

**Speech by Willie Walsh,
Chief Executive, British Airways**

Calgary Chamber of Commerce Lunch

Friday December 15, 2006

Mayor, Ladies and Gentlemen,

I am delighted to be here today and to have this perfect opportunity to talk to you about the opening of British Airways' new non-stop route between Calgary and London Heathrow.

At the outset let me thank the Calgary Chamber of Commerce and the Van Horne Institute for organizing this event today. It's a great way of introducing myself to so many business leaders in this region and I really appreciate the thought and effort that has gone into it.

We are very excited about our new route – which is the first new longhaul route British Airways has opened for more than a year, and the first between London and North America for more than eight years.

As you may deduce from those timescales, it is not easy launching new routes out of London Heathrow because of the severe scarcity of take-off and landing slots.

So when we do decide to expand to a new destination, we do so with energy and commitment.

Since July when we announced we would be flying to Calgary, we have had a very warm response from the travel trade and corporate customers alike. So

much so that we have already decided to increase frequency on the route from five flights a week to six at the end of March.

The population of this city has grown remarkably in the last 20 years, making it now the third largest in Canada. So it is a natural destination for British Airways: a centre for strong businesses, a gateway for the sporting and tourism opportunities of the Canadian Rockies – in addition to the bonds of history, kinship and friendship which tie the UK and Canada together so closely.

Many of you here today represent companies in the oil and gas sectors, and also the tourism and high-tech manufacturing industries that have done so much to make this region the buoyant, diverse place it is today.

In the UK, it is increasingly well known that Calgary has developed into a vibrant, cosmopolitan city that is a fascinating place to visit – and the perfect gateway to the sporting and tourism opportunities of the Canadian Rockies.

So that is something of what we can offer customers travelling to this end of the route – and at the other end at London Heathrow we can offer not only the best access to Europe's business capital, but also fast and convenient connections through London Heathrow to more than 100 destinations in Europe, Africa, the Middle East and beyond.

Let no-one have any doubts: British Airways intends to provide worldwide connectivity to the people of this region, thereby giving businesses the quality

air links they need in a globalised economy. We are here to make a very significant contribution to the prosperity of this city and Alberta as a whole.

And if I may say so, it is a very good time to get to know British Airways. Just three weeks ago, we began the roll-out of our new Club World cabin across our longhaul fleet.

Six years ago, we introduced the first fully-flat business class bed in global aviation. We were ahead of the game then – and we are staying ahead of the game now.

We know that having a good night's sleep is absolutely critical to business travellers who want to be rested and in good shape as soon as they arrive at their destination.

So the new British Airways Club World bed is:

- 25 per cent wider than the original model;
- more comfortable, and extending to 6ft 6ins long in the relax position;
- and more private, thanks to enhanced screening and pin-point personal lighting.

And when you want to be entertained, you can enjoy access to a choice of more than 100 films, TV and music programmes that you can start, pause, rewind and switch when you like – just as you would at home.

Award-winning cuisine and a wine-list to rival any Michelin-starred restaurant are of course part of the package. But like you might at home, if you feel a little peckish at any point of your journey, you can drop in to the Club Kitchen – and help yourself to a snack.

Over the next 18 months, we will be rolling out our new club product across the longhaul fleet – and I guarantee to you that it will knock the socks off the competition.

The other big attraction you can look forward to over the same time period is the moving of our operational base to London Heathrow's Terminal Five.

We open for business in Terminal 5 in 471 days, 10 hours and approximately five minutes [???] – not that I'm counting.

Terminal 5, which is costing the equivalent of around \$10 billion Canadian, is virtually a new airport. It will increase Heathrow's passenger capacity by 50 per cent - providing standards of comfort, convenience and ease of connection which are way ahead of anything currently available in Europe.

In the UK, we have a reputation for being a bit slow about improving our infrastructure – but when we do, we really make it count. Terminal 5 will be a fantastic bonus – and it will be used exclusively by British Airways.

It is not part of my job to worry about the problems of other airlines. But when I look at the differences between Terminal 5 and the rest of Heathrow, I must say I feel sorry for the competition.

One notable feature of Terminal 5 will be the dominance of electronic check-in. When the Terminal opens in March 2008, we will expect at least 80 per cent of our customers to be using the self-service check-in kiosks, or to have checked in online before coming to the airport.

Incidentally, the opening of this route marks an important milestone for us, and for air travel in the 21st century: Calgary is the 100th airport on our network that allows customers to print their own boarding passes.

The shift away from traditional paper tickets and traditional check-in procedures has been one of the quiet revolutions of recent aviation history.

But it has made the process of travel, and particularly the airport experience, so much easier and more convenient for customers that we are delighted to celebrate this landmark here in Calgary.

On our first departure from Calgary, more than 80 per cent of our customers used the airport self-service kiosks or checked in online. On our reckoning, this very high figure is an all-time record for all our airports in the Americas – so well done, Calgary! You are really showing the way.

Ladies and Gentlemen, Heathrow's Terminal 5 is a tremendous step forward for passenger capacity. But the one thing Heathrow lacks at present is runway capacity.

I referred to the scarcity of runway slots earlier. Heathrow today has the same number of runways – two – as it had when it opened as a civil airport way back in 1946.

And local anti-noise agreements made in the 1950s when aircraft were incomparably noisier than they are today mean that even the two runways we have cannot be used to anything like maximum capacity.

Shortage of slots has led to Heathrow gradually slipping down the European hub rankings. And it is high time the catch-up process took place.

So I was highly encouraged yesterday when the UK Government announced that its plans for mixed-mode operations and a third runway at Heathrow were firmly on track.

Some of the early doubts the Government had over environmental issues – particularly local air quality – have now been substantially reduced. Moreover, Heathrow's owners, BAA, have become much more enthusiastic about expanding the airport since they were taken over by the Spanish infrastructure group, Ferrovial, earlier this year.

Therefore we are hopeful that Heathrow can enjoy real growth in the years to come – and expand its worldwide network of destinations served by close to 50 per cent.

I know growth is very important to the Canadian aviation industry too – and we welcome the recent Blue Sky initiative, which provides new opportunities for the industry and builds upon the recent expansion of air services agreements in the Asia-Pacific region, including China and India.

There are still far too many regulations in this industry restricting which airlines can fly where and how often – and it is good to see measures of liberalisation wherever they occur.

Talk of aviation growth brings me on to a subject that is increasingly high-profile on the eastern side of the Atlantic, and I believe also climbing up the political agenda here. I am referring to climate change.

There is no doubt that the issue of how we can grow in a lower-carbon world has become a central question for all of us in the travel business, and many companies in other sectors too.

In the UK, the public debate about climate change often seems to treat the issue as if it's already five seconds to midnight. Unless we change our lifestyles radically with immediate effect, we are all doomed.

The recent Stern report, which was commissioned by the UK Government, made an extremely refreshing change in this respect.

It made it absolutely crystal-clear that there is no contradiction between tackling climate change and pursuing increasing prosperity. We can be green, and we can grow.

What Stern also made quite clear is that the world has to reduce its output of man-made CO₂. This is not optional. It is essential.

It does not matter which countries - or which industries - provide the reductions, as long as the total volume of CO₂ comes down. In combating global warming, a decrease in carbon emissions in, say, Hyderabad is just as effective as one at Heathrow.

So it is becoming more and more obvious that systems of international carbon trading will be an essential mechanism for achieving the global cuts in CO₂ which the planet needs.

At British Airways, we have spent the last seven years arguing for aviation to be included in emissions trading. Therefore we very much welcome the wider international support this approach is now attracting.

The European Union is currently preparing draft legislation for airlines to be brought into its existing carbon trading scheme.

We have argued that the scheme should apply – initially at least – to flights that start and end within the EU. So it has been disappointing that the Commission's draft proposal talks about applying the scheme to all flights inside the EU but also all those in and out of the EU.

This would require airlines such as Air Canada, United, American and all the other non-European carriers to accept the EU's jurisdiction.

I believe this would raise grave difficulties of enforcement, certainly provoke legal challenges and also create the risk of retaliation against EU carriers by non-European governments or airlines.

We also believe that the initial carbon allocations to airlines should be based on their emissions performance, as in other industries, rather than the part-auction system proposed by the Commission.

Auctioning is likely to achieve only windfall increases in the revenues of EU governments – without any direct benefit whatever to the environment.

We are urging the EU to simplify its proposal. Focus on intra-EU flights only. Get a practical scheme up and running – and then present it to the world as a model for other regions to follow.

The International Civil Aviation Organization – based not so far away in Montreal – has an incredibly important role to play in persuading non-European airlines to join the EU scheme voluntarily, or set up complementary schemes in other parts of the globe.

Carbon trading is sometimes presented as a soft option for airlines. Nothing could be further from the truth. Under a cap-and-trade system, an airline or any other carbon producer has a simple choice: either you cut your emissions, or you bear the cost of failing to do so. As carbon markets mature, that cost could become pretty substantial.

Quite rightly, emissions trading is now this industry's central policy weapon against global warming. But it is far from being the only weapon.

Potentially, there are large emissions reductions to be gained from more efficient systems of air traffic control. More direct routings, less stacking and better movements on the ground could add up to big savings in fuel burn.

And of course, the fuel efficiency of the aircraft themselves is absolutely critical.

Two months ago, British Airways invited the aircraft and engine manufacturers to submit proposals for the first phase of replacement of our longhaul fleet.

Specifically, we are looking to replace our 14 longhaul Boeing 767s and 20 of our 747-400 fleet.

Environmental performance will be a critical criterion in our assessment of the potential replacement aircraft.

It is encouraging that the scale of possible emissions reductions is considerable.

We calculate that a new generation medium-sized wide body aircraft such as the A350XWB or Boeing 787 is likely to have at least 30 percent lower fuel burn and 30 percent lower NOx emissions per seat than a 767.

Among the larger aircraft, an Airbus A380 or a Boeing 747-8 is likely to have at least 17 per cent lower fuel burn per seat and 21 per cent lower NOx emissions than a 747-400.

And there are also big gains available in terms of noise. We expect both the A380 and 747-8 to be noticeably quieter on arrival than the 747-400.

We are not just looking for replacement aircraft. For the past four years, we have grown capacity by using our aircraft more efficiently. But to continue to grow our business we now need additional longhaul aircraft.

So we have reserved 10 Boeing 777 delivery positions for the end of the decade. We have not made a firm commitment to buy this specific type, and we will consider all the other suitable available aircraft as well as the 777 as part of the tender competition process.

Ladies and Gentlemen, I began with a thank-you and I want to end the same way.

I must pay tribute to the Calgary Airport Authority, which has worked extremely hard and enthusiastically to support British Airways in opening this route. And I also want to express my sincerest gratitude to the Mayor, Dave Bronconnier, and his officials for all the help and advice they have given us over the months since we first mooted the idea of this new route.

British Airways first flew to Canada in the earliest days of transatlantic civil aviation in April 1947. The journey from Heathrow to Montreal took 12 hours flying-time, plus stops at Shannon in the west of Ireland and Gander on the north-east tip of Newfoundland.

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The passengers flew in a Lockheed Constellation, which had a leisurely cruising speed of around 350mph.

I just happen to have with me a framed picture of that aircraft, and it is with great pleasure that I present this picture to the Mayor as a token of British Airways' deep appreciation of everything Calgary has done to enable us to open this route.

Thank-you Mayor – and thank-you all very much indeed.

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