

THE BA WAY IN THE MARKETPLACE

CUSTOMERS

Safety and security

We believe that excellent ground security is at the heart of achieving comprehensive security in the air and work very closely with all relevant airport authorities, government regulators and security and law enforcement agencies around the world. Our experienced team of dedicated security experts frequently audits every airport to which the airline flies. If any concerns emerge during the audit, we implement additional security measures to ensure that security levels in place are commensurate with our own high standards.



The target for safety and security is that 95% of customers feel safe with us. Clearly we aim to be 100% safe – no other target is acceptable. However, by measuring the perception among people who fly, we acknowledge that some flyers do not enjoy the experience, even if they are experienced or frequent flyers.

External events beyond the control of the airline such as terrorism and war affect customers' perceptions of safety, as do events that we control, such as a strike or well-publicised disruption. Our measurement of customers' perception of safety for us and other carriers comes from our UK brand tracking. This is part of a monthly online survey of approximately 400 passengers in the UK. The latest finding for the year ending March 2006 indicated that 90% of UK flyers felt safe with us. This partly reflects the negative impact of last August's industrial disruption on wider customer satisfaction.

In December 2005, the Air Accident Investigation Branch published its final report into an incident in September 2003, when a British Airways Boeing 757

flying from Heathrow to Paris was diverted into Gatwick.

We immediately notified the AAIB and launched its own inquiry in accordance with our normal procedures. We concluded our investigation by November 2003 and put in place a range of measures by February 2004 to ensure such an incident would not recur. The AAIB report made eight recommendations, acknowledging that all had been implemented already.

British Airways promotes an open safety culture among all staff, who are encouraged to report incidents or concerns at every opportunity. It is only through the reporting of safety incidents that trends can be identified and new procedures put in place to enhance further the airline's safety record.

The safety of our customers, staff and aircraft is absolutely paramount and will never be compromised. Even the most minor incident is reported to and assessed by senior managers.

Monitoring customers

We monitor customer feedback on key stages of their flights each month, using a sample of passengers seated in particular positions throughout the aircraft.

The findings are presented monthly to the Leadership Team, the Executive Directors led by Willie Walsh, Chief Executive Officer. This mechanism ensures that where shortfalls are identified action is taken to address the issue.

| Overall performance measures | 2004-05 | 2005-06 | Target |
|------------------------------|---------|---------|--------|
| Overall satisfaction with BA | 67% | 67 % | 71% |
| Likelihood to recommend BA | 61% | 61% | 65% |

Table showing customer satisfaction with BA vs target

Customer advocacy

Customer satisfaction and recommendation data has been developed and refined over many years and is

based on an on-board customer survey and augmented by a follow-up telephone survey that picks up the arrival elements of the customer's journey. The data is subject to auditing and checks by GfK NOP (the independent market research company) to ensure its accuracy and independence. The customer recommendation measure is based on the percentage of customers who, when surveyed, would strongly recommend us to friends or colleagues. We believe this measure provides an important link between customer experience and future profitability. The target is 65% and this year we achieved 61% reflecting the impact of the August 2005 summer disruption.

A number of areas scored particularly highly in customer satisfaction ratings. However, there are some areas where customers say the airline must improve. The key issue for customers is making sure flights depart on time, especially at Heathrow.

- customers rate cabin crew highly, with 83% of passengers saying they were extremely or very satisfied with the service they received from cabin crew (against a target of 83%).
- overall satisfaction with booking on ba.com was 83%, with leisure travellers and customers aged 55 and over rating ba.com particularly highly.
- overall customer satisfaction with flight departure was 43% in February 2006

ba.com

Our website is central to our plans to make travelling with the airline easier for customers.

ba.com receives more than 20,000 visits every hour – roughly three times as many people as fly with the airline. Online bookings now account for 25% of BA's total bookings worldwide. The website won three major awards in 2005: Best Leisure Technology Project (CNET Technology Awards); Most Effective Use of IT (Information Age); Best Innovation (Business Travel Show).

ba.com does far more than simply allowing customers to book and pay for tickets online. The website is designed to provide customers with an extensive range of services including up-to-the-minute information on flight arrivals and departures,

the ability to check-in, allocate seats and print their boarding cards, order special meals, book hotels and car hire, manage their Executive Club accounts, search for information on the destination they are visiting and find advice on wellbeing before, during and after their flight. Customers can also make enquiries and complaints via ba.com and, if necessary, trace any late-arriving baggage.



Refinements to ba.com during the last 12 months include:

- Enabling customers travelling to America to enter the Advance Passenger Information data required by the US authorities before arriving at the airport;
- Extending the availability of online boarding passes to 180 routes
- Allowing customers to pay for tickets with credit cards billed in a country other than the original departure point, and to book up to six sectors – for example, for round-the-world trips - in one transaction.

It's About Time

To deliver improved customer service the airline acknowledges that it must also deliver better punctuality. 'It's about time' is the name given to the airline's drive on punctuality, introduced at the end of 2005. Significant focus is being placed on getting each day off to a good start. The 'First Wave' plan stresses how vital it is that the first services of the day leave on time to prevent knock-on delays disrupting the later schedule.

IN-FLIGHT PRODUCT DEVELOPMENT

British Airways offers one of the airline industry's most extensive ranges of in-flight cabins across its longhaul and shorthaul networks.

It is one of only two international airlines to offer four cabins on longhaul flights and remains firmly committed to providing an economy and business class cabin on its mainline shorthaul operation. It means the airline can offer a quality service and value for money fares for all customers.

Club World

The airline announced in November 2005 that it would invest £100 million in its Club World cabin, centring on the introduction of a new generation lie-flat seat to be rolled out across the longhaul fleet from the summer of 2006. British Airways was the first airline to introduce a completely flat bed in business class in 2000.

The Club World Sleeper Service was extended to the Washington-Heathrow route in 2005. The service is designed to allow customers to maximise the amount of sleep on shorter longhaul 'red eye' flights from the East coast of the USA and the Middle East by giving them the opportunity to eat before boarding the flight. The service is proving popular with customers who are able to sleep for up to two hours longer than on flights with a traditional meal service onboard.

In-Flight Entertainment

The airline announced plans in 2005 to carry out a major upgrade of the airline's in-flight entertainment systems in all longhaul cabins. The introduction of 'audio, visual on-demand' means that customers can select a programme, film or music channel and stop or pause as they wish during the flight, depending on whether they want to rest, eat or work. The initiative, to be implemented from summer 2006, will give customers more choice and greater flexibility by giving them control over what they watch and when.

Premium Academy

A new training programme for our cabin crew, the 'Premium Academy', was introduced in November

2005 focusing on quality of service style and consistency of delivery.



BA Connect

In January 2006, British Airways announced the re-launch of its regional wholly owned subsidiary, British Airways CitiExpress, as BA Connect.

The launch of BA Connect was in response to changes to the UK regional market to Europe and has proved successful with more than 500,000 people booking with the airline between February 1, 2006 and the end of March – higher than in any previous year.



BA Connect offers customers: a single-class cabin on all aircraft; high quality, buy onboard, hot and cold catering, and year-round, one-way fares from as little as £25. There is also an enhanced product, 'BA Connect Plus', designed for business and frequent flyers, offering changeable tickets with lounge access.

ON THE GROUND PRODUCT DEVELOPMENTS

Customer Relations

We have focused heavily during the last three years on improving service and interaction with customers who experience service failures.

In dealing with complaints, the Customer Relations Team now aim to call customers when responding to their enquiries rather than write. Customer research shows that 41% of customers contacted by telephone rated Customer Relations' handling of their enquiry as excellent, up nearly 10% from the previous year.

Customers' overall satisfaction levels with the way in which complaints were handled rose from 50% to 65%. Satisfaction with staff professionalism has almost doubled in the last two years to 60%.



Customer satisfaction for the timeliness of responses to complaints also increased significantly from 30% to 55%. In part, this reflected a rise in the proportion of responses sent by email this year – from 15% to 25%.

SMS alerts

Unfortunately, from time to time flights are disrupted. Following a successful trial, we introduced this year an SMS messaging system to alert customers if their flight is delayed or cancelled. Customers who register their mobile phone number on ba.com will receive a message to alert them to any changes to their flight.

Executive Club

British Airways' customer loyalty and reward programme, the Executive Club, has been running for 20 years.

It is designed to recognise the airline's most regular and valuable customers and rewards them by giving them frequent-flyer points (BA Miles), priority check in, access for Gold and Silver members to 250 airport lounges worldwide, flight upgrades and special offers.

During the last year, we have introduced a system by which we track Executive Club members' recent journeys and update customer service groundstaff and cabin crew before their next flight. For example, if a customer had been recently upgraded from Blue to Silver, a member of the Special Services team would greet them at the airport and show them to the lounge. If it was a customer's first time travelling in Club World or First for some time, the cabin service director would welcome them back when they boarded their flight.

Results from a trial of 1,000 Executive Club members showed that satisfaction rose by 14% among those members who received this more personalised service.

Baggage

Sometimes luggage goes missing or does not travel on the same flight as its owner. We understand the inconvenience this causes its customers and have implemented a number of initiatives that help customers track and recover their bag more easily. In North America, for example, a dedicated baggage helpline has been set up so customers can access specific assistance rather than rely on airport general customer service teams who may not be able to give baggage inquiries consistent priority.

Lounges

In July 2005, a new Molton Brown spa was opened in the Terraces Lounge at New York's JFK airport. The airline now has a total of five spas in its international departure and arrivals lounges in Heathrow Terminals 1 and 4 as well as JFK.

A major refurbishment of lounges in India took place in 2005, and an overhaul of lounges in Heathrow's Terminals 1 and 4 was completed in March 2006.

Customer service improvements for India flights

British Airways has increased the number of flights it operates between the UK and India from 19 per week to 42, including the introduction of a new route between Heathrow and Bangalore.

Service enhancements have included the formation of a 'Special Services' team who greet customers as they enter the airport in Delhi, Mumbai, Bangalore,

Chennai and Kolkata and help speed them from check-in to the gate with greater ease. Dedicated check-in areas with automated kiosks have been installed and airport lounges refurbished.

The airline has a team of Indian cabin crew who operate on each flight between the UK and India. Improvements have been made to the food served in the economy World Traveller cabin.

HEALTH

We have reviewed the information and advice on air travel and health we provide for customers on our website. The content has been simplified to make it clearer and more easily understood, with links to recommended external websites providing more detail. Health information provided to passengers through onboard announcements, video and in-flight magazines has also been reviewed.



Deep Vein Thrombosis (DVT)

In December 2005 the UK Department for Transport announced the results of the World Health Organisation WRIGHT study, which examined the relationship between travel and Deep Vein Thrombosis (DVT). The results were consistent with previous studies in demonstrating that seated immobility is a risk factor for DVT in all forms of transport. The studies confirm that the risk increases with duration of travel and is greater for those people with other risk factors for DVT such as heart disease, family history of DVT, hormone treatment, pregnancy or recent major surgery. See www.ba.com

Avian flu

Over the past year the outbreak of avian flu caused by the H5N1 virus has spread beyond Asia, with infected birds reported in many areas including Western Europe and Africa. As yet there has been no indication that the virus can be transmitted readily

from human to human, but the threat of a human influenza pandemic remains. A pandemic would be expected to have a major impact on international travel. We have a contingency planning group which has been working in partnership with local, national and international organisations.

Heathrow capacity

To ensure Heathrow airport offers customers a global network of direct routes comparable with hubs in Continental Europe, BA strongly supports the sustainable development of the airport's capacity.

In 2005-2006 the Government and BAA plc have continued with preliminary studies related to the proposals of the 2003 Air Transport White Paper to build a third runway at Heathrow (subject to meeting environmental conditions) and to consult on full use of Heathrow's existing runways. The Government is committed to producing a report on progress on implementation of the White Paper by the end of 2006.

BA is actively contributing to these projects for the sustainable development of Heathrow by:

- responding in detail to BAA's consultation on a draft interim master plan for Heathrow, and supporting proposals that protect local property values in areas potentially affected by Heathrow's third runway
- participating in 'Future Heathrow', a broadly-based campaign embracing all the main Heathrow trades unions, and local and national business organisations seeking Heathrow's sustainable modernisation and expansion
- discussing with local authority representatives and regional organisations (including the South East England Development Agency and the London Development Agency) the strategies for local and regional plans that would best secure

the potential benefits of Heathrow's expansion for these areas. There is a major opportunity for Heathrow's growth to underpin areas of West London that the London Plan is seeking to regenerate with the creation of many thousands more jobs.

- promoting the case to reduce flight delays when Heathrow's runway capacity is increased, as this would cut emissions and noise from aircraft that

would otherwise be held on the ground before take-off and in a stack before landing.

We will continue fully to support the implementation of the Government's policies for the sustainable development of Heathrow, for the unique benefits it can offer customers as the UK's global hub.

RECENT DEVELOPMENTS

Along with other carriers, we are currently assisting the Office of Fair Trading (OFT) and the United States Department of Justice (DOJ) with an investigation into alleged cartel activity in relation to passenger air transportation pricing including fuel

surcharges. Our policy is to conduct our business in full compliance with all applicable competition laws and while the investigation continues, we are continuing with business as usual.

SUPPLIERS

Ethical procurement

In February 2006 we tested an ethical procurement survey on our 50 main suppliers, covering health, safety, environment, diversity and labour standards as well as business continuity planning. We are now working to interpret the findings and to develop a strategy for improving standards where they may be necessary.

highlights key risk criteria against critical suppliers. The risks are monitored on a monthly basis allowing us time to mitigate the level of risk to our operations and forms part of the corporate risk governance process.

Payment performance

We implemented a number of initiatives this year in order to improve our level of supplier payment performance to our target of 90% (67% on time payment in 2004-05). As a result our on time payment has increased to 78% worldwide in March 2006 (with 80% on time payment in the UK). Initiatives are in hand to improve performance further in 2006-2007.

Terminal 5

T5 provides our suppliers with opportunities to innovate processes and develop strategies to deliver good customer service. T5 is subject to specific environmental planning conditions, supplemented by joint BA and BAA initiatives to which each supplier must commit. These initiatives include reducing emissions by the procurement of new vehicles and equipment and reducing supplier journeys into the T5 site.

Supplier performance

August 2005 saw disruption to our worldwide flight operation following industrial action at primary Heathrow caterer, Gate Gourmet. This dispute resulted in some of our aircraft not being fully catered for a considerable period. Our Procurement Department was at the forefront of supplier negotiations to facilitate amicable agreement between all parties and to instigate contingency plans to minimise customer inconvenience during the disruption. The Procurement Department has now developed a supplier risk log, which proactively