

Managing risk



Resolving the protection versus safety conundrum

Capt Dave Prior, Director of Safety and Security

Aims



- ✈ 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



“Cheaper than a pair of jeans”

Challenging monopoly, protection and inefficiency in a liberalised aviation market



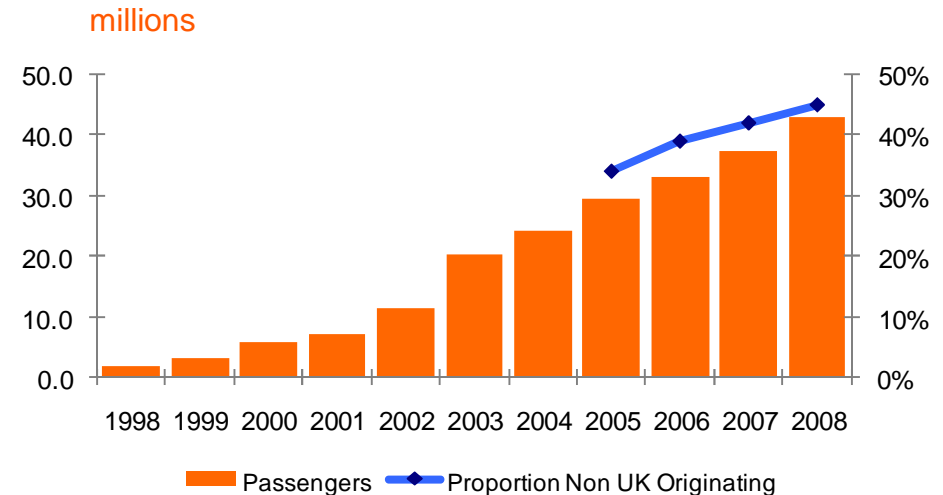
Today: on average we fly you 1100 km for 50 Euro



easyJet – painting Europe Orange



- Europe's 4th 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



easyJet

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

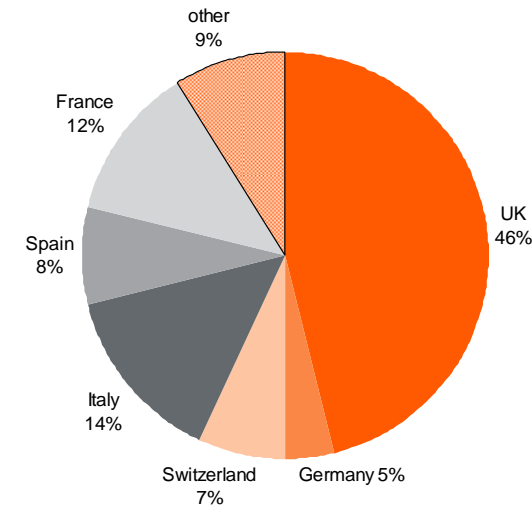


> Network of primary airports

- > 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

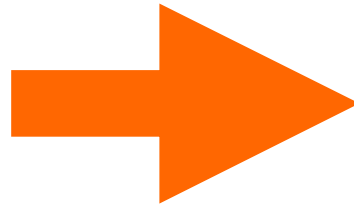
1 base

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



easyJet

Accepting the inevitable



Compulsion, Compliance, Confidence?

easyJet

The requirements.....



Safety is more than just NOT having accidents !

- ✈ Regulatory requirements, EU OPS, ICAO, ANO, Operations Manual, EASA Part 121
 - 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?



Akio Toyoda, Toyota president

“our priorities became confused”

easyJet

The Compliant Banking Sector?



"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

easyJet

Corporate manslaughter act

A photograph of a train crash, showing a derailed locomotive and several passenger cars. A large orange box with the word "Performance" in white text is overlaid on the image.

Performance

Herald of Free Enterprise
Train crashes
Piper Alpha
Barrow Council

easyJet

What senior managers need to know.....



- 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

easyJet

Safety is good for business



Picking the winners

easyJet

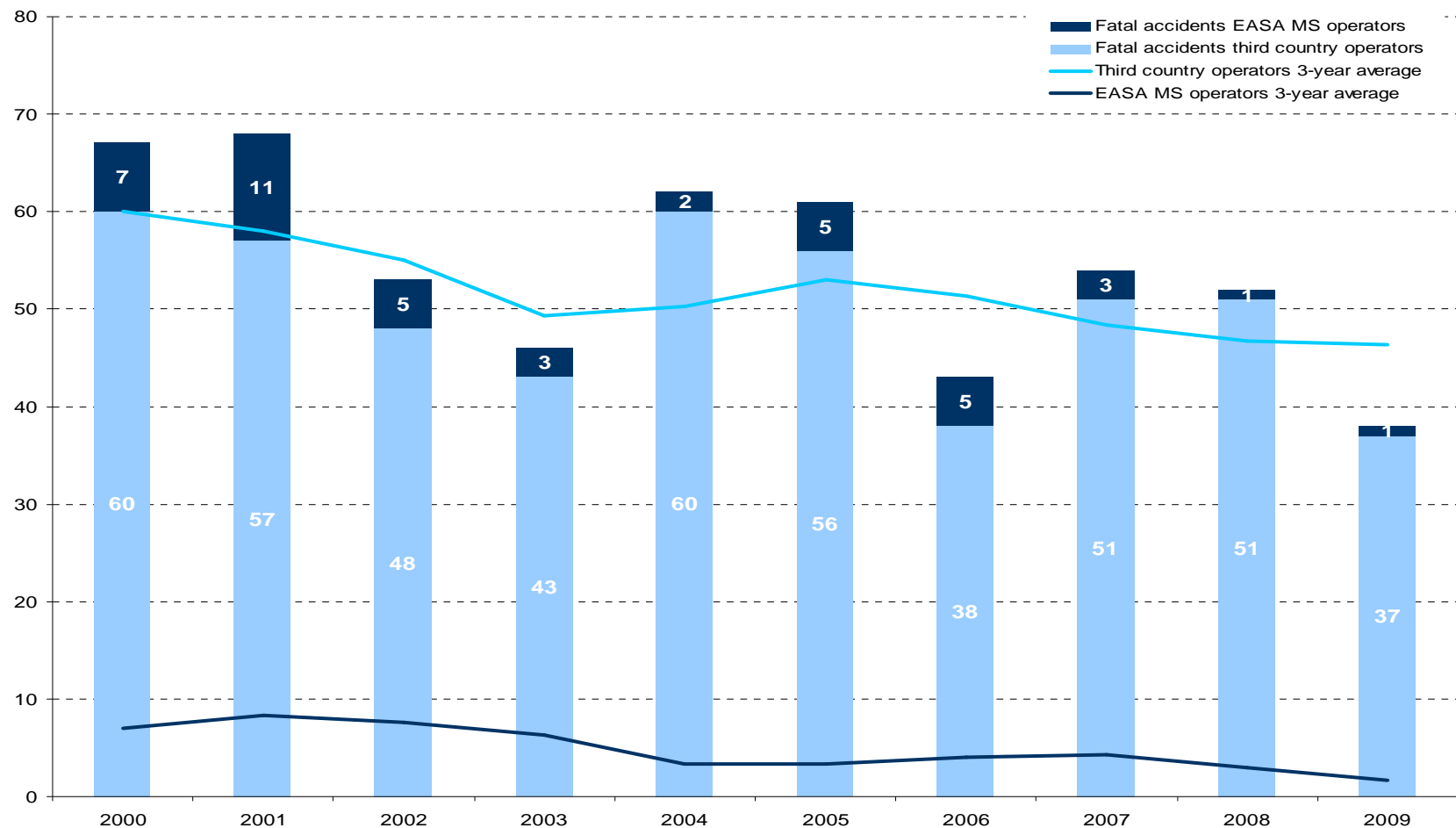
Data trawl – start point but not end point



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

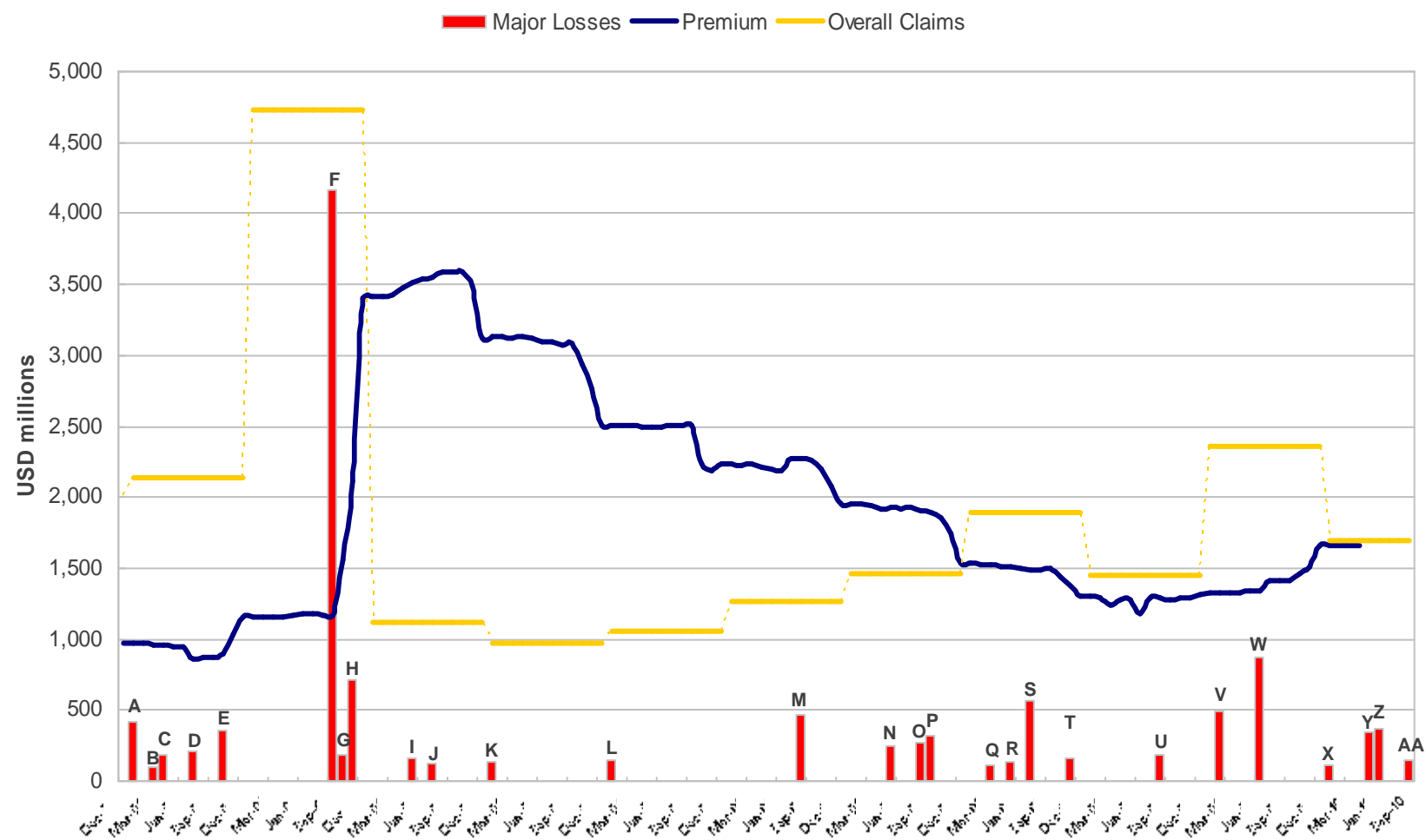


Fatal Accidents



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 RVX

Departmental Projects
Risk Register Metrics

Mini SAGs

Safety Initiatives – technical oversight



Delivering the Corporate Safety Plan: Reviewing Data & Achievements

Safety Compliance

Metric		Sep 10 Reporting Rate / Trend	Investigation Progress
MOR – High Risk	C04	5 rpm	
NCR - Level 2+ CAA +SAFA Insp	C05	5 rpm	
NCR - Level 2+ Internal Audit	C06	20 rpm	

Safety Performance

Project		Due Date	Progress
TEM	C01	Sept 10	
Bow Tie	C02	Sept 10	
Change Management	C03	Sept 10	

SRB

Corporate 0.78

As Above

Airline SAG

Departmental Projects
Risk Register Metrics

Implementation and technical oversight

Mini SAGs

The key questions – what's important?



✈ 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



Delivering the Corporate Safety Plan: Reviewing Data & Achievements

Safety Compliance

Metric		Sep 10 Reporting Rate / Trend	Investigation Progress
MOR – High Risk	C04	5 rpm	
NCR - Level 2+ CAA +SAFA Insp	C05	5 rpm	
NCR - Level 2+ Internal Audit	C06	20 rpm	

Safety Performance

Project		Due Date	Progress
TEM	C01	Sept 10	
Bow Tie	C02	Sept 10	
Change Management	C03	Sept 10	

SRB

Corporate 0.78

As Above

Airline SAG

Departmental Projects
Risk Register Metrics

Implementation and technical oversight

Mini SAGs

Post Holder – Departmental agreed deliverables

Getting buy in



- ✈ 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?



- 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)



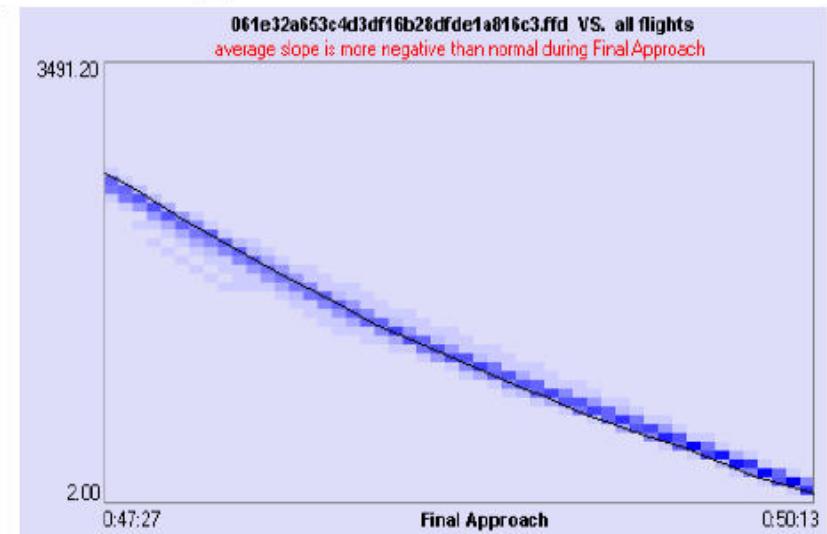
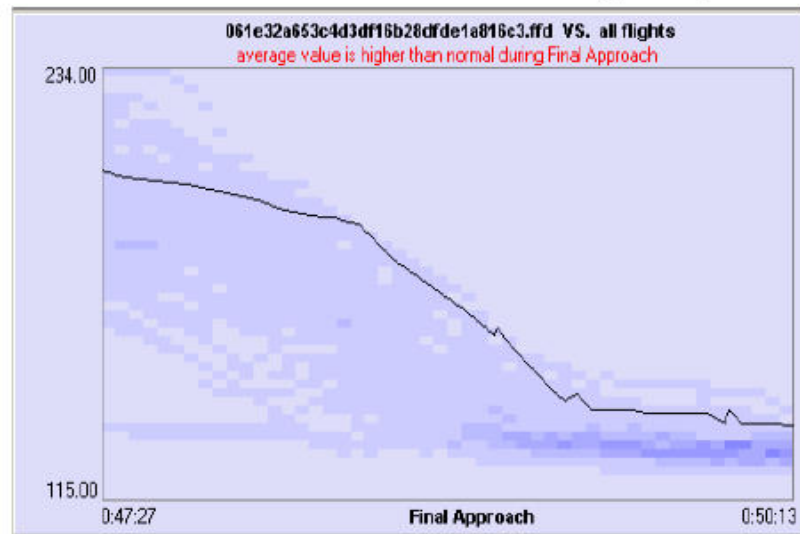
AirFASE events of flight FL_02

<div> <div>Events</div> <div>Flight Phases</div> <div>3D</div> <div>Configuration</div> </div>					
Single Events					
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

061e32a653c4d3df:	0	1			0	3	0	SGG	FPO	9/1/2005	100	Ea
-------------------	---	---	--	--	---	---	---	-----	-----	----------	-----	----

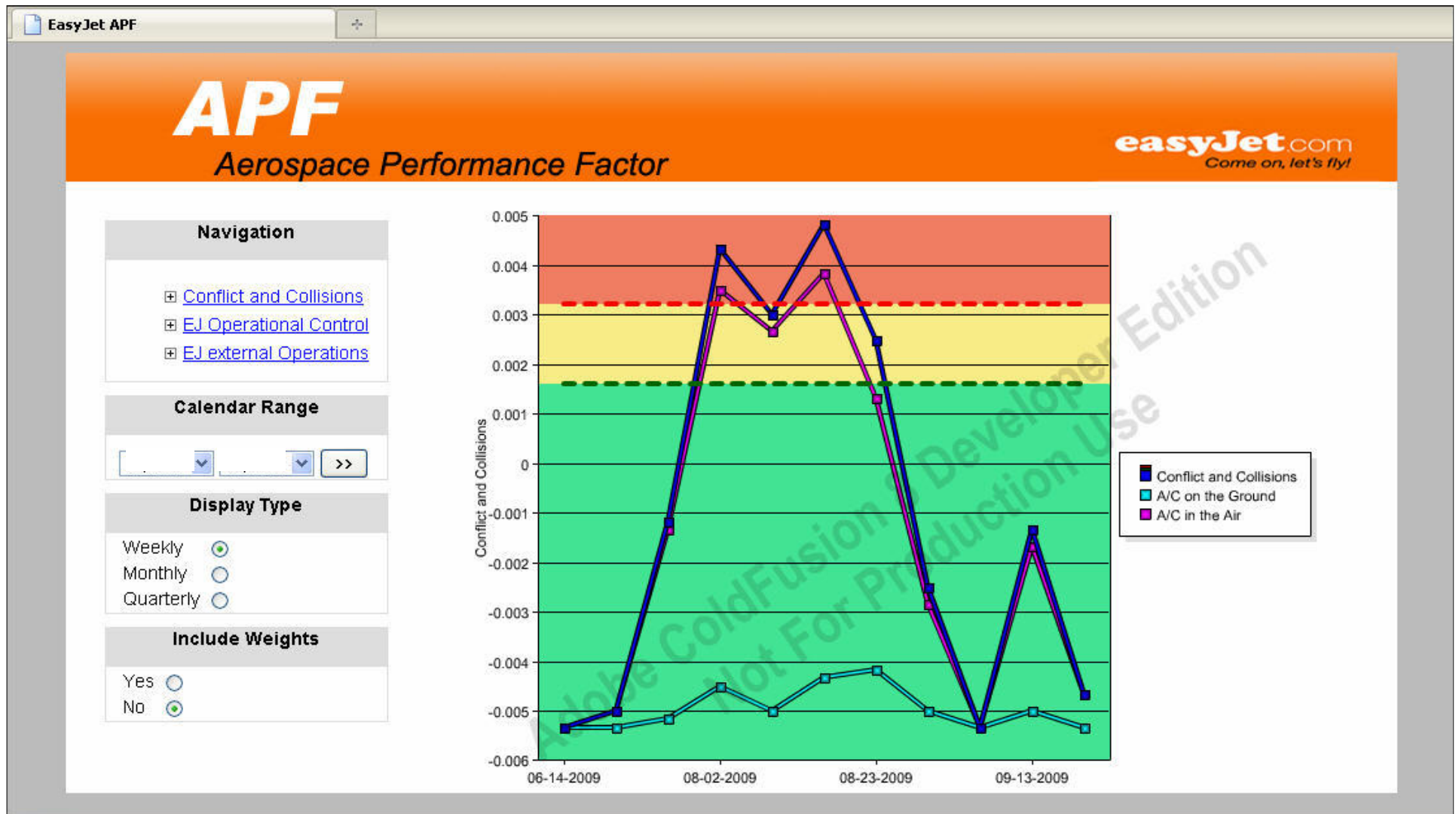
Most atypical parameters in final approach



The Toolbox - APF



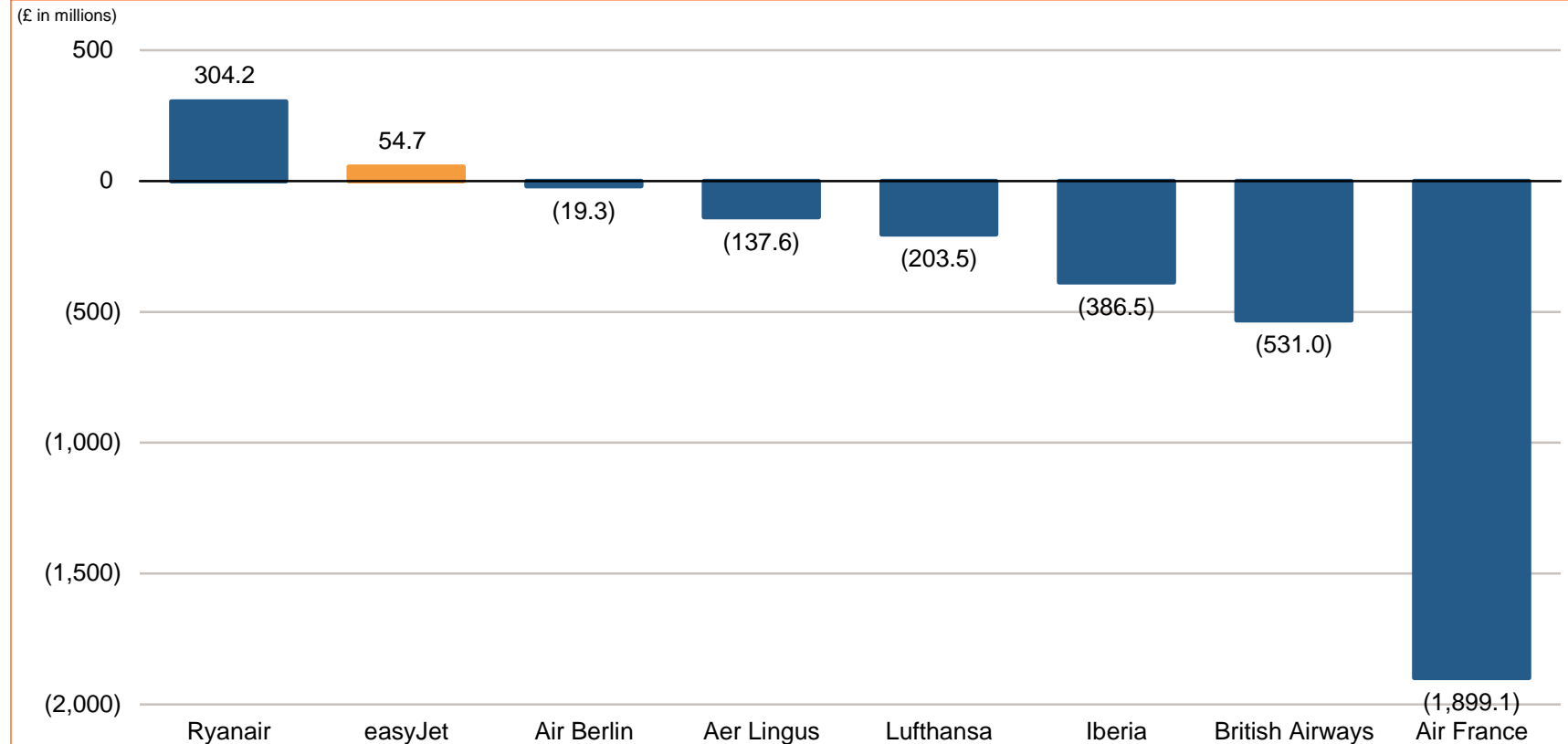
- The APF is a tool that incorporates historical indicators from multiple databases and presents a graphical representation of performance over time.



Profit / loss before tax – what worked?



Last reported 12 months



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



easyJet