

**Speech by Willie Walsh,**

**British Airways CEO**

**Caribbean Tourism Organization Leadership Strategy Conference**

**Barbados**

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**INTRODUCTION (follows short film on BA in the Caribbean)**

Acting Prime Minister, Minister Sealy, Minister Skerritt - newly elected Chairman of the CTO, Secretary General, Ministers and delegates. It was a great honour for me and for British Airways to receive the invitation to address your conference and I am delighted to be here today.

As you have just seen from that fascinating trip down memory lane, the ties between British Airways and the Caribbean go back a long way and run very deep.

We have had a lot to share in the past, and we have a lot to share today.

I want to touch on some of those common themes this morning - and also talk about a common danger we face, which has potentially very serious implications for our future.

### **BA AND THE CARIBBEAN**

Next year our airline will celebrate the 65<sup>th</sup> anniversary of our first Caribbean flight.

That historic flight was operated by one of our forerunner companies, British South American Airways, from the newly-opened London Heathrow airport to Bermuda and Jamaica via a refuelling stop in the Azores.

The aircraft, an Avro Lancastrian, had a flight crew of four, including a navigator and a wireless operator. The cabin crew was one person. And there was accommodation for 13 passengers. Even in those days, British Airways provided fully-flat beds - or bunks, as they were better known at the time.

The Lancastrian was one of the fastest aircraft of its day – with an average speed of just over 200mph. So the journey could easily take more than 36 hours.

Flights took rather less time during the Concorde era, in which this region played a major part. As you have seen, the Queen ended her Caribbean tour in 1977 by boarding Concorde to fly back to London, and regular supersonic services operated to this island in the next two decades. Our First class cabin continues the tradition of luxury travel today.

Over the years, we have steadily expanded our Caribbean network - keeping families in touch and bringing thousands and thousands of holidaymakers to enjoy your sunshine, the stunning natural beauty of your islands and your unbeatable hospitality.

In the last five years, we have grown our operation to the Caribbean from 35 flights a week to 55, and from 10 destinations to 14.

Today we are proud to serve more destinations in the Caribbean than any other European operator. And last year, despite the recession more than half a million customers travelled with us on these routes.

Tomorrow we will start selling tickets for our new destination of San Juan, where we will begin flying next summer. This new route demonstrates the benefit of our new transatlantic joint business with American Airlines.

With American, we will be able to offer through-connections to the British Virgin Islands, Dominica, Martinique, Guadeloupe, St Maarten and the US Virgin Islands of St Croix and St Thomas. We will also have the opportunity to offer two-centre holidays in combination with our existing destinations of Antigua, Grenada, Kingston and St Lucia.

We continue to work well with the CTO and the CHTA (Caribbean Hotel and Tourism Association) to support our mutual objective of successful promotion of the region. Most recently, we were the key sponsor of the Rum and Rhythm Festival in London and supported the Caribbean holiday promotion of Magic FM radio.

We currently have a winter sun campaign in the market featuring many of our Caribbean destinations, and we continue to explore ways to promote the islands and keep the region high-profile for the UK consumer.

We have worked closely with our tourist board and hotel partners. In the last 12 months over 500 agents and tour operator staff have travelled with us across the region increasing their knowledge to enable them to convert those valuable bookings.

These partnerships will become even more key to us as we continue to grow our holidays business via our ba.com dynamic packaging capability.

We also, though, remain committed to a multi channel distribution strategy working with over 160 tour operators in the UK who have access to our rates to the Caribbean ranging from Kuoni and Thomas Cook to Bahamas Flavour and Realdeals.

## **UK/CARIBBEAN CULTURAL TIES**

I have already mentioned the strong cultural and historical ties between Britain and this region.

As everyone knows, one of these is cricket. As an Irishman, I am pleased that over the decades, you finally taught England how to play.

You may have been surprised that the fabulous World Twenty20 competition you staged earlier this year was won by England. But not half as surprised as the people back in England.

As an Irishman, I can be objective. But I would like to point out that England's star batsman in that tournament, Eoin Morgan, gained his crucial early development as a cricketer playing for Ireland.

More seriously, it gives me great satisfaction that one of the charities we support at British Airways is Cricket for Change. The charity has worked here in the Caribbean with the Courtney Walsh Foundation, bringing the game to disadvantaged and disabled young people – and working for the benefit of the whole community.

We are delighted that many of the young people who played for the first time as a result of this project have gone on to become coaches themselves and help keep the scheme going.

## **SOCIAL/ECONOMIC BENEFITS OF AVIATION**

I want to turn now to matters that are more central to the themes of this conference, and to your concerns as leaders of the Caribbean tourist industry.

Let me begin by outlining some of the facts that are often neglected about my own industry.

Aviation is a social good. It brings people together. It keeps families and friends in touch across oceans and continents. It allows people to obtain skills and experience in countries far distant, which they can then put to good use in their home communities.

And it brings huge economic benefits. Worldwide, the aviation industry directly employs more than 5.5 million people. If aviation was a country, it would rank 21st in the world in terms of Gross Domestic Product (GDP), generating US\$425 billion of GDP, which is considerably larger than some members of the G20. In addition, the industry's supply chain and the spending of people employed in it support more than 15 million jobs and more than US\$1 trillion of GDP worldwide. If you take account of other industries that are dependent on air transport, these numbers become even larger.

For example, by adding in air transport's contribution to your industry, tourism, the employment figures grow to more than 33 million jobs and US\$1.5 trillion of GDP. In national terms, this would make aviation the eighth largest economy in the world. According to analysts Oxford Economics, the air transport industry generates about 700,000 jobs in Latin America and the Caribbean – and contributes more than US\$22 billion to the region's GDP.

And on top of these direct benefits, aviation makes an immense contribution to other economic sectors by flying business people to where they need to be – to find new markets, to see existing customers, to meet investors, to look at potential suppliers and for many other purposes that are vital for the creation and maintenance of jobs.

Air freight is a massive sector in its own right, transporting goods which represent more than 35 per cent of international trade by value.

Aviation is the industry that puts the global into globalisation. The shipping lanes and ports that spurred the growth of world trade in the nineteenth and early twentieth centuries have been replaced by the airways and airports of today.

## **ENVIRONMENTAL IMPACT**

So aviation is a tremendously positive force in society. Yet too often, it is not seen as such. Too often, it is portrayed as harmful to society. Its social and economic benefits are ignored, while the focus is placed solely on aviation's environmental effects.

Now I am the first to say that aviation must address its impact on climate change. It would not be acceptable for our industry to shrug its shoulders and leave carbon reduction to everyone else. Aviation must play its part – and is doing so.

At British Airways, we have taken climate change issues seriously for a long time.

More than a decade ago, we became the first airline to set public carbon efficiency targets – and have improved the carbon efficiency of our fleet by more than 30 per cent since 1990. We were the first airline in the world to participate in carbon trading – and we have pioneered emissions-reducing operational practices, such as continuous descent approaches and microwave landing systems. And now we are going into partnership with the bio-energy group Solena to establish Europe's first sustainable jet-fuel plant.

The plant will convert 500,000 tonnes of waste per year into 16 million gallons of green jet fuel through a process that offers lifecycle greenhouse gas savings of up to 95 per cent compared to fossil-fuel derived jet kerosene. This volume of fuel would be more than twice the amount required to make all of our flights at nearby London City Airport carbon-neutral – and we aim to begin using it from 2014.

Simultaneously, with Rolls-Royce, we are planning a joint biofuel testing programme.

And we have just joined a project at Cranfield University which aims to develop a jet biofuel from algae. It is envisaged that the first commercial quantities of this product should be available within three years.

I believe there is great potential for aviation to reduce carbon emissions through alternative fuels. It is already clear that new aircraft such as the Airbus A380 and particularly the Boeing 787 Dreamliner offer significant reductions in emissions per seat. – and the history of airframe and engine design suggests that the next generation of aircraft will be cleaner still.

There are also obvious improvements to be made in the infrastructure of air traffic control – to produce more efficient routings and reduce unnecessary flying. In Europe, we estimate the introduction of a Single European Sky could cut emissions by 12 per cent.

At British Airways, we set ourselves the target of cutting net CO<sub>2</sub> emissions by 50 per cent by 2050, compared with 2005 levels. I am delighted that the whole industry is now committed to this target, as well as shorter-term ones.

So we continue to press for progress through the International Civil Aviation Organisation and the UN on a global settlement for the treatment of aviation emissions.

International aviation does not fit within traditional geographical definitions. So we need a UN-approved framework to treat aviation emissions as an indivisible global total, rather than being apportioned to individual states. Global warming is, after all, global.

I have spent some time setting out the industry's actions on the environment because it is the false premise that we are doing nothing about this issue which underpins the policy-makers' arguments for imposing ever-higher taxes on our industry.

## **AVIATION TAX**

Rightly, you have great concerns about the UK Government's increases in Air Passenger Duty, which reach a new peak at the start of next month. APD on longhaul routes has tripled or, to some destinations, even quadrupled in four years. The latest rises range between 50 and 112 per cent, compared with APD levels last summer. Because of the unfair distance banding on which the tax is based, Caribbean destinations suffer disproportionately.

A family of four flying economy-class to Hawaii from London, involving a distance of more than 7,200 miles, would incur an APD charge of £240. Yet the same family travelling to Nassau in the Bahamas, which is not much more than half as far, pays £300 – and double that if they sit in premium economy.

The tax from the UK to the Caribbean is so disproportionate that the APD revenue taken on a typical flight is nearly ten times the actual carbon cost of that flight.

I don't need to tell this audience that such swingeing levies are having an effect

Since last November, when APD to the Caribbean went up from £120 for a family of four to £200, arrivals from Britain have fallen by 12 per cent (and by as much as 25 per cent on some islands).

Some of this sudden drop could be attributed to economic recession, but it seems clear that APD has played a major part, because the majority of Caribbean countries have seen larger decreases from the UK than from anywhere in Europe.

And even if families find the extra money to pay the tax, they will have less to spend when they arrive here. So they may stay for shorter periods, eat out fewer times in restaurants, take fewer excursions and spend less on local goods and services.

So this tax not only massively overstates the carbon impact of flights to the Caribbean, but threatens the very fabric of the tourism sector – on which so much of the islands' economies depend.

It threatens jobs and opportunities – and the ability of the islands' governments to maintain funding levels for the education, health and welfare programmes they expect to provide for their citizens.

Many other island economies in the developing world find themselves penalised in the same way.

And it is not just about APD. The UK Government this year expects revenue from its aviation tax to total £2.3 billion. In five years' time, it expects receipts to be 65 per cent higher at £3.8 billion. I do not think passenger volumes will grow 65 per cent in five years, so further increases in tax rates must be on the horizon.

There remains the possibility that the Government will switch from APD to a per-plane tax, which in many ways would have even more damaging effects – both economically and environmentally.

This juggernaut of aviation levies does not stop there. In less than 15 months, all EU airlines are due to become subject to the EU emissions trading scheme. This will impose a heavy additional cost on all airlines. Estimates put the total cost at more than £1 billion a year – and likely to rise by £100 million a year after that.

And the UN's climate change committee recently suggested that the global airline industry should pay an annual tax of \$20 billion as its contribution to the \$100 billion a year fund proposed at the Copenhagen summit to assist carbon reduction around the world.

Enough is enough. This blinkered policy will have three deeply damaging consequences.

First, it will price millions of people out of flying – especially longhaul flying to regions such as this.

Second, the tourism sectors of these islands and many other island economies in the developing world will be dealt a heavy blow.

I am not sure how much the policy-makers have considered the impact on developing nations in terms of jobs and their ability to provide social infrastructure, let alone their ability to invest for themselves in green technologies.

Third, some airlines will go out of business. Aviation is a low-margin industry at the best of times. If surpluses are swallowed up in taxes, airlines will not only be unable to invest in cleaner, emissions-reducing aircraft, they will ultimately go bankrupt – and the social and economic benefits they bring will disappear with them.

## CONCLUSION

In conclusion, let me reiterate how proud we are at British Airways of our long-established and deep-rooted links with the Caribbean. We are also proud of our expansion in this region over the last five years.

This is a wonderful part of the world to fly to, and we know we are always guaranteed the friendliest of welcomes.

Aviation is a social good – and it is making clear progress toward controlling and reducing its carbon emissions. It is committed to shouldering its fair share of the costs of combating climate change.

But the policy-makers are looking the other way. They seem to have lost sight of the enormous social and economic benefits of aviation, and want to tax, tax and tax again to stop hard-working families from flying.

Let me be clear. British Airways would like to grow further in this region – but that is at risk from the excessive levels of taxation we face.

This obsession with taxes on flying, if it continues, will inflict considerable harm on airlines and their ability to do good for society - and untold damage to the economic lifeblood of developing countries in the Caribbean and elsewhere.

We have a strong case – and we will continue to argue it in every forum available to us. We will not let this issue drop. We will fight it together. And we will look forward to the day when we can move ahead once more with further expansion - for the benefit of people throughout in this region.

Thank-you very much indeed. And I wish you a successful conference.

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