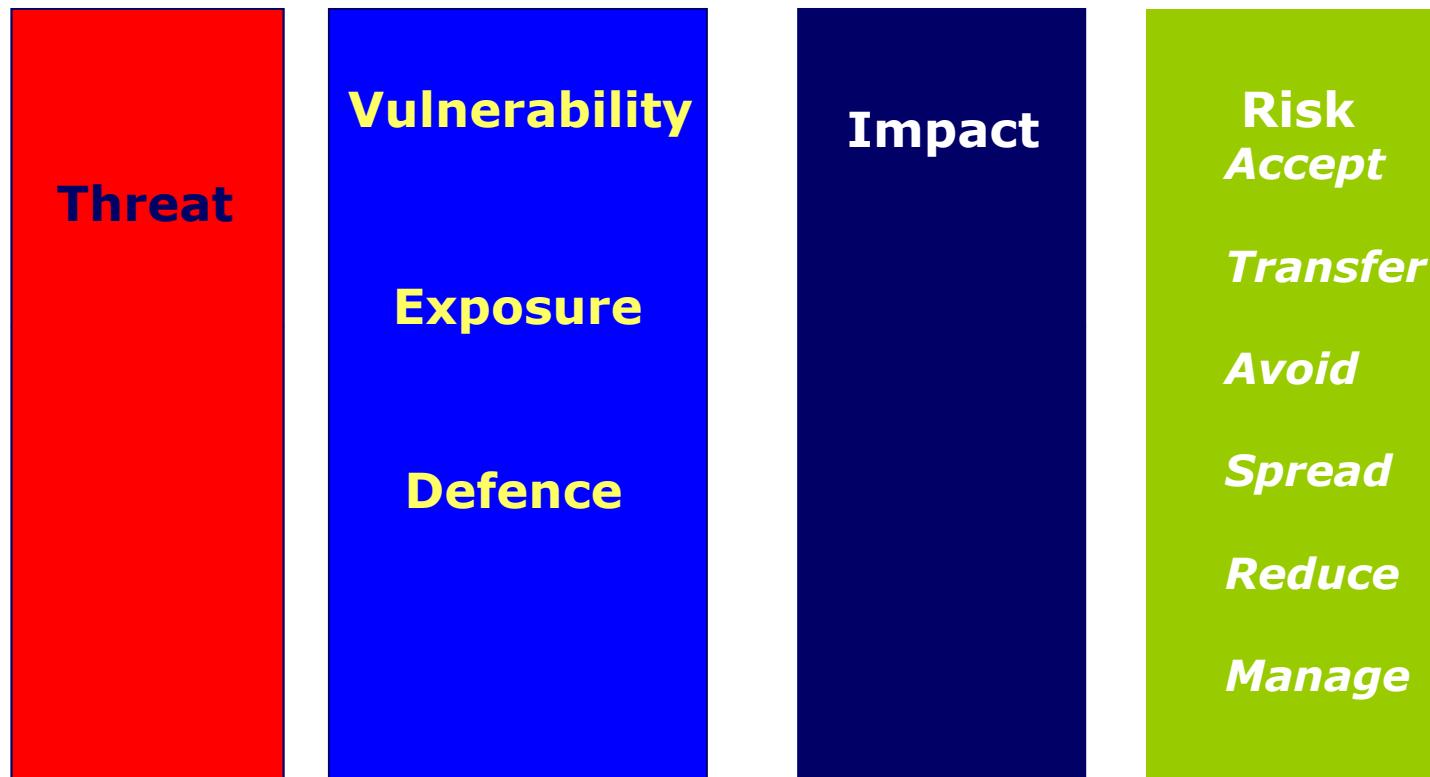
Risk Control Environment



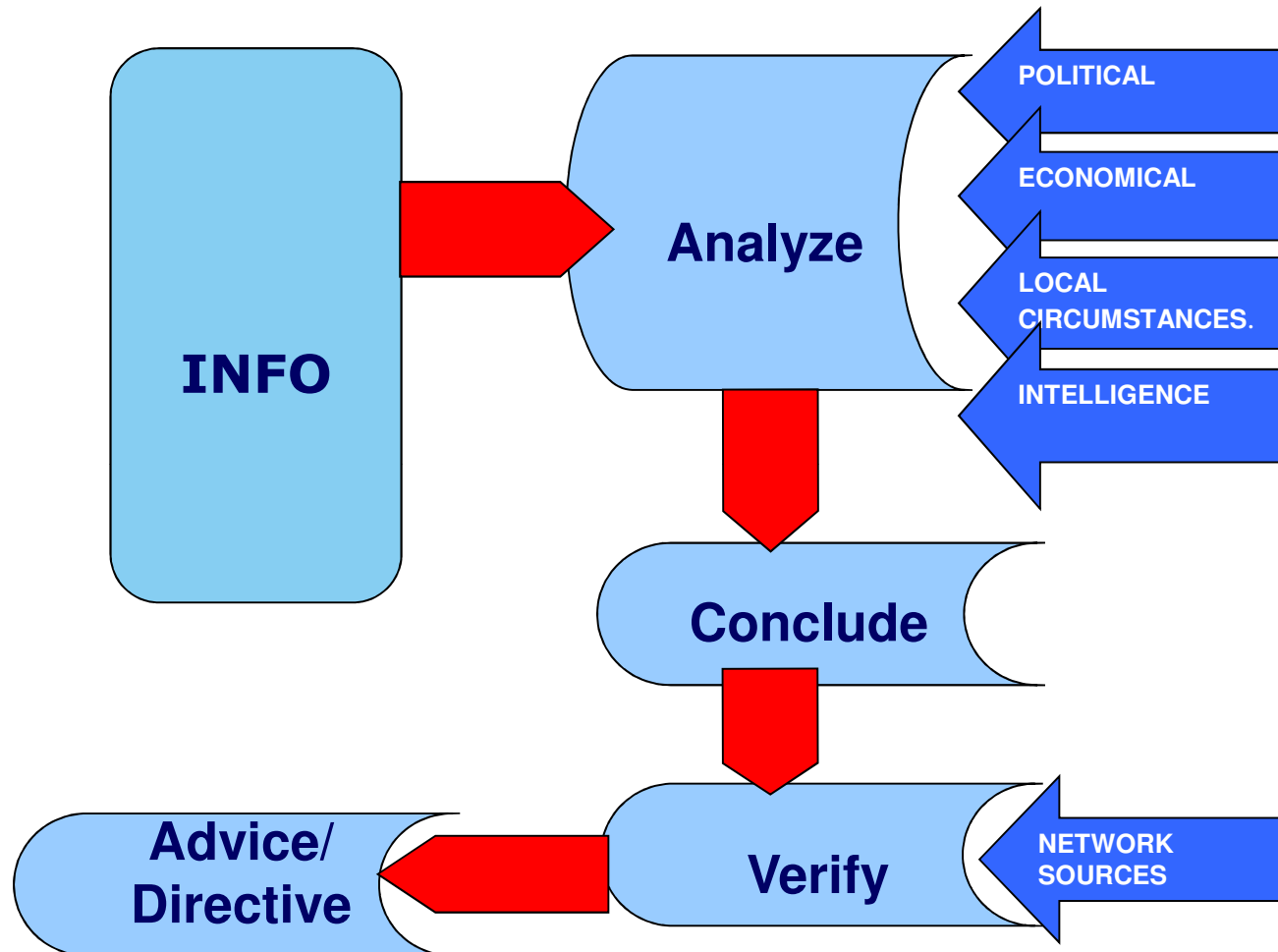
Prioritizing Risks



Security Risk Assessment Methodology



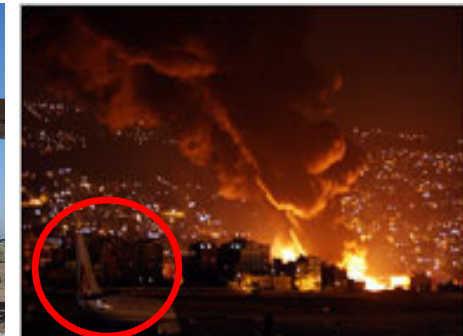
Analysis Model



Threats in Aviation Security

Current threats to aviation security business

- Terrorism
 - (civil) war
 - Public unrest
 - Drugs Trafficking
 - Unruly passengers
 - Human Trafficking
 - (Cargo) theft, fraud
 - E-crime
 - Regulators
- Suicidal terrorists
 - Israel, Lebanon
 - Thailand, Kenya
 - Latam, Caribb, W-Africa
 - MOU's
 - Diamond heist
 - False tickets/-payments
 - EU / TSA



Terrorism threat (update)

- 68 prevented plots in 2007-2008
- Western Europe and ME
- Public events
- Aviation and other means of public transport

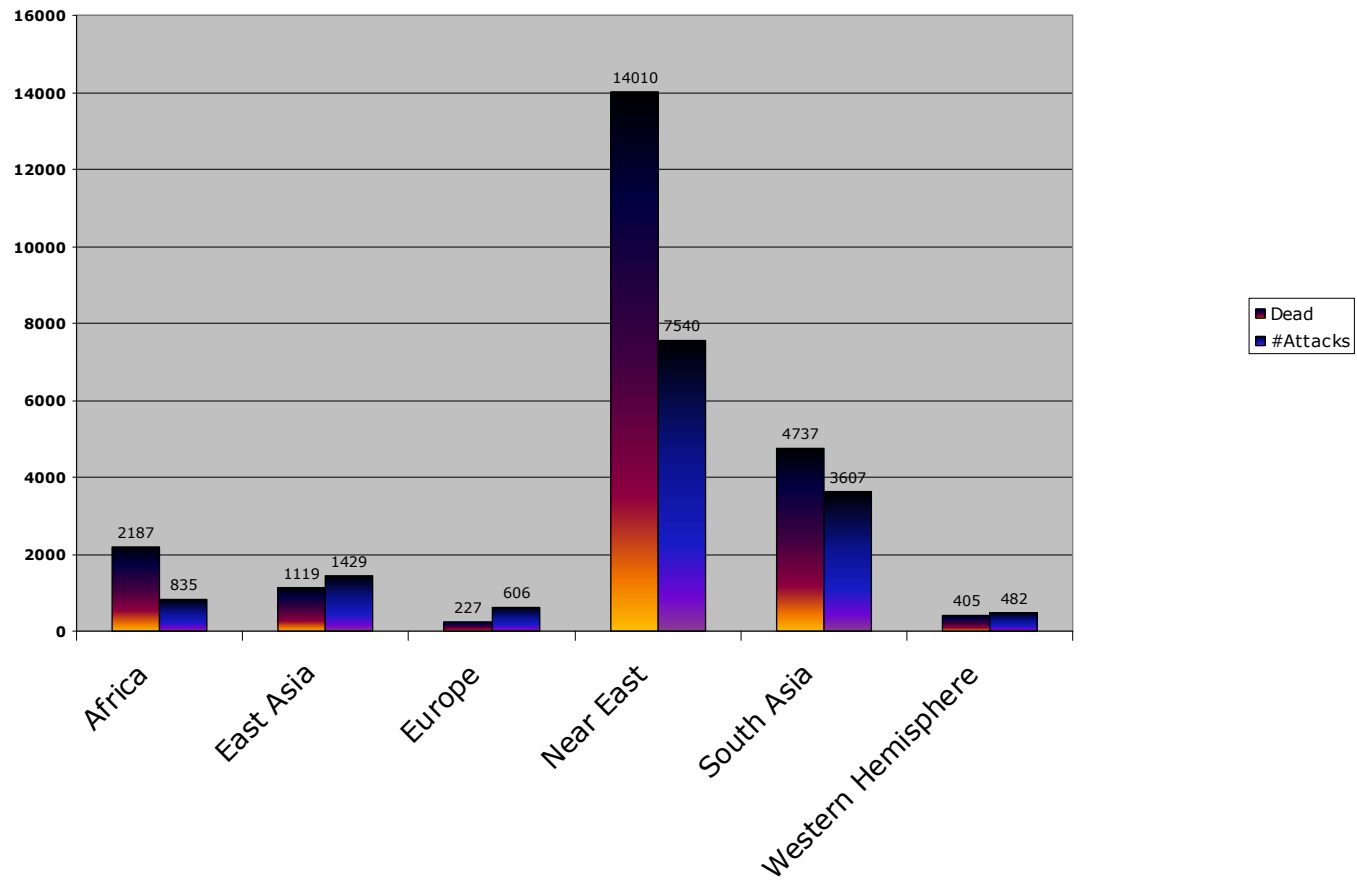




Sudan
newspaper
Friday 27Feb09

Fatalities & Attacks 2007

(Source US National Counterterrorism Center)



Plan Ahead. Are all incidents surprises?

What is our business?

1. In the airline industry we sell transportation.

Our (unique) selling points for our customers are:

- comfortable
- fast
- short (interline) connections via Hub-systems
- value and services in balance
- This all guaranteed on a safe and secure way.



Where do we focus on?

Our Network planners and Operations Control Center focus on:

- maximum utilization of the fleet
- maximum utilization of the crew



Impact of disruption

- Disruption of any kind disturbs the customer's expectation and the company's center of attention. So in case of a disruption we can lose customers and fall down in operational performances.
- In short: We lose money and confidence.

Disruptions

What are disruptions:

- Any kind of external negative influence on day-to-day operations, either natural or man-made.

“Natural” disturbances:

- Extreme weather: (heavy snowfall, icing, storms, extreme high temperature)
- Volcano activity
- Forrest fires



“Natural” disturbances(2)

- Flooding
- Public Health (SARS)
- Power shortages caused by i.e. extreme weather
- Etc



Man-made Disruptions

- (Threat of) Terrorist attacks (hijack, bombing, hostage taking)
- Mass demonstrations
- Coupe d'etat
- Strikes
- Etc



**Today we were unlucky.
But remember,
we have to be lucky only once,
You will have to be lucky always.**

**Message from the IRA after the bombing of the Grand Hotel in Brighton,
killing 5 and wounding 31.**

**Prime Minister Margaret Thatcher was left unhurt
(12 October 1984 – 02.54 – 20 lbs of explosives left in room 629)**

Example 1

- Israel vs Hezbollah



Example 2

- Kenya Political and ethnic clashes



Example 3

- Ecuador Volcano



PLAN AHEAD

Many of the disruptions, whether they are natural or man-made, can be foreseen to some extent.

- You can define parameters on a scale, from which you can determine if a disruption is likely to occur.
 - For “natural disruptions” there are weather forecasts, volcano activities reports, Health reports.
 - For “man-made” disruptions it’s a matter of intelligence and information sharing.

So, to cope with disruptions, it is a matter of **PLANNING AHEAD.**

Risk Management Model

KLM Security Services

Country: xxx	Threat against By:	1. Crime		2. Terrorism		3. Public Unrest		4. Political /Economical Instability		5. (Civil) War		6. Regulations	
		sht	Ing	sht	Ing	sht	Ing	sht	Ing	sht	Ing	sht	Ing
Position(s): xxx	A. Airport	Green	Green	Green	Yellow	Green	Yellow	Yellow	Red	Green	Green	Green	Green
Xxx	B. Aircraft	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Xxx	C. Personnel	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
xxx	D. Facilities	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green
	E. Buss/Ops Continuity	Green	Green	Green	Green	Yellow	Yellow	Yellow	Red	Green	Red	Green	Green
	clarification and mitigations	E5: War is a border conflict. A4: Terrorism is in the South part of the country.											

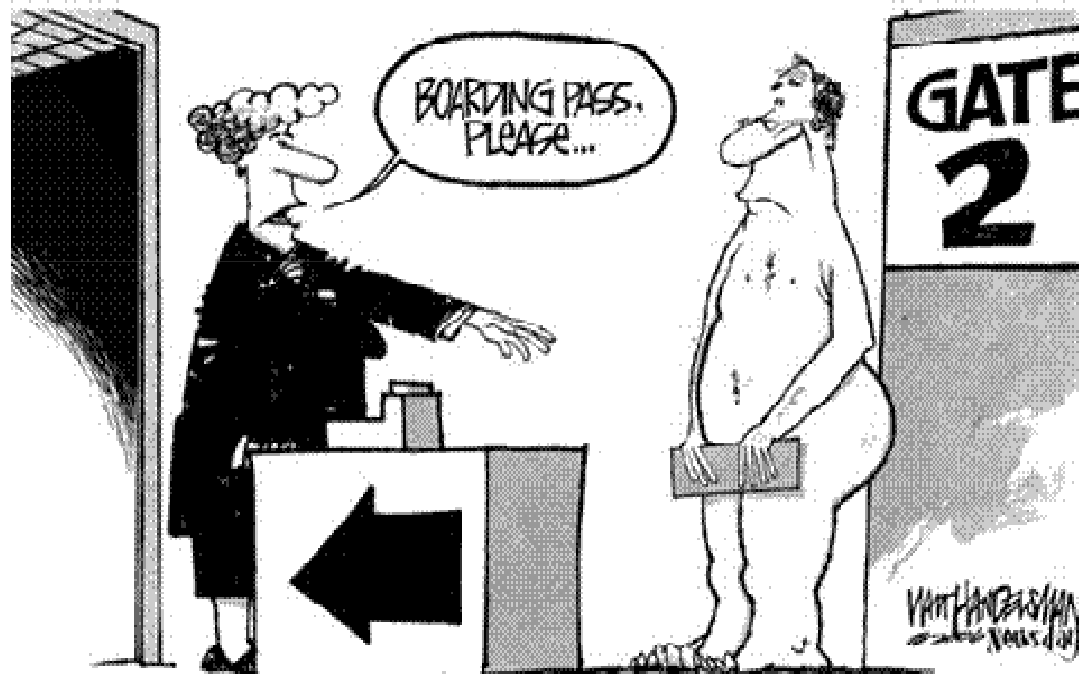
Mistakes in risk management

- Extrapolating from the past to forecast the probability that a given risk will materialize
- More effective to focus on the consequences than to focus on predicting extreme events (emergency response)
- Put greater emphasis on avoiding losses than on earning profits
- The way risks are framed influence people's understanding of it

Shortcomings of the security system

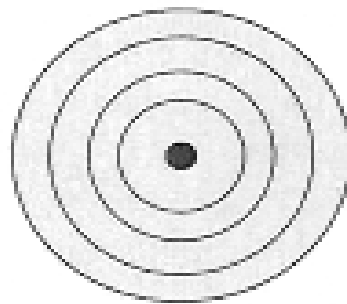
- **Security is not efficient, but too often complex and duplicated**
- **Security is not internationally harmonized.**
- **Security rules must be established with particular focus on the risk or threat that they seek to eliminate and the impact that they will have on operations in order to evaluate their effectiveness and feasibility.**
- **Security rules are often audit-driven**
- **Security rules impact on the *feeling* of security (as opposed to actual security) is not taken into account.**

...AFTER SEVEN HOURS OF WADING THROUGH HEIGHTENED AIRPORT SECURITY, LARRY FACED ONE FINAL CHALLENGE...

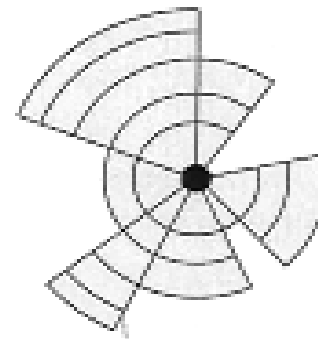


Underlying principles

- The main elements of today's aviation security system can be assumed to be central search (passenger and baggage screening), access control, the setting up of critical parts at airports and the protection of cockpit doors in the aircraft.
- Implementing legislation should be in charge of reinforcing these general, cornerstone rules rather than to create added layers of measures to compensate for previous ones. One realizes however that much focus has been put on accumulation responses to possible scenario on an arbitrary basis, without taking a complete look at the overall system, risk and existing mitigations. This creates vulnerabilities and imbalances which are illustrated as follows:

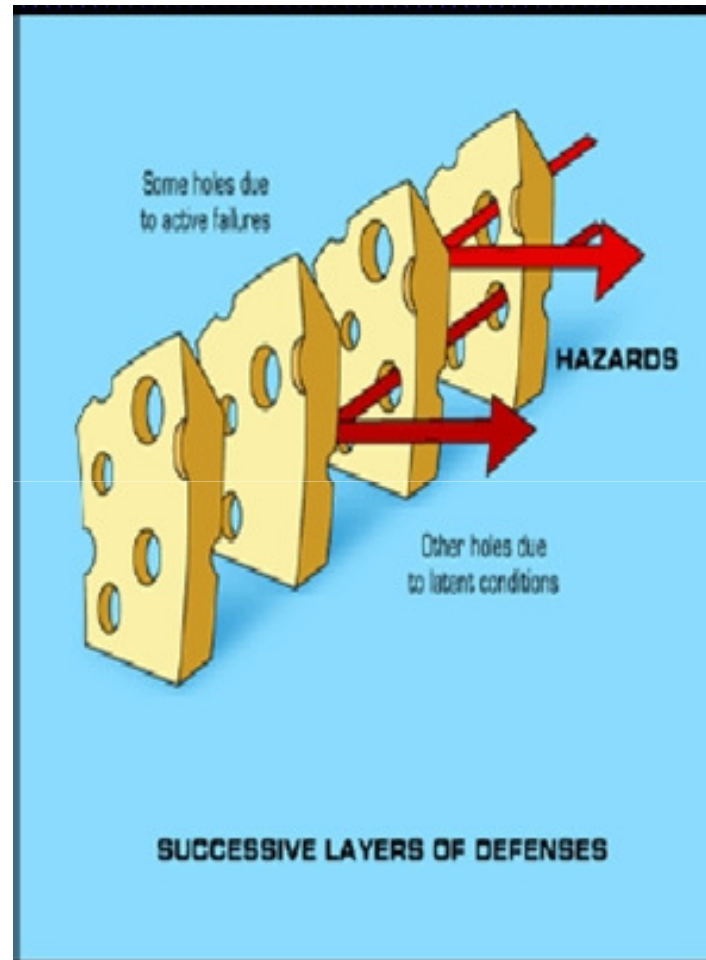
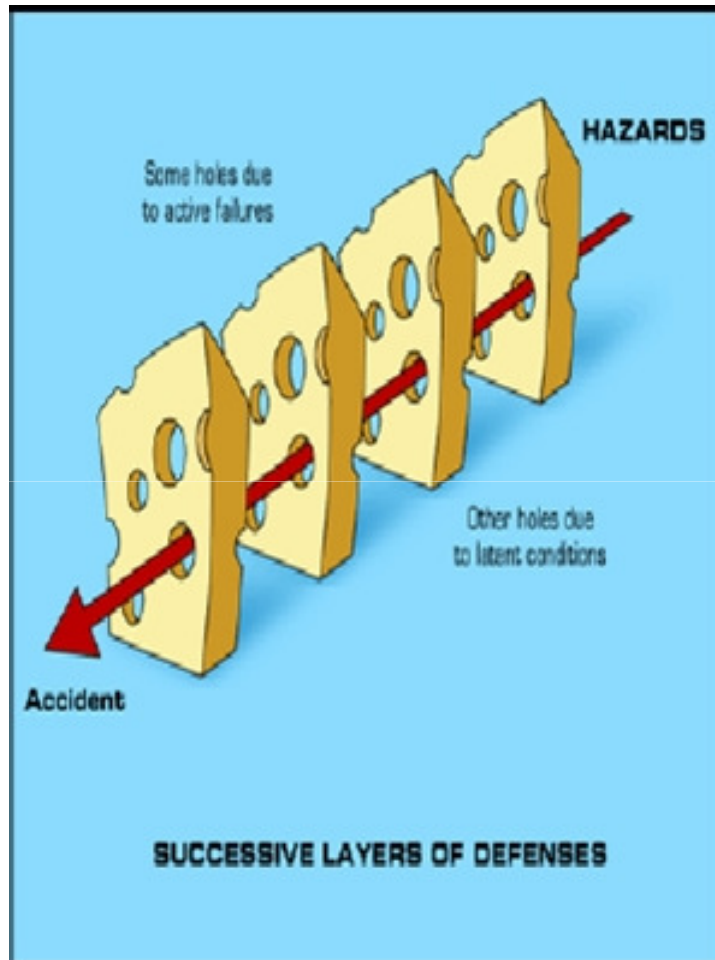


Security layers in theory



Security layers in practice

Swiss Cheese ?



Differentiation

1. Profiling
 2. Registered/trusted traveler
 3. Higher risk passengers
-
- A. intelligence, national and cross border
 - B. Rule based versus risk based
-
- I. Behavior pattern recognition
 - II. Unpredictability/randomness



COMFORT FEELING

