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

Challenging monopoly, protection and inefficiency in a liberalised aviation market

“Cheaper than a pair of jeans”

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 – 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
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
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 Rules
- Enterprise risk management, compliance with the Combined Code (UK PLC)
- Our business model and strategic goals

Compliance

- Accident prevention program
- Flight data monitoring
- Flight safety
- Investigation process
- Risk analysis and mitigation strategy
- Safety mission statement
- Organisational structure and accountabilities
- Safety promotion and training
- Safety performance management

easyJet
Toyota - A model of Compliance?

Akio Toyoda, Toyota president

“our priorities became confused"
"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

Performance

Herald of Free Enterprise
Train crashes
Piper Alpha
Barrow Council
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

easyJet
Airline Hull & Liability
Rolling 12 month premium versus annual claims
Delivering the Corporate Safety Plan: Reviewing Data & Achievements

### Safety Compliance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Sep 30 Reporting Rate/Trend</th>
<th>Investigation Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOR - High Risk</td>
<td>0.4 5 rpm</td>
<td>▲</td>
</tr>
<tr>
<td>NCR - Level 2+ CAA v SAFA Insp</td>
<td>0.5 5 rpm</td>
<td>▲</td>
</tr>
<tr>
<td>NCR - Level 2+ Internal Audit</td>
<td>0.6 20 rpm</td>
<td>▲</td>
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### Safety Performance

<table>
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<tr>
<th>Project</th>
<th>Due Date</th>
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<tr>
<td>TIM</td>
<td>CO1</td>
<td>Sept 10</td>
</tr>
<tr>
<td>Bow Tie</td>
<td>CO2</td>
<td>Sept 10</td>
</tr>
<tr>
<td>Change Management</td>
<td>CO3</td>
<td>Sept 10</td>
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As Above

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easyJet
Safety Initiatives – technical oversight

Delivering the Corporate Safety Plan: Reviewing Data & Achievements

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<td>5 rpm</td>
<td></td>
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<td>NCR - Level 2+ CAA + SAFA Insp</td>
<td>5 rpm</td>
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SRB Corporate 0.78

Airline SAG

Departmental Projects Risk Register Metrics

Implementation and technical oversight

Mini SAGs

easyJet
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

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<th>Investigation Progress</th>
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<tr>
<td>MOR - High Risk</td>
<td>CO4</td>
<td>9 rpm</td>
<td>✔</td>
</tr>
<tr>
<td>NCR - Level12+ CAA+SAFA Insp</td>
<td>CO5</td>
<td>9 rpm</td>
<td>✔</td>
</tr>
<tr>
<td>NCR - Level12+ Internal Audit</td>
<td>CO6</td>
<td>20 rpm</td>
<td>✔</td>
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Implementation and technical oversight

Post Holder – Departmental agreed deliverables

Departmental Projects Risk Register Metrics

Airline SAG

Mini SAGs

easyJet
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
  - It’s 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

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
<th>Unit</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>1030</td>
<td>Taxi Speed Exceedance in Straight path</td>
<td>GS</td>
<td>&gt; 32 Kts</td>
<td>= 35 Kts</td>
<td>&gt; 40 Kts</td>
</tr>
<tr>
<td>1102</td>
<td>Low Pitch Rate at TakeOff</td>
<td>PITCH_RATE (MAX)</td>
<td>2.5 °/s</td>
<td>2 °/s</td>
<td>1.5 °/s</td>
</tr>
<tr>
<td>1810</td>
<td>Approach Speed High (High ALT)</td>
<td>CAS</td>
<td>YAPP + 15 Kts</td>
<td>YAPP + 20 Kts</td>
<td>YAPP + 25 Kts</td>
</tr>
<tr>
<td>1801</td>
<td>Late Landing Flap Setting</td>
<td>ALTITUDE</td>
<td>1000 ft</td>
<td>750 ft</td>
<td>500 ft</td>
</tr>
<tr>
<td>1812</td>
<td>Approach Speed High (Med ALT)</td>
<td>CAS</td>
<td>YAPP + 10 Kts</td>
<td>YAPP + 15 Kts</td>
<td>YAPP + 20 Kts</td>
</tr>
<tr>
<td>1813</td>
<td>Height High at Threshold</td>
<td>Height at THR</td>
<td>&gt;=60 ft</td>
<td>&gt;=70 ft</td>
<td>&gt;=80 ft</td>
</tr>
<tr>
<td>1814</td>
<td>Long Touchdown</td>
<td>DIST_TO_THR (at TD)</td>
<td>750 m</td>
<td>500 m</td>
<td>1050 m</td>
</tr>
</tbody>
</table>

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?

Last reported 12 months

<table>
<thead>
<tr>
<th>Company</th>
<th>Profit/Loss (€ in millions)</th>
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</thead>
<tbody>
<tr>
<td>Ryanair</td>
<td>304.2</td>
</tr>
<tr>
<td>easyJet</td>
<td>54.7</td>
</tr>
<tr>
<td>Air Berlin</td>
<td>(19.3)</td>
</tr>
<tr>
<td>Aer Lingus</td>
<td>(137.6)</td>
</tr>
<tr>
<td>Lufthansa</td>
<td>(203.5)</td>
</tr>
<tr>
<td>Iberia</td>
<td>(386.5)</td>
</tr>
<tr>
<td>British Airways</td>
<td>(531.0)</td>
</tr>
<tr>
<td>Air France</td>
<td>(1,899.1)</td>
</tr>
</tbody>
</table>

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

Turning Europe orange
easyJet.com