

Advancing Enterprise 2005

4 February 2005

Speech by Rod Eddington, Chief Executive, British Airways at Advancing Enterprise 2005.

Trade and technology: the business response to the new global economy.

Thanks very much, Terry. Good morning, everyone. I work for a British company that trades globally, as do my fellow-panellists. We fly to 75 different countries around the world, and not only do we trade globally but like all the companies here today, we source globally. We buy A320's from Airbus in Toulouse, albeit that importantly the wings are made here in the UK. We buy 747's and triple 7's from Boeing based in Seattle in the States. We buy wine from Argentina and Australia, software from North America. We source globally and we don't just source hard products globally, we source soft products globally as well. And we have a global workforce, and albeit that the majority of the people who work for us as part of the BA team work here in the UK.

There's some real advantages to having a global workforce. Not only does it allow you to find and take good talent wherever you can globally, but the fact that India is four or five hours ahead of the UK in time terms means that our team this afternoon can work on some of the operational challenges for tomorrow during the course of this afternoon, this evening, and then literally hand off the problem overnight down the line to our people in India. When our people in the UK come back next morning to address the challenge, they'll find that key elements of it have been solved by our people in India. There's some real advantages to sourcing globally. You must always take expertise and good ideas wherever you can find them.

There's been a particular emphasis this morning on China and India. Most of my working life has been in Asia, albeit that most of that was in Hong Kong, Japan and Korea. China and India are both important markets for us and they represent terrific opportunities for us here in the UK, but let's be clear, they also represent competitive threats. I don't mean that unkindly. I was in Korea recently and the senior officials in the Economic Planning Bureau in Korea absolutely focused on the opportunities that China represents for Korea, but they're also very focused on the competitive challenges and that must be true for us here in the UK. Like all British companies, we like to try and create and hold as many jobs as possible in the UK, but there are some clear imperatives that are necessary if we're able to do that and if we as a British company are to survive here in the United Kingdom.

Sir Terry talked earlier this morning about the importance of economic stability and the role in which this government has played in generating that over the last several years, and the importance of that led to the success of companies like his and mine. But there are other things that governments and businesses need to work together to deliver. I'm very focused on the quality of our infrastructure here in the UK. If British companies are to survive, if the quality of people's lives is to improve, then the hard and soft infrastructure in the UK has to be maintained and enhanced. That

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means in hard infrastructure terms, road, rail, ports and airports. Soft infrastructure, the rule of law, the health system, the education system, all fundamentally important to global trading entities, and of course above all else the UK and London in particular is there.

Most of my working life was in Hong Kong, and Hong Kong has no assets other than 7 million people, quality people, but there was an infrastructure created by government and business working together, which meant that it was a global trading centre. London has that today. We must jointly work very hard to make sure it is maintained. There are clearly some challenges in that area, and when I look at India and China, on a recent visit to China I was talking to one of the senior aviation ministers there and he was saying to me, when I was talking to him about infrastructure and some of the challenges we were facing trying to build a third runway at Heathrow, he effectively said to me, 'Rod, you think you've got a challenge building a third runway at Heathrow, I'm going to build 50 new airports in China in the next 10 years. Have I got the sense that he had more confidence about 50 airports than I had about a third runway? And that's a story for another day. But it does send out a clear message to us: to be successful we must trade globally. To be successful we must source globally. To be successful we must take good ideas from wherever we can find them globally.

If you look at the airline business, as I said, it's a huge buyer of third party goods and services, and there are many lessons to be learnt from the countries we trade and do business in. For instance ten years ago when airlines were looking at how they would best work with the key third party suppliers and partners, there was a view that I shared that airlines didn't do it very well, and as you looked around the world at different industry in different countries, it was clear that the industry at that point in the journey which did it best was the motor car industry. The motor car industry after all bought tyres from one entity, wheels from another, wipers from another, generators from another and brought them together in one place to assemble them, so it was by going and looking what Nissan did in Japan, and General Motors did in the States that we as an industry in the airline industry learnt about working with our key partners. That for me is an example of what global companies have to do and the opportunities that global companies find themselves presented with.

I have to say I always feel a little bit uncomfortable standing in front of a distinguished audience like this with successful colleagues as I am today, because I stand in front of you as a representative of an industry that has lost more money since 9/11 than it ever made, and that is not collectively in the red, but I'm absolutely clear that if we as an industry, an aviation industry, aim to be successful, we're going to have to take advantage of the best international opportunities. We're going to have to learn not only from our customers overseas but from our partners overseas. Governments have a real commitment, particularly in this country, to ensuring that we compete on a level playing-field. It's important in all our industries. Governments' role in providing infrastructure is critical to us, but we as global companies must take advantage of the opportunities that countries like India and China represent if we are to succeed. Perhaps if I can finish with a plug. We've talked a lot today about India and China, and for those of you who haven't been to

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India and China, go, because when you go, you will be in no doubt that the sorts of things that we've been talking about today are realities. I was talking to a senior group of trade union officials who've just come back from China. They'd visited the key centres in China, they'd met with their opposite numbers in those countries, they'd had a chance to talk to leaders and workers alike. If you fly into Pudong, the new airport in Shanghai, if you fly into Guangzhou, if you look at what's happening in Beijing, if you go to places in India, if you look at what's happening in places like Bangalore, you will be in no doubt that we operate and live in a global economy. You'll also be in no doubt that, although the opportunities are very real, so are the challenges and we in the UK must meet them to succeed.

Thank you. Mervyn, after you. Thanks very much.

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