Safety Culture is good for business

Manage risk, maximise opportunity

Capt Dave Prior, Director of Safety and Security
Aims

The aim of this presentation is to show:

Why easyJet embraces safety and safety culture

Why safety makes great business sense

Why safety gives us a competitive edge
It’s 1995

Population of Europe
727,405,000

Dow Jones Indexes

London Stock Exchange

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You want to set up a low cost airline.....

1995
- 1 base
- 3 airports
- 2 routes
- 2 leased aircraft
- Virtual airline!

2008
- 20 bases
- 103 airports
- 26 countries
- 383 routes
- 160 aircraft
- 43 million pax
- 7000 employees
But you’re mindful of the fact......

In order to make a small fortune in aviation
You must first start out with a large one
So you’ll be fairly keen to follow the rules......

Rule No1: Never lose money

Rule No 2: Never forget rule number 1

Rule No 3: Risk stands between opportunity and profit

Rule No 4: Manage risk. Make profit
Manage risk by making safety your No 1 priority
Safety is your number 1 priority because......

It’s more than being ‘just’ compliant
Legal and political reasons.....

▷ It’s law

▷ There’s a regulatory requirement

▷ Over fly rights?

▷ Potential for blacklisting
“Did you ever expect a corporation to have a conscience, when it has no soul to be damned and no body to be kicked?”

Preventing Corporate Accidents, Whittington and Burlington
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 working as it should?

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Risk visibility, how you get to know

- Board
  - Safety Review Board
  - Airline Safety Action Group
  - Departmental Safety Action Group

Risk Transparency

- Director Safety and Security
  - Chair: CEO
  - Chair: AOC Accountable Manager
  - Chair: Post Holder

Just Culture
Reputation......

- Brand protection
- Consumer confidence
- Regulator/Rule Maker perceptions
  - UK ANO Article 6 Compliance
- Political

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Our reputation and our brand....

Set safety standards----and stick to them

“In a consumer facing business, such as aviation or shipping for passengers, whether cruise liner or ferry boat, you basically live or die by your reputation. With very few exceptions, people don’t have to use your product or your services. “If you have a good reputation, they will use your product. If you destroy your reputation, you pretty much go out of business. In the kind of industry where neither the provider of the service nor the buyer has a brand, reputation tends to matter less.”

Sir Stelios Haji-Ioannou

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Safety through intelligent risk management

“Safety is our business”

Everyone committed to maintaining a safe and secure operational environment for our customers, our staff, and our shareholders

Our goal is more than just regulatory compliance, our focus is proactive risk management, underpinning the needs of the business

It’s safe delivery of the company business strategy

Andy Harrison, CEO easyJet

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Safety is your number 1 priority because......

It’s actually cost effective
First principles

- You want more profit
  - + Sales Growth
  - + Operating profit margin
  - - Cash tax rate

- Out of fewer assets
  - - Investment in working capital
  - - Incremental capital expenditure

- At lower risk
  - - Cost of capital

- For as long as possible
  - + Competitive advantage period

Rappaport - Creating shareholder value

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Driving shareholder value – the safety case

Sales Growth: Passengers want to fly on ‘safe’ airlines

Profit margin: Lowering costs, targeting resources

Tax rate: Global configuration of business; take advantage of allowances

Working capital: Better asset utilisation,

Fixed assets: Risk reduction = safe investment

Cost of capital: Maintaining the competitive advantage

Timescale: 

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Good safety systems enhance business efficiency

- Because they require more detailed planning of the processes
- Processes become more consistent and efficient
- Because organisationally you are always then on the leading edge of the knowledge curve
Safety is your number 1 priority because……

It gives you the competitive advantage
Through intelligent risk management

- Facilitates effective resource allocation

- Provides lower risk exposure for investors

- Allows greater exploitation of opportunities
Lowering the incident profile

**RISK IDENTIFICATION**

| Phase 1 6/3 study Oct 03-Jan 04 | Phase 2 5254 Implementation Apr 05 | Phase 3 FRMS Implementation |

**HIGH RISK EVENT TREND**

MONTH

RATIO / APPROACH

- composite
- 2 per. Mov. Avg. (composite)
People efficiencies

- Encourages greater staff engagement
- Promotes job satisfaction
- Better working environment
- Reduced staff attrition rates
Operational efficiencies

› Crew utilisation through FRMS

› Fuel optimisation profiles

› Engineering reliability

› Ground handling (damage)
The acid test

Acid test ratio:

\[
\frac{(\text{Cash} + \text{Accounts Receivable} + \text{Short-term Investments})}{\text{Current Liabilities}}
\]

Rule No 4: Manage risk. Make profit

Visibility ↔ Reports ↔ Confidence

Safety Culture

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Conclusion

It is axiomatic that an efficient safety system, underpinned by an embedded safety culture, can help to drive shareholder value.