

Business review continued

What the future holds

Our new business plan – BP11 – sets the direction we will take for the next three years.

It sets out four key priorities which build on last year's plan: an upgraded customer experience; planning for growth; the continuing need to control our costs; and taking a lead in corporate responsibility.

Delivering an upgraded experience to all of our customers – not just through Terminal 5 but through all aspects of our customer service – is absolutely fundamental to our long-term success.

BP11 also recognises the need to grow our business, and in 2008/09 we will take delivery of our first new longhaul aircraft since 2001.

To afford this investment in new aircraft and services, we need to control our costs. Faced with rising fuel costs and an economic slowdown in some of our key markets, this will be more important than ever before.

Finally, BP11 includes a new theme of corporate responsibility. We are determined to demonstrate we can grow in a responsible way and we will be doing and investing even more to manage our environmental impact.

An upgraded customer experience

Improving the service we give to our customers is central to our success as a business. Last year we introduced the idea of doing the basics better, and adding brilliance where it really matters to our customers. Terminal 5 is central to this, but our investment will not be limited to Terminal 5.

We are improving the service we offer our premium customers. The new Club World product that began its roll out in 2007 saw the start of this. Initial feedback from customers has been very positive. We will continue to invest at this level during the life of BP11 to complete the roll out of the Club World product across the remainder of the longhaul fleet. In 2009 we will introduce a new First cabin. In addition, we will be investing in our terminal at New York JFK and in a number of our lounges worldwide, complementing our new Galleries lounge in Terminal 5.

Another priority is to improve the way we look after customers when things go wrong. We know from experience that brilliant service recovery can turn frustration into loyalty and genuine gratitude.

Within our airline operations, delivering the basics means a focus on operational excellence in all the activities on the ground. In particular we are focused on regularity – which means operating the programme as planned – punctuality and baggage performance, all to the highest possible standards of ground safety.

In this business plan, Terminal 5 is critical to achieving operational excellence. We will continue to work hard to get this new facility working to its real capabilities. Ahead of its opening we had spent more than three years and £300 million developing new systems for the terminal.

To overcome the early problems we encountered with some of these systems, we have continued this intense work. And we believe Terminal 5 will progressively transform the experience for our customers, taking away the stress of travelling through the airport.

But Terminal 5 is not the only part of our operation where we will be striving for operational excellence. At various times during the first year of BP11 we will also be operating in Terminal 1, Terminal 4 and Terminal 3 at Heathrow, and, with all of the planned moves, we will make sure we deliver the highest possible standards of service there too. At Gatwick, punctuality and baggage performance remain two areas where we can stay ahead of our competitors. We will therefore be focusing on maintaining our excellent recent record of operational performance at Gatwick as we launch new routes from the airport this year.

Operating as one team across the world, we are committed to delivering on the promise of much better service to all our customers.

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A plan for growth

Successful businesses are growing businesses. We have clear plans to modernise our aircraft fleet and offer new services.

Last year we announced a new order for longhaul aircraft worth more than £4 billion. These will both replace existing fleet and expand our overall longhaul capacity. These aircraft are quieter, greener and more efficient and will establish a new gold standard for environmental performance. In 2008/09 we expect to launch a competition for additional longhaul aircraft, due for delivery in the second half of the decade.

To get the most of our investment in a modern fleet, we need Heathrow's capacity to grow. That is why we have strongly backed the government's plans for expanding the airport at Heathrow with a proposed third runway.

Over the course of BP11, we will launch services to 13 new destinations from Gatwick. We have purchased two new Airbus A318s to offer business class-only flights between London City airport and New York. Finally, through our new subsidiary OpenSkies, due to launch in June of this year, we will fly directly between continental Europe and the US.

Competitive cost base

In the last five years we have worked hard to improve our financial position so that we can invest in new products and services, and grow our business for the future.

We have to keep investing to stay ahead of the competition. But we will also need to stay in healthy financial shape to protect ourselves from the impact of a global economic slowdown and higher oil prices.

The price of fuel has almost trebled in five years. In 2007/08 our fuel bill was in excess of £2 billion for the first time. This financial year it will rise significantly again, and will represent around a third of our total costs.

Over the last few years, significant cost savings have been made across the business to offset the higher cost of fuel. Given the financial headwinds expected next year, we will continue to focus on maintaining a competitive cost base.

Corporate responsibility

BP11 establishes corporate responsibility as a new priority for our business. We will be doing even more to address our environmental impact. This will include cutting our carbon emissions further; reducing and recycling waste; minimising our contribution to air and noise pollution; and continuing to invest in our community relations programme.

Our partnership in the London 2012 Olympic and Paralympic Games will be the focus for some of our community activities, including community work in East London and the launch of a travel bursary scheme for young athletes.

We are putting corporate responsibility centre stage because we believe it matters and will help us stand out from our competitors. We intend to lead our industry in corporate responsibility.