

# Managing risk



Resolving the protection versus safety conundrum

*Capt Dave Prior, Director of Safety and Security*

# Aims

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- ✈ You need to manage risk and make a profit
  - ✈ Can you do both successfully?
- ✈ Compulsion, compliance or confidence?
  - ✈ Accepting the inevitable and deriving economic benefit
- ✈ Safety really is good for business
  - ✈ Cost effective safety is derived from early intervention?

# easyJet founding principle



Challenging monopoly, protection and inefficiency in a liberalised aviation market



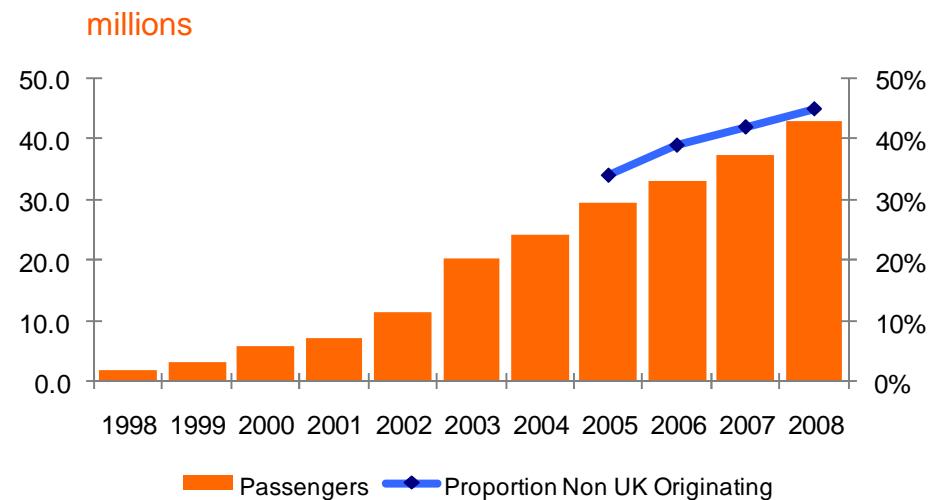
**Today: on average we fly you 1100 km for 50 Euro**



# easyJet – painting Europe Orange



- ✈ Europe's 4<sup>th</sup> largest airline
  - ✈ 6.5% share (OAG)
  - ✈ 50 million passengers
  - ✈ 188 aircraft situated in 19 bases
- ✈ Pan European network
  - ✈ 500 routes, 119 airports, 29 countries
  - ✈ 70 new routes in 2010
- ✈ Increasing geographic diversity
  - ✈ 51% of passengers originate outside UK
  - ✈ Third of flying does not touch the UK
- ✈ 300 Mln Europeans live less than 1 hour from easyJet served airport
- ✈ Over 1000 flights with 135.000 pax a day

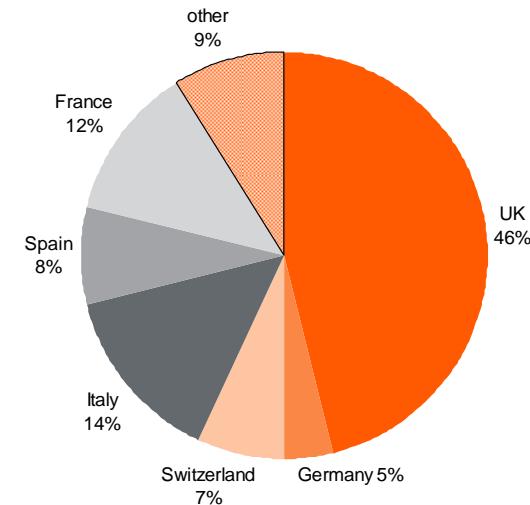


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# easyJet – unique competitive advantages



- > Low cost, financially strong and highly efficient
  - > Substantial scale advantage
  - > High asset utilisation (average of 11.6 hours a day)
  - > 188 aircraft
- > Network of primary airports
  - > 80% of routes touch a slot constrained airport
  - > 6.5% share of the market
  - > 50 million passengers in 2010
  - > 500 routes, 119 network points, 29 countries
- > Pan European brand
  - > Strong recognition at both ends of the route drives traffic
  - > Over half of passengers originate outside UK
  - > Third of flying does not touch the UK



Departing passengers by country of origin Q1'10

500 routes, 119 network points, 29 countries



easyJet

# Growth = Risk

1995

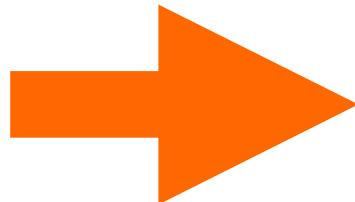
1 base

3 airports

2 routes

2 leased aircraft

Virtual airline!



2010

**20 bases**

**119 airports**

**29 countries**

**500 routes**

**188 aircraft**

**50 million pax**

**7000 employees**



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# Accepting the inevitable

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Compulsion, Compliance, Confidence?

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## The requirements.....



### **Safety is more than just NOT having accidents !**

- ✈ Regulatory requirements, EU OPS, ICAO, ANO, Operations Manual, EASA Part 145
  - Accident prevention program
  - Flight data monitoring
  - Flight safety
- ✈ Enterprise safety management, compliance with the Combined Code (UK PLC)
  - Investigation process
  - Risk analysis and mitigation strategy
  - Safety mission statement
  - Organisational structure and accountabilities
  - Safety promotion and training
  - Safety performance management
- ✈ Our business model and strategic goals

# Compliance

# Toyota - A model of Compliance?

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Akio Toyoda, Toyota president

“our priorities became confused”

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# The Compliant Banking Sector?

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"In the end, we had a regulatory system that was looking at the minutiae of whether exactly this rule had been complied with or that rule had been complied with. They weren't taking a step back and thinking, hang on, we have a hugely leveraged banking system that is hugely dependent on the wholesale money markets. What happens if it goes wrong?"

*Shadow Chancellor, George Osborne, March 2010*

# Corporate manslaughter act

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# Performance

Herald of Free Enterprise  
Train crashes  
Piper Alpha  
Barrow Council

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# What senior managers need to know.....

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- ➔ What could go wrong?
- ➔ Why won't that happen?
  - ➔ today?
  - ➔ tomorrow?
- ➔ What else should we do?
- ➔ What else could we do?
- ➔ Are we improving?
- ➔ Is the Safety Management System supported and working?

# Why senior managers need to know.....



Deep Water Horizon

Photo: US Coast Guard

# Safety is good for business

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Picking the winners

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# Data trawl – start point but not end point

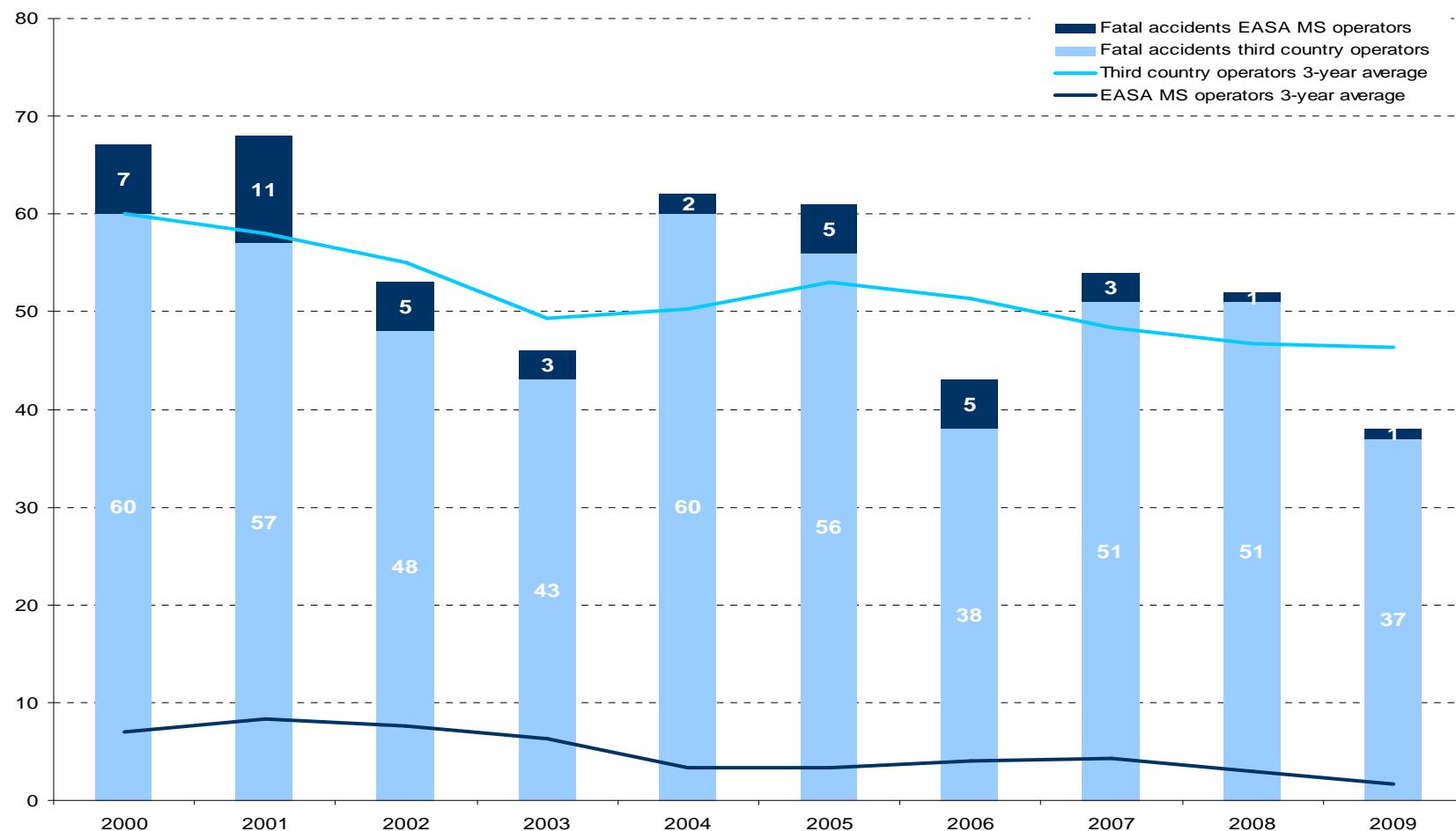
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- ✈ What we know
- ✈ What others know
- ✈ What we find out as we go
- ✈ Flexibility – the key to air superiority



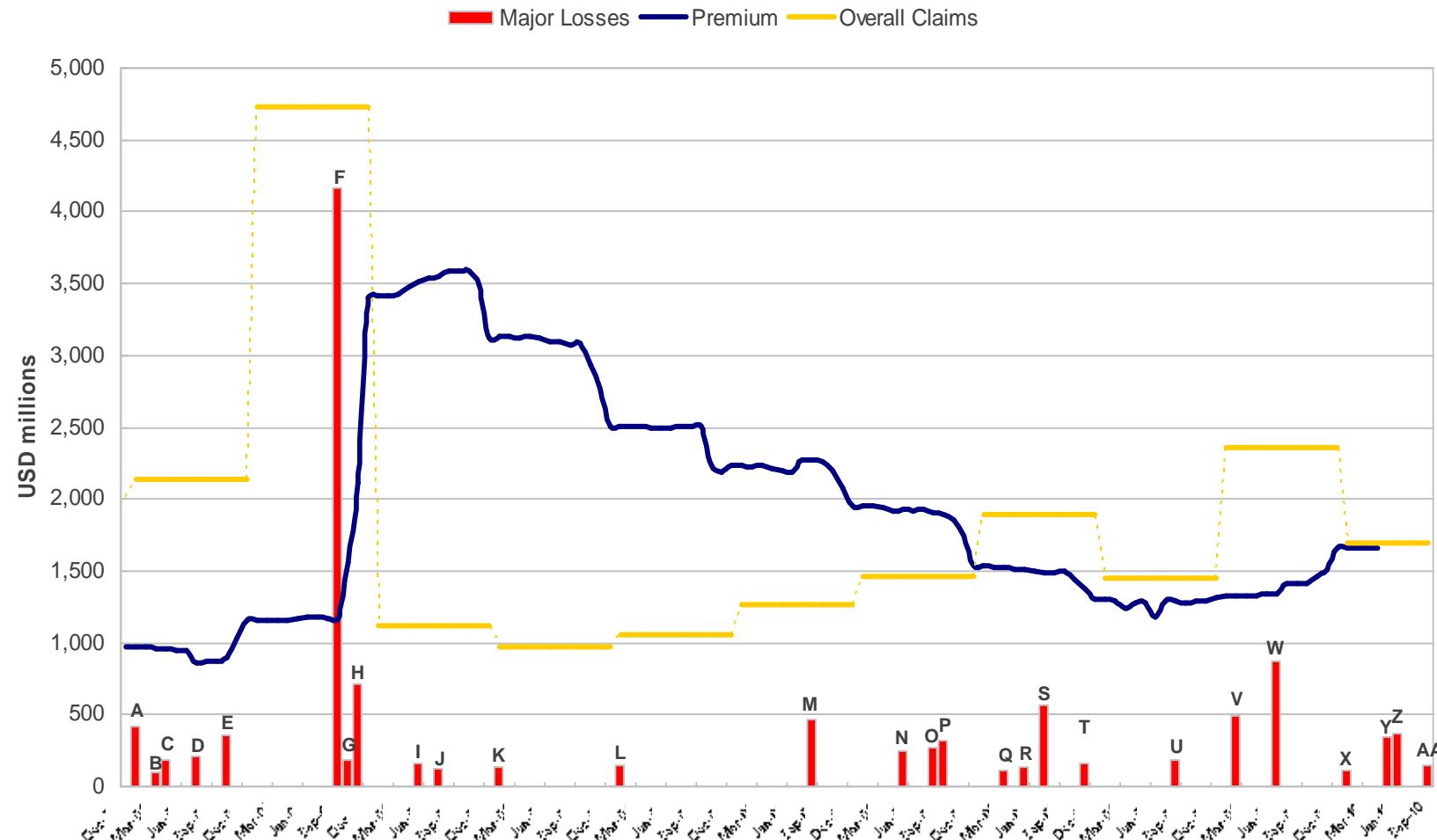
# Fatal Accidents





## Airline Hull & Liability

Rolling 12 month premium versus annual claims



# Safety initiatives – Compliance and Performance



## Delivering the Corporate Safety Plan: Reviewing Data & Achievements

### Safety Compliance

Metric		Sep 10 Reporting Rate / Trend	Investigation Progress
MOR – High Risk	004	5 rpm	↗
NCR - Level 2+ CAA +SAFA Insp	005	5 rpm	↘
NCR - Level 2+ Internal Audit	006	20 rpm	↘

### Safety Performance

Project		Due Date	Progress
TEM	CO1	Sept 10	●
Bow Tie	CO2	Sept 10	●
Change Management	CO3	Sept 10	●

SRB  
Corporate 0.78

As Above

Airline SAG

Departmental R V X  
Departmental Projects  
Risk Register Metrics

Mini SAGs

# Safety Initiatives – technical oversight



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As Above

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Risk Register Metrics

Implementation and technical oversight

Mini SAGs

# The key questions – what's important?

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- ✈ Safety
  - ✈ Will the initiative make an improvement or arrest a decline?
- ✈ People
  - ✈ Is this realist and achievable?
- ✈ Risk Migration
  - ✈ Who's fix is this?
- ✈ Cost
  - ✈ Have we implemented this in the most cost **effective** manner

NOTE: THIS DOES NOT MEAN AT THE **LOWEST** COST

# Safety initiatives – departmental KPI's



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Post Holder – Departmental agreed deliverables

# Getting buy in

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- ➔ Corporate Accountability
  - ➔ Clarity
  - ➔ Audit trail (evidence)
- ➔ Post Holder (Senior technical manager)
  - ➔ Clarity
  - ➔ Realistic
  - ➔ Flexible
  - ➔ Not incentivised or penalised financially
- ➔ Individuals
  - ➔ Clarity
  - ➔ Do-able

# Swat the mosquitoes or drain the swamp?

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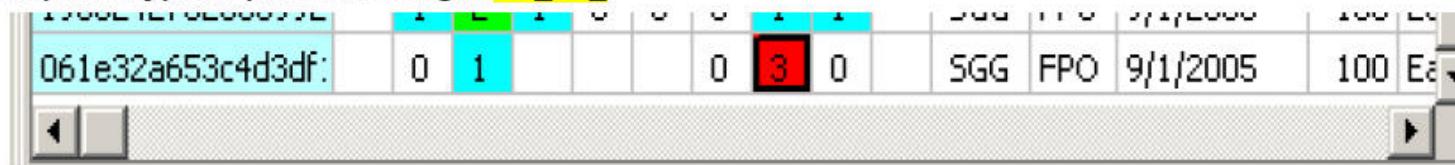
- You cannot have too much data
  - But you need to look in the weeds otherwise you are data rich and information poor
- Lies, damn lies and statistics
  - Data alone tells you nothing, you need subject matter experts
- Our risks are not necessarily your risks
  - You need to be clear about what it is you are looking at
- Don't chase numbers
  - Its easier to drain the swamp than to kill all the mosquitoes individually

# The Tool Box – Morning Report (easyJet - NASA project)

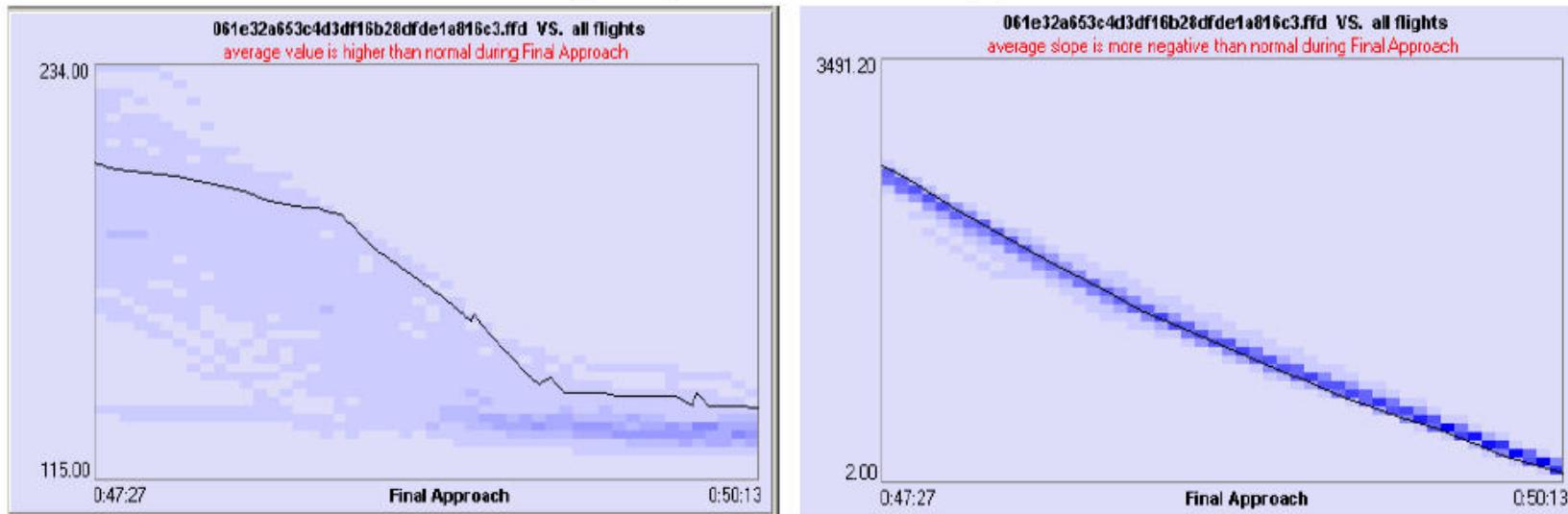
## AirFASE events of flight FL\_02

Event	Description	Unit	Low	Medium	High
1030	Taxi Speed Exceedance in Straight path	GS	> 32 Kts	> 35 Kts	> 40 Kts
1102	Low Pitch Rate at TakeOff	PITCH_RATE (MAX) >:	2.5 °/s	2 °/s	1.5 °/s
1010	Approach Speed High (High ALT)	CAS >:	VAPP + 15 Kts	VAPP + 20 Kts	VAPP + 25 Kts
1601	Late Landing Flap Setting	ALTITUDE <:	1000 ft	750 ft	500 ft
1012	Approach Speed High (Med ALT)	CAS >:	VAPP + 10 Kts	VAPP + 15 Kts	VAPP + 20 Kts
1813	Height High at Threshold	High Height at THR	>=60 ft	>=70 ft	>=80 ft
1818	Long Touchdown	DIST_TO THR (at TD)	750 m	900 m	1050 m

## The Morning Report atypical phases of flight FL\_02



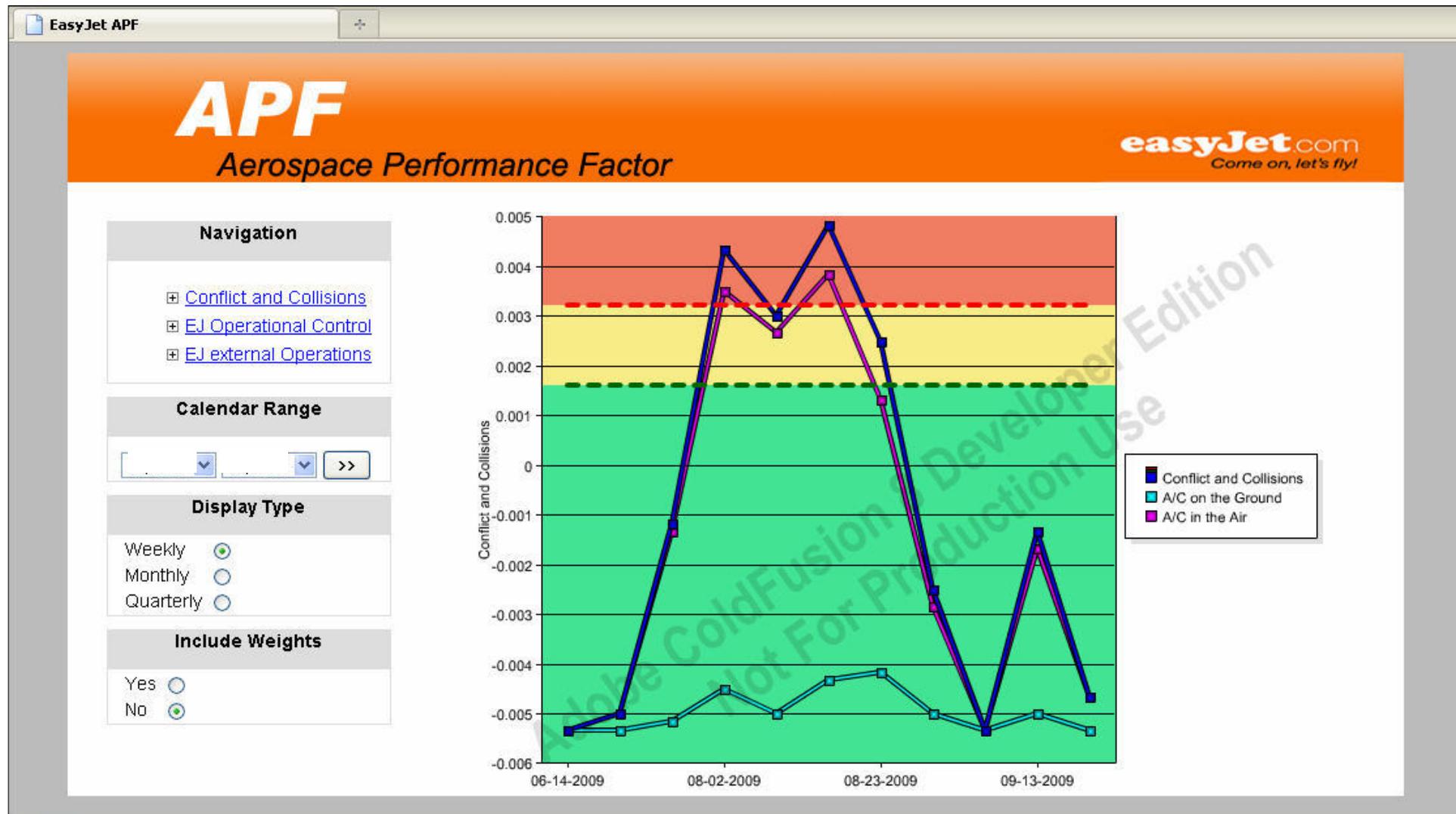
## Most atypical parameters in final approach



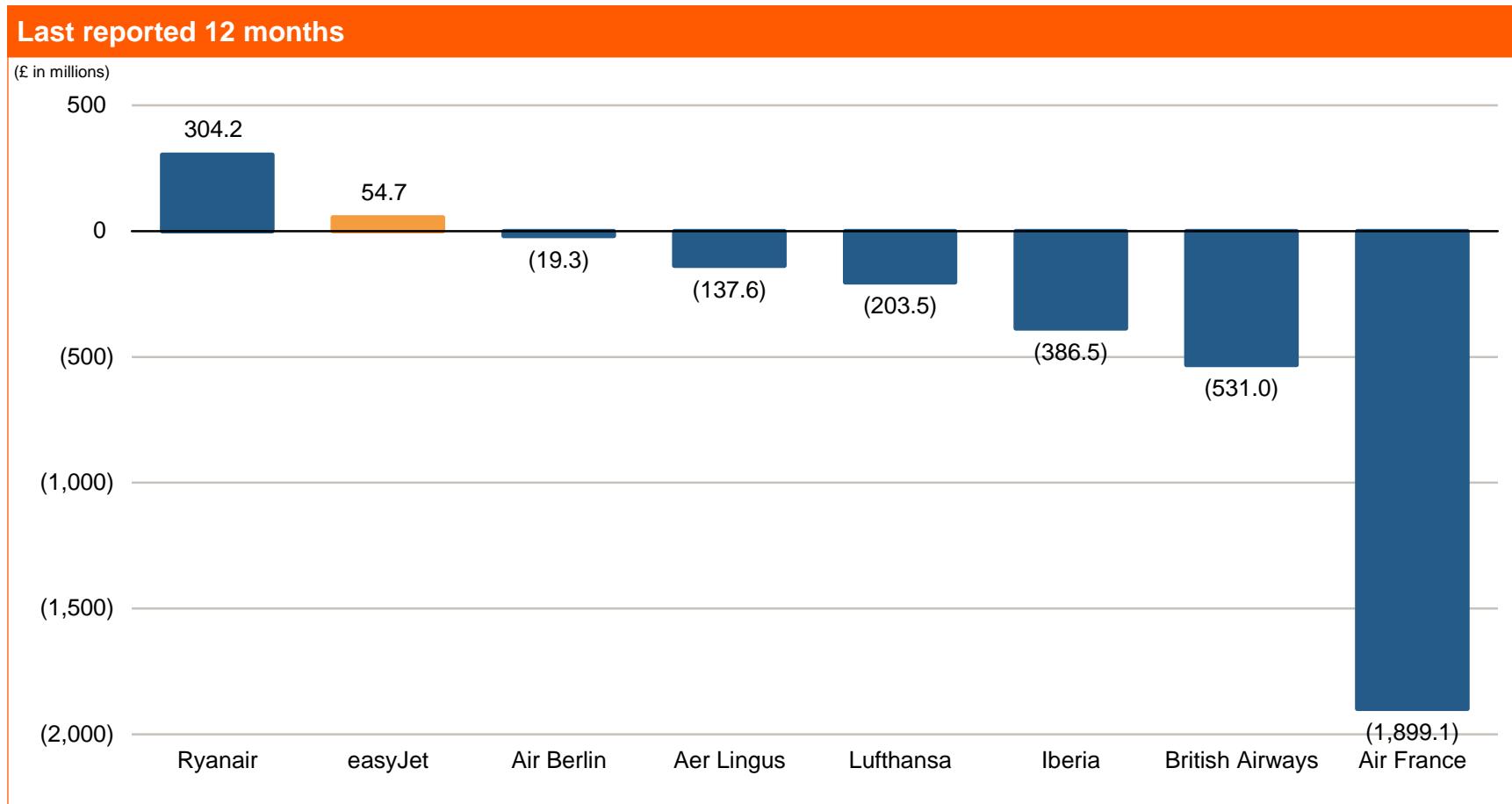
# The Toolbox - APF



- The APF is a tool that incorporates historical indicators from multiple databases and presents a graphical representation of performance over time.



# Profit / loss before tax – what worked?



Source: Company filings.

Note: European airline PBT / LBT figures converted to GBP using exchange rate as at financial year end.

Note: Financial year ends of 31 December (Aer Lingus, Air Berlin, Iberia and Lufthansa), 31 March (Air France, British Airways and Ryanair) and 30 September (easyJet).

**easyJet**

# easyJet

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