

BRITISH AIRWAYS

INVESTOR

The newspaper for the airline's shareholders, incorporating the summary interim statement

UK edition No. 6 Winter 1991

INSIDE

Fly as a pilot for a day

SHAREHOLDERS have a second chance to "fly" as a pilot for a day in a competition inside this edition of *Investor*.

The half-dozen winners will be invited, each with a guest, to join us at the airline's Cranbank training centre to try their hands at the controls of one of British Airways' high-tech aircraft simulators.

→ See Page 7

BEOL sold

THE business previously carried out by British Airways Engine Overhaul (BEOL) is being sold by the airline to General Electric.

The proceeds will be included in the accounts for the third quarter of the current financial year. Full, formal details of the sale are being sent to shareholders with this edition of *Investor*.

→ See Back Page

Our blueprint

BRITAIN will almost definitely have gone to the polls by the time the next edition of *Investor* goes to press.

British Airways sets out in its own "manifesto" the policies it advocates the new government to implement in the interests of the flying public and the civil aviation industry.

→ See Page 3

Lincoln tribute

A LANCASTER bomber and one of British Airways' newest Boeing 747-400s — both named the City of Lincoln — carried out a unique fly-past this summer...over the actual city of Lincoln. It is the subject of the poster-sized picture in this edition of *Investor*.

→ See Centre Pages

850 at AGM

SOME 850 shareholders attended British Airways' 1991 annual meeting in July, approving all items on the agenda.

→ See Page 2

Top report

BRITISH Airways *Investor* was highly commended in the 1991 PRWeek Awards as one of the three best annual reports produced by any UK company.

BRITISH AIRWAYS

Blue Chip

Services for shareholders

FARE DISCOUNTS OFFERED TO SHAREHOLDERS



MAJOR FLIGHT: Prime Minister John Major chose to fly with British Airways for his tour to the USSR, China and Hong Kong this autumn, instead of using his usual Royal Air Force VC10. TriStar Bravo Mike, unofficially rechristened Bravo Major for the six-day charter, was specially reconfigured to carry the Premier, Mrs Major and a party which included Foreign Secretary Douglas Hurd. The aircraft was flown by a British Airways crew. Mr and Mrs Major are pictured on their arrival back at Heathrow after their historic tour.

Dividend is up as profits hit £185m

INTERIM dividends are being increased by British Airways on the strength of the company's performance in the first half of the financial year and the Board's confidence in the airline's prospects.

Shareholders registered as owning shares on December 9, 1991, will be paid 2.94 pence a share on January 10, 1992. That is 5 per cent more than a year ago.

Profits for the six-months period, to September 30, 1991, were down at the pre-tax level to £185 million from £320 million for the same period in 1990, but Lord King, the Chairman, described the result as "better than originally anticipated".

"The recession in the UK and the USA, together with the effects of the Gulf War, continued to have an adverse impact on our passenger traffic, particularly in premium cabins, and on cargo volume," he said. However, the airline's trading performance was now "at least on the road to recovery".

Profits after tax for the half-year were £152 million, equivalent to earnings per share of 21.1 pence, against 31.5 pence a year ago. Turnover was down 2.4 per cent, at £2,682 million, with 8.5 per cent fewer

scheduled passengers carried. Announcing the figures, Lord King pointed out that British Airways had remained profitable while the world's airline industry overall is estimating a loss of more than \$5 billion on international flights alone this year.

"Our own performance, in this context, is testimony to the many strengths of our company," he added.

Looking ahead, Lord King said: "The outlook for the UK and US economies remains uncertain. Our own results for the year will depend on the timing of the economic recovery of the major markets we serve."

"Our ambition remains to make British Airways unquestionably the best and most successful company in the airline industry worldwide." This would mean developing the company's business globally, for which partners would be needed.

British Airways was now facing an onslaught of increased competition, particularly on the North Atlantic. It would devote all energies and marketing expertise necessary to defend its position as market leader. In the first full quarter since these changes came about, it had maintained market share.

→ The figures in full — Page 6

SHAREHOLDERS in British Airways can now apply for discounts on the airline's flights and package holidays — with coupons mailed to those eligible with this edition of *Investor*.

A special reservations telephone service has been introduced too, specifically for those owning shares in the company. Both of these new facilities were announced by Lord King, the Chairman, at the company's annual general meeting in July. Full details are now being revealed for the first time.

They follow two other important new schemes introduced for British Airways' UK shareholders last spring — the low-cost Personal Equity Plan. All of these facilities are now being grouped together under the overall title Blue Chip services for shareholders.

The discount coupon can be used by eligible shareholders and up to three family members booking and travelling with them to cut 10 per cent off the price of any published British Airways fare, subject to the normal terms and conditions.

Alternatively, it can be used to reduce by 5 per cent the basic price of any holiday from the British Airways Holidays range, which features high quality holidays to suit all tastes and budgets.

Eligible shareholders are entitled to just one such discount a year.

The coupon may only be used towards leisure travel. However, it offers a reduction on fares in any British Airways class of travel worldwide — from Super Shuttle, World Traveller and Euro Traveller to Club World, Club Europe, First Class, or even Concorde.

Tickets

It can be used in conjunction with any official British Airways published fare from or within the UK — from the lowest Saver to the highest First Class and super-sonic. The exact definition of "published" is any fare listed in British Airways' "Fares Fortnightly" tariff booklet, which is used by the travel trade as their ticket pricing "bible".

Tickets issued through this Blue Chip scheme are no different from regular versions — the rules, restrictions and conditions associated with the type of fare or holiday package involved, covering advance purchase requirements for example, still apply.

All travel counts where applicable towards the airline's regular reward schemes, such as Air Miles Latitudes.

The coupon's value, obviously, depends on the number of people travelling and price of the fare or holiday concerned.

For example, 10 per cent off the airline's current lowest published fare, £27 for Aberdeen to Inverness, represents £2.70. However, if four people used the coupon towards the airline's most expensive ticket, currently £6,003 for a First Class return from Heathrow to Sydney, they would realise a saving of just more than £2,400 altogether.

To use the discount coupon, recipients can call the airline's new shareholders' reservations unit, on 0345-600710, to book a flight and buy their tickets. Calls are charged at the local rate from wherever in the UK they are made.

Shareholders who are members of the

Your special reservations hotline: 0345-600710

airline's Executive Club should ring their usual club booking number. For enquiries and reservations involving the airline's package holidays, shareholders should call British Airways Holidays, on 0293-517555.

Bookings can also be taken through any British Airways Travel Shop in the UK or at any high street travel agent.

Reservations must be made and paid for by the person named on the coupon. Proof of share ownership may be required.

The scheme only applies to tickets issued from December 1, 1991, and journeys commenced by November 30, 1992.

Eligibility is restricted to individual shareholders, registered as owning at least 200 ordinary shares in British Airways Plc, on November 14, 1991.

Those who have transferred their British Airways shares to a personal equity plan will not be sent a coupon automatically, as the shares are registered in the name of their PEP plan manager, not their own name. However, they may apply for a coupon, provided they have at least 200 British Airways shares in their PEP, by completing and sending off the form on Page 2 of this copy of *Investor*.

Travel

Explaining the rationale of the scheme, Lord King said: "Ever since our privatisation, many shareholders have asked us to offer them discounts on our air fares."

"We are now able to answer these calls, with a scheme which satisfies the regulatory restrictions and prevents dilution to our overall revenue and profits, which is again in the interests of our shareholders as recipients of dividends."

"Most of all, we see it as a reward to our shareholders for their loyalty and as a means of encouraging the owners of the company to sample its services."

He said the 200 share limit was imposed to reward the serious shareholder. Corporate shareholders are ruled out because the scheme is designed for leisure travel only and it is not practical to identify one individual to receive such a benefit.

All shareholders, however, can use the new telephone reservations service. On hand will be expert staff, able to assist with any travel requirements shareholders have of the airline — from flight bookings to finding out the visa requirements for anywhere from Abu Dhabi to Zimbabwe.

Another discount coupon will be sent to eligible shareholders next November.



A company aiming 'To be the best'

THE corporate mission of British Airways is: **To be the best and most successful company in the airline industry.**

The company's seven corporate goals are:

→ **Safe and secure**

To be a safe and secure airline.

→ **Financially strong**

To deliver a strong and consistent financial performance.

→ **Global leader**

To secure a leading share of air travel business worldwide with a significant presence in all major geographical markets.

→ **Service and value**

To provide overall superior service and good value for money in every market segment in which we compete.

→ **Customer driven**

To excel in anticipating and quickly responding to customer needs and competitor activity.

→ **Good employer**

To sustain a working environment that attracts, retains and develops committed employees who share in the success of the company.

→ **Good neighbour**

To be a good neighbour, concerned for the community and the environment.

Changes in team that looks after you

TWO fresh faces — though both are "old hands" — have taken on responsibility for relations with British Airways' shareholders.

Gail Redwood steps up to become Company Secretary following the appointment of Robert Ayling as Director of Marketing and Operations (See Back Page). Previously Deputy Company Secretary, she holds overall responsibility on behalf of the company for British Airways' shareholder register.

Her appointment means there is now a woman reporting directly to Sir Colin Marshall, Deputy Chairman and Chief Executive, for the first time.



Neil Jamieson

Neil Jamieson takes on the mantle of Head of Investor Relations, following the appoint-



Gail Redwood

ment of Roger Maynard as Director of Corporate Strategy. Reporting to Derek Stevens,

Chief Financial Officer, Neil is responsible for relations with institutions of shareholders, analysts and the City. Previously Investor Research Manager, he joined the airline in 1977 as a graduate trainee, and enjoys a game of golf when he can.

Gail, a barrister, joined the airline as a commercial lawyer in 1986. She was previously Deputy Secretary and Legal Advisor at the Civil Aviation Authority.

Colin Smith continues as Investor Services Manager, reporting to Gail, with Mark Dunkerley looking after investor relations activities in North America.



850 attend 1991 annual meeting

ALL resolutions at British Airways' 1991 annual meeting were approved unanimously or overwhelmingly. That means that Sir Francis Kennedy, standing for re-election to the Board, has been reappointed a non-executive director, and Captain Colin Barnes' appointment to the Board has been confirmed.

Some 850 shareholders attended the event, at London's Barbican Centre, on July 16. In response to questions, Lord King, the Chairman, told them the Board had decided to make no contribu-

tion to the Conservative Party this year, as part of the company's overall cutback in expenditure and in view of recent decisions by the Government which would have an adverse effect on the business.

Share line not linked to airline

SHAREHOLDERS in British Airways may have received this autumn a letter sent by an organisation called the City Information Bureau, inviting them to ring a telephone information service providing news and analysis about the airline.

This service has not been authorised or approved by British Airways. The airline has no connection with it or with the City Information Bureau.

It comprises a 20-minute recording containing information generally available to all members of the public.

Ringling the number costs callers from within the UK 36p a minute at the cheap rate, and 48p a minute at other times. To hear the tape right through costs £10 at peak times and more than £7.50 at other times.

As it is an 0898 number, the City Information Bureau receives the proceeds of half the cost of calls made.

British Airways is obliged by law to release its shareholder register to anyone who asks and who is prepared to pay the statutory sum involved. That is how the City Information Bureau obtained its mailing list.

Similar letters have been sent by the bureau to shareholders in other companies in the past.

The practice is not unlawful, but British Airways is anxious to allay any uncertainty and concern among shareholders who may feel obliged to ring the number at considerable cost.

DIRECTORY

SHAREHOLDER CALENDAR

Second quarter results	November 12, 1991
Interim dividend payable	January 10, 1992
Financial year end	March 31, 1992
Preliminary announcement	May 1992
Annual general meeting	July 1992
Final dividend payable	July 1992
First quarter results	August 1992

REGISTERED OFFICE

Speedbird House,
Heathrow Airport (London),
Hounslow TW6 2JA, UK. 081-759 5511
Registered number 177777

INVESTOR RELATIONS

British Airways' Registrars:
Barclays Registrars,
PO Box 34,
Northwich,
Cheshire CW9 7RD, UK.
0606-40440

British Airways' Investor Relations (S238),
PO Box 10, Heathrow Airport,
Hounslow TW6 2JA, UK.

HOLIDAY RESERVATIONS

Shareholders' bookings	0293-517555
Worldwide holidays	0293-611611
Florida and America	0293-518022
City Breaks/Euro Magic	0293-615353
Golf	0293-611311
South Africa	0293-612612

FLIGHT RESERVATIONS

SHAREHOLDERS

UK	0345-600710
(All calls charged at the local rate)	
USA	1-800-346-0062
Canada	1-800-668-1600

GENERAL PUBLIC

General reservations	0345-222111
Concorde and First Class	0345-222100
Club World and Club Europe	0345-222747
Foreign language line	081-759 3551

FLIGHT INFORMATION

Up-to-date times for all British Airways' flight arrivals in the UK are carried in Oracle, the ITV and Channel 4 teletext service, on "page" 321.

Heathrow and Gatwick	081-759 2525
Aberdeen	0224-722331
Belfast	08494-22888
Birmingham	021-767 7503
Edinburgh	031-333 1000
Glasgow	041-887 1111
Inverness	0667-62280
Jersey	0534-43201/2
Manchester	061-489 2510
Newcastle	091-286 0966

For general and network information, call the Heathrow flight information centre.

TRAVEL CLINICS

Location details	071-831 5333
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New services take off

THE low-cost share dealing service and Privatisation Personal Equity Plan introduced for British Airways shareholders are both flying high after their launch this summer. More than 500 of the PEP schemes have been opened, and demand for the share dealing service has been encouraging, with around 2,000 deals handled so far. For information on both services, contact Barclays at the address given in the Directory on this page.

How PEP holders can apply for fare discounts

HOLDERS of British Airways shares in a personal equity plan — either the Privatisation PEP introduced for the airline's own shareholders earlier this year or any other PEP — should apply for a shareholder discount coupon (See Front Page) by using the form below. The eligibility criteria are the same as for those with shares registered in their own name — they must have at least 200 British Airways ordinary shares in their PEP on November 14, 1991.

The form is in two parts. Applicants should complete Section A themselves. They should then ask their PEP plan manager to complete Section B. The completed form should then be sent to the address shown on the bottom.

SHAREHOLDER DISCOUNT COUPON APPLICATION FORM

FOR PERSONAL EQUITY PLAN MEMBERS ONLY

Section A To be completed by the applicant

Please send me a British Airways shareholder discount coupon. I confirm that I hold at least 200 British Airways ordinary shares in my personal equity plan, as certified below by my PEP plan manager.

Name: (Please print in block capitals)

Address:

Postcode:

Name of PEP plan manager:

Address:

Postcode:

Telephone number:

Account number or reference:

Section B To be completed by PEP manager

Number of ordinary British Airways shares held in the PEP of the above applicant on November 14, 1991:

Account number or reference:

I confirm that the information given above is correct.

Signed:

Name: (Please print)

Company position:

Date:

Please validate this coupon here with your company stamp.

Send the completed form to: Investor Relations (S238a), British Airways Plc, PO Box 10, Heathrow Airport, Hounslow TW6 2JA.
Please allow at least 28 days for delivery.

Acting in the interests of customers and industry

BRITAIN has always been a leader in air travel — first to introduce daily international scheduled flights, first with jet passenger flights and first to fly commercial supersonic aircraft.

Today, the UK aviation industry is a valuable national asset of which to be proud — a £6 billion a year business, carrying 55 million people annually. And it is one of the fastest growing industrial sectors, expanding by 6 per cent a year throughout the past two decades.

Since our privatisation in 1987, British Airways has been growing faster still.

We are by far the world's leading international airline — and one of the most profitable. In the 1990 calendar year, we made profits of nearly £335 million (\$700 million) when collectively the world's carriers were piling up losses of \$5,000 million.

Such strength and profitability is good news for the airline's 300,000 shareholders — enabling us to pay nearly £300 million in dividends since our privatisation — and for our employees.

It is also good news for the country. In the past four years, British Airways has paid almost £300 million in corporation tax alone. We spend £1,000 million a year on British goods and services. In the past decade, we have taken delivery and ordered around £2,000 million worth of engines and parts from Rolls-Royce alone.

Britain's 50 airlines employ 70,000 people — two-thirds for British Airways — and help provide jobs indirectly for three-quarters of a million more.

Most important of all, a strong and profitable airline is good news for the customers, because it is able to invest in improving customer service.

In the past five years, we have pumped hundreds of millions of pounds into a whole range of improvements. Our continued strength will depend on our ability to satisfy the customer.

What the customer wants is choice — of route, of airline, of price. That is the best way of achieving value for money.

Choice can be most effectively exercised in an open, competitive market, an objective supported wholeheartedly by British Airways.

Air travel remains one of the most heavily and unecessarily regulated of all industries.

A measure of regulation is always necessary — to enforce rigorous safety standards and prevent anti-competitive practices against the consumer interest.

Regulation of the civil aviation industry has traditionally had a quite different intention — the frustration of competition as a matter of public policy.

Governments have pursued protectionist policies on behalf of their own national carriers, virtually all of which, other than British Airways, are still wholly or partially controlled by those governments.

This system encouraged airlines to strike cosy commercial deals, carving up markets between them, with little room for competition and consumer choice.

The cosy cartel of European state-controlled airlines must be broken.

In the past 10 years, the straitjacket of rules has been loosened, but not far or fast enough.

The myth that British Airways or any other airline can monopolise whole markets is outdated. Two hundred airlines now serve the UK. Every one of them is a competitor to British Airways. Passengers to each of its 153 destinations worldwide can choose

BRITAIN will almost definitely have gone to the polls by the time the next edition of *British Airways Investor* goes to press.

Whoever wins the general election will, of course, bear considerable influence over the nation's civil aviation industry.

British Airways has made clear the steps that need to be taken to ensure the nation remains the world leader in this market, in a manifesto published this winter. These are its key points...

to travel with another carrier. The 1980s saw the liberalisation of the UK domestic market. Any airline wanting to compete on domestic routes is generally allowed to do so. Internationally, more routes were made available into the USA and more airlines were allowed to fly on them.

The greatest strides forward have taken place in Europe. Britain has negotiated some of the most liberal international air service agreements in the world with the Benelux countries, and to a slightly lesser extent with Germany and Switzerland.

At last, the rest of Europe is trying to catch up. The European Community has cautiously embarked on the creation of a single European market for air transport by 1993. Not all the barriers have been removed — but they have been reduced.

The 1990s will be a decade of huge opportunities. Air travel is set nearly to double over the next 10 years. British Airways wants Britain to capitalise on the opportunities this presents.

Airline competition is global, and the fiercest competition will come from the handful of megacarriers which dominate the US market. Their aim, supported by the US government, is to dominate the world market as well.

British Airways flies 25 million passengers a year. American Airlines carries more than 70 million, Delta 65 million and United 55 million-plus. And whereas British airlines together carry 3 per cent of the world's scheduled traffic, US airlines, thanks to their huge protected domestic market, account for 40 per cent.

Even an airline of British Airways' size will be hard-pressed to provide direct and viable competition to these giants. Yet British Airways is being forced to face the competition with one hand tied behind its back.

Britain is the only country in the world which positively discriminates in favour of smaller airlines at the expense of its largest.

This is called a multi-airline policy. In fact, it is nothing of the kind. A real multi-airline policy would allow every airline wanting to compete on a route to do so. The fact that this does not happen is down to two causes:

→ Failure of governments to invest in the facilities necessary to keep pace with the growth of air traffic.
→ Action at government level which has still not broken down all the barriers to free trade in civil aviation worldwide.

European Member States continue to control the right to carry air traffic within the Community and to discriminate against each other's civilian air-



PLANE FACT: Competition is global and increasing fast. Some 200 airlines serve the UK alone.

lines, most of which are state-owned. The US domestic market continues to be protected from international competition.

Foreign airlines struggle to attract the feeder traffic that sustains their US competitors, operating out of key airport hubs that they control. Foreign airlines face further formidable bias in US reservations systems and local loyalty schemes. And any attempt to share these advantages by buying into US carriers is hampered by restrictions on foreign ownership and control.

The British Government has tried to compensate for these failings by trying artificially to create competition. British Airways has been forced to give up traffic rights to other UK airlines.

This is strengthening the weak by weakening the strong. Substituting small airlines for large will not improve competition.

It will only undermine the ability of British Airways to compete — and this is not in the interests of British civil aviation as a whole.

There will always be a place for the smaller airline to compete on particular routes.

But competition in the airline business is international, and to compete worldwide against the US giants requires financial muscle and an extensive network of routes.

Experience tells the tale — Laker, British Caledonian and Air Europe were all airlines too small to



STATING THE CASE: British Airways is the only leading airline in Europe wholly owned by private investors.

provide viable services in competition with airlines able to meet the large demands of the marketplace. A radical programme of action is needed.

First, the Government must intensify the campaign to create a genuinely open market in air transport within the European Community.

All European airlines should have the right to establish operations anywhere in the Community.

They should be allowed to fly services throughout the Community — for instance, it should be possible for British Airways to fly not only from London to Paris, but from Leeds to Lyon, from Paris to Madrid or from Paris to Marseilles.

As many Community airlines as want to fly each route should be allowed to do so. The only restrictions should be on grounds of safety and financial fitness of the airline.

Airlines should be allowed to set fares and seat capacity according to market conditions.

Member States should no longer be allowed to discriminate in favour of their own national carriers. Firm action is required to prevent Member States providing hidden subsidies and other forms of support for their airlines. The current restrictions on the foreign ownership of airlines need to be relaxed to reflect the creation of a single European market.

Second, the Government must take the steps necessary to develop an adequate air transport infrastructure in Europe.

Europe needs an integrated system of air traffic control. The total cost to the Western Europe economy in terms of delays, lost passenger time, etc. caused by inadequacies in the current European ATC system is estimated at \$5,000 million a year. Terminal capacity at Heathrow must be increased



CONSUMER CHOICE: Passengers can fly any one of 25 different airlines between London and Sydney alone.

urgently. Terminal 5 and the overall modernisation of the airport must be a key priority if the UK is to continue to compete effectively with the big and ambitious hub airports in continental Europe.

Runway capacity at Europe's busiest airports must be increased if there is to be room for competition and choice. An additional runway in South East England will be required. Heathrow is where the market would like this runway and that, therefore, is supported by British Airways, although we recognise the environmental implications. Meanwhile, 15 per cent more capacity could be achieved now if aircraft were allowed to land and take-off on the same runway, as they are at all other UK airports.

Access to Heathrow on the ground must be improved. The mainline rail link with Central London is an urgent priority, and this should be extended to provide a direct rail connection between other UK regions and the nation's premier gateway.

Third, the fundamentals of the present system of allocating landing slots at congested airports should be reformed to provide better access for new entrants.

The allocation of slots — timings for landings and take-offs at airports — under the existing voluntary arrangements run by the industry has worked well.

This, however, should be amended to allow airlines to buy and sell slots. This would increase availability and improve access at key airports to new entrants without a mass of complex regulations.

Fourth, on the completion of a single European market, the Community should negotiate as a group to achieve multilateral agreement with countries worldwide to pull down the barriers to free trade in aviation.

The single market will give Europe the opportunity to negotiate from a position of strength. Until total airline liberalisation is achieved in Europe, no further air deals should be agreed with the USA.

The Community should seek to secure rights for its airlines to fly between points within the States, just as US carriers can fly between points in Europe.

The Community should also work to have legislation restricting foreign ownership and control of US airlines revoked.

The airline industry is one of Britain's success stories. The objective must be to keep it that way.

The face of civil aviation is being transformed. Competition is on a global scale. Only the strongest, with extensive route networks, will survive.

The nation must set its sights on the new millennium and the opportunities ahead.

British Airways does not want one penny of subsidy. Nor do we need any special treatment. What we do require is to be able to compete on level terms with the rest of the world.

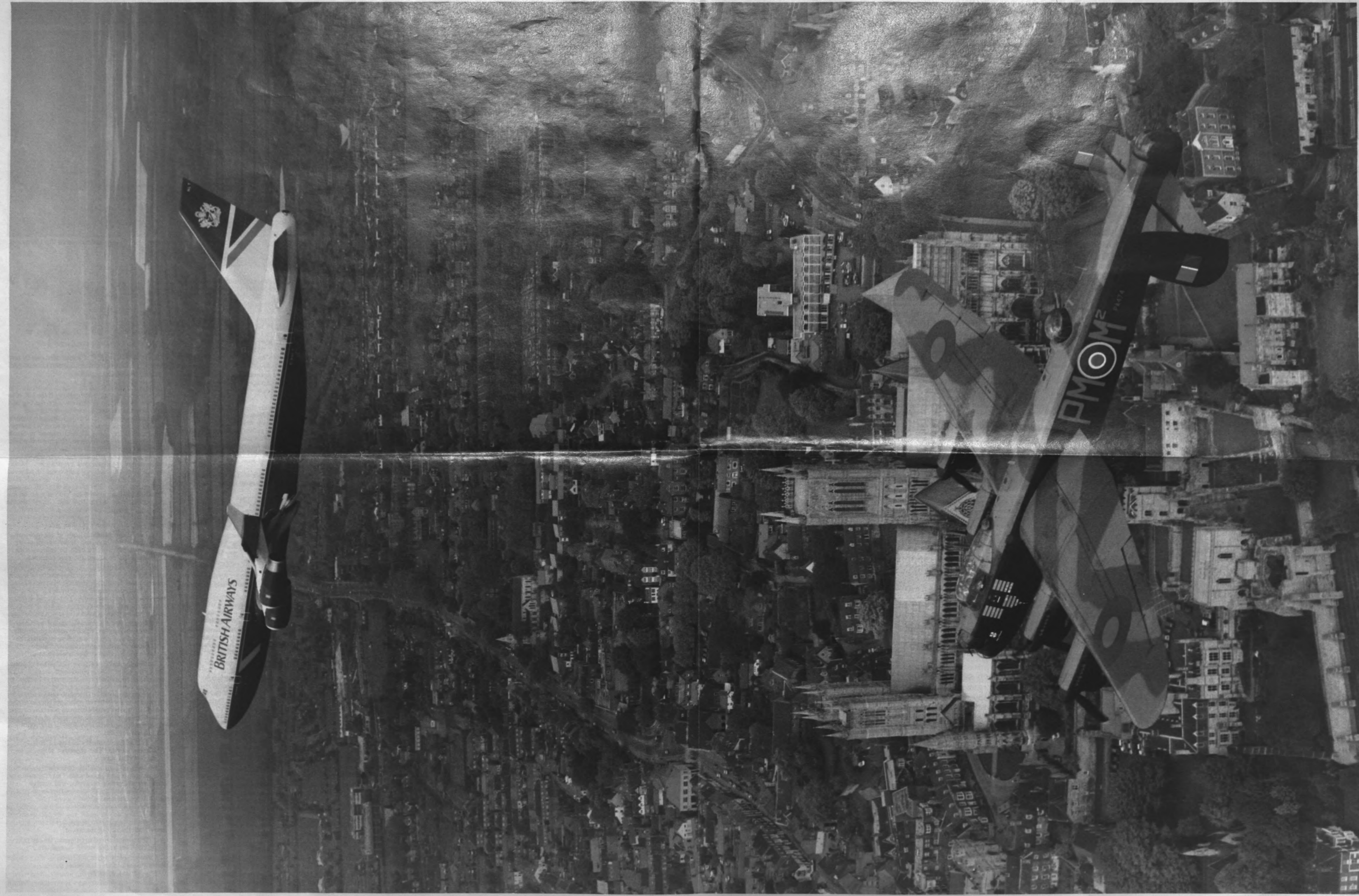
If we are allowed to compete, we can take on the best in the world — and win.

There are great prizes to be won — more choice, lower prices and an even better service.

The customer will be the winner. And what is good for British customers is good for Britain.



HOW WE SHAPE UP: Although it is one of the largest in Europe, British Airways' fleet is dwarfed in size by those of the US 'megacarriers' now competing directly with UK airlines.



TRIBUTE TO LINCOLN: Three Cities of Lincoln, all in one picture, in this unique fly-past last summer. Boeing 747-400 Lima Tango was christened City of Lincoln in a ceremony at RAF Coningsby, in Lincoln, where it met up, on the ground and later in the air, with a Lancaster bomber, also named the City of Lincoln. Picture by Sergeant Rick Brewell. Crown Copyright 1997/Mod.

Half-year profits reach £185 million despite the

difficulties



A mid-term report to shareholders by Lord King, the Chairman

RESULTS

GROUP pre-tax profit for the six months to September 30, 1991, was £185 million, compared with £320 million for the same period last year. Operating surplus was £208 million, against £281 million a year ago.

The recession in the UK, and the USA, together with the effects of the Gulf war continued to have an adverse impact on our passenger traffic, particularly in the premium cabins, and on our cargo volume.

Profit after tax was £152 million, equivalent to earnings per share of 21.1p per share, against 31.5p per share for the comparable period last year. On a

fully diluted basis, earnings per share were 18.2p. The Directors have declared a dividend of 2.94p per share — an increase of 5 per cent on last year — payable on January 10, 1992, to shareholders on the register at December 9, 1991.

Borrowings, net of cash balances, decreased by £363 million to £862 million. Capital and reserves at September 30, 1991, including Convertible Capital Bonds, amounted to £1,411 million, compared with £1,434 million last year. The net debt:total capital ratio was 37.9 per cent.

Group turnover decreased by 2.4 per cent from £2,748 million to £2,682 million.

Scheduled passenger yield has remained under pressure due to the continuing weakness in premium traffic.

We are enhancing our levels of customer service as competition increases, especially on the North Atlantic and in Europe. Club Europe's £7 million package of improvements includes the largest airport lounge in Europe, newly opened at Heathrow's Terminal 1.

Operating expenditure was virtually the same as last year at £2,474 million. Staff costs have been contained at close to last year's levels. Fleet depreciation and aircraft lease costs together show a small decrease, along with fuel and oil and engineering costs.

En route charges have risen largely because of a 20 per cent increase in average prices for Eurocontrol air traffic control. Handling charges include a substantial increase in security costs.

Operating surplus for the second quarter — July 1 to September 30, 1991 — was up 4.4 per cent on the same period last year at £165 million.

Profit before tax amounted to £176 million, up 7.3 per cent. Turnover at £1,423 million, was almost the same as last year. Thus the second quarter results show significant improvement over those of the first quarter.

During the second quarter two McDonnell Douglas DC10-30 aircraft were sold and immediately taken back on operating lease arrangements for a minimum period of five years. The profit arising from these transactions was included in other income and charges.

TRAFFIC

A TOTAL of 12,480,000 passengers were carried on scheduled services in the six months, a decrease of 8.5 per cent on a year ago.

Revenue passenger kilometres (RPKs) decreased by 5.6 per cent. Cargo tonne kilometres were down

by 1.7 per cent. In the second quarter, 6,576,000 passengers were carried, down 6.9 per cent, with RPKs falling 5.0 per cent.

Capacity on scheduled services, in terms of available seat kilometres, decreased by 2.6 per cent in the six months, giving a passenger load factor of 72.7 per cent as against 75.0 per cent last year.

For the second quarter, the passenger load factor was 76.1 per cent against 77.8 per cent last year.

AIRCRAFT ORDERS

FIFTEEN Boeing 777 aircraft have been ordered for delivery from 1995, with options on a further 15 aircraft. This order is worth up to £2.2 billion.

The aircraft will be powered by General Electric GE90 engines. This aircraft/engine combination will provide the most effective means of replacing, in the mid-1990s, the existing McDonnell Douglas DC10 and Lockheed TriStar fleets, and providing for growth on longhaul routes.

British Airways has also negotiated with Boeing and Rolls-Royce a further 24 delivery positions for Boeing 747-400 aircraft, worth up to £2 billion. This raises future orders for this aircraft type to 31 with 38 options, in addition to the 19 already in the fleet.

These orders will be financed out of a combination of operating cash flow, and debt and leasing finance.

It has also been decided to lease five additional British Aerospace ATPs, and carry forward options on six more aircraft of this type. These aircraft will replace the older British Aerospace HS748 aircraft.

By next summer British Airways will have an all ATP fleet of 13 aircraft operating Highlands and Islands routes in Scotland and feeder services linking Glasgow with Manchester and Belfast.

ORGANISATION

NEW appointments at executive director level are reported on the Back Page of this edition of *Investor*.

BEOL SALE

BRITISH Airways has agreed to sell the business previously carried on by British Airways → to Page 7

SUMMARY GROUP PROFIT AND LOSS ACCOUNT

For the six months to September 30, 1991 (unaudited)

£ million	1991	1990
Revenue from passengers flying on our scheduled services, plus excess baggage, was	2,183	2,272
Freight and mail carried on scheduled services brought in	192	191
Revenue from operating charter flights added	82	69
Thus, our total traffic revenue was	2,457	2,532
Our revenue from other activities was	225	216
This gave us a total group turnover of	2,682	2,748
Our expenses comprised:		
Pay, pension contributions and other staff costs	744	740
Depreciation of fixed assets	146	136
Charges for hiring the aircraft we fly on operating leases	124	144
Fuel and oil	268	277
Engineering and other aircraft costs	136	137
Airport landing fees and air traffic control charges	233	212
Handling charges, catering and other operational costs	318	302
Selling costs	320	307
Accommodation, ground equipment and currency differences	185	212
In total, therefore, our overall group operating costs were	2,474	2,467
Deducting this from our group turnover left a group operating surplus of	208	281
We took into account our share of the results of our associated undertakings, a sum of	—	(8)
The net surplus on the disposal of fixed assets, mainly aircraft sold and leased back during the six months, was	25	43
Other income and charges amounted to	2	1
Net interest (payable)/receivable amounted to	(50)	3
Adding that together, our group profit before tax was	185	320
Then we provided for tax totalling	(33)	(93)
This left a group profit on ordinary activities after tax of	152	227
From this, we allowed for interim dividends of 2.94p per share to be paid in January 1992, representing a total of	(21)	(20)
Finally, this left a profit retained in the business of	131	207

EARNINGS PER SHARE

This standard measure of a company's profitability is calculated by dividing profit attributable to shareholders by the average number of shares in issue during the period.

On this basis, our basic earnings per share were 21.1p 31.5p

KEY OPERATING STATISTICS

	For the six months to September 30, 1991	Difference on a year ago
SCHEDULED SERVICES		
Passengers carried	12,480,000	-8.5%
Revenue passenger kilometres (RPKs)	34,378 million	-5.6%
<i>The number of passengers carried, multiplied by the distance they flew in kilometres</i>		
Available seat kilometres (ASKs)	47,287 million	-2.6%
<i>The number of seats available for sale, multiplied by the distance they flew</i>		
Passenger load factor	72.7%	-2.3 points
<i>The percentage of seats available that were actually "sold"</i>		
Revenue per RPK	6.35p	+1.8%
<i>How much we received on average from each passenger for every kilometre flown</i>		
Tonnes of cargo carried	243,000	-5.1%
GROUP OPERATIONS (including Caledonian Airways Limited)		
Aircraft in service (as at September 30)	230	-2
Average number of staff employed	51,628	-4.9%
Productivity (in terms of available tonne kilometres per employee)	137,406	+5.0%



COMFORT AND CLASS: British Airways' exclusive new Club Europe lounge at Heathrow is the largest airport lounge in Europe, offering all Club Europe passengers a quiet environment in which to relax or work before their flight departure.

New lounges boost services in Europe and on the Atlantic

SEVENTEEN million pounds is being spent by British Airways on customer service improvements aimed at ensuring the airline stays number one in Europe and on the North Atlantic.

The £7 million package of enhancements for Club Europe, British Airways' business class on short-haul flights, includes the largest airport business lounge in Europe, opened at Heathrow's Terminal 1.

Other new Club Europe benefits — all designed to offer passengers better time management, a smoother travel process and superior service — include express parking, china crockery, enhanced catering, and seat selection at reservation.

The new lounge provides a relaxing and peaceful environment for Club Europe passengers, away from the bustle of the world's busiest international airport.

Close to the main European departure

gates, it offers space for more than 400 people, and is divided into a series of comfortable seating areas on a main and mezzanine floors. There is a "quiet" area with desks, with fax and photocopying machines available, and it also has showers and its own duty-free shop. Drinks and snacks are offered with the compliments of the house.

Club Europe passengers with hand baggage only can check-in right at the lounge.

Similar lounges are already available for Club Europe passengers at Gatwick, Manchester, Birmingham and Heathrow's Terminal 4.

The express parking service has now been extended from Terminal 4 to Terminal 1 at Heathrow. This enables Club passengers simply to drive up outside the terminal and hand their car keys to an agent, who will park the car and drive it back to meet the passenger when he returns. It is not only

quick and convenient — it is also cheaper than the airport's short-term car park, if the passenger is away for more than 24 hours.

Atlantic services have seen a £10 million package of customer service benefits aimed at frequent travellers.

These include new lounges and lounge check-in facilities in the USA, new catering in Club World and additional ground staff at Heathrow to speed passenger service and aircraft departure.

On departure from Heathrow, there is also an express security and immigration line for fast clearance of Concorde, First Class and Club World passengers.

Other service improvements on the North Atlantic include increased frequencies on many routes. Boston, Washington, Miami and Chicago are being served with twice daily return flights.

Aircraft worth £4,000m ordered

ORDERS and options for 65 new aircraft were announced by British Airways in August in one of the largest fleet acquisition plans ever unveiled.

They include 30 Boeing 777s, 24 more Boeing 747-400s and 11 British Aerospace ATPs, worth more than £4 billion in total.

Meanwhile, the latest aircraft type to join the British Airways fleet has been delivered to the airline. It is the Series 400 version of the Boeing 737, three of which are now operating on European routes.

The first of the 27 new 737s on order, named River Bush, made its debut at Heathrow in late October. Twelve more of the twinjets will be delivered to the airline by the end of March, enabling more of the elderly and noisy BAC One-Elevens to be phased out.

The 777s, split equally between firm orders and options, will be powered by General Electric GE90 engines.

With seating for 313 passengers in a typical three-class configuration, the aircraft will enter service in the mid-1990s, replacing TriStars, which have now been withdrawn from scheduled services, and DC10s.

Lord King, the Chairman, said: "This decision represents a major investment by British Airways in maintaining and improving its pre-eminent position in the long-haul airline market."

"We looked very hard indeed at all the aircraft and engine combinations in this highly competitive market and the outcome represents the best decision by a clear margin."

The 24 further delivery positions negotiated for Boeing 747-400s takes future orders for this type to 31 firm and 38 options.

Leading

They will be powered by Rolls-Royce engines, like all current models of the Dash 400, the Series 200 version of the 747, and the Boeing 757 and 767 operated by British Airways. This makes the airline by far Rolls-Royce's leading civil customer.

These latest 747-400 orders, combined with those for the 777, secure the airline's expected long-haul fleet requirements until the year 2002.

Five more 64-seat ATPs are to be leased for service on the Scottish network next spring, with options on six more. They will replace the older British Aerospace 748 aircraft.

British Airways is the first airline cleared to make automatic landings by Boeing 767s and 747-400s when fog is so bad that forward visibility is zero.

With the new Category 3B certification from the Civil Aviation Authority, thousands of passengers should be saved diversions and delays because of winter fog.

A limit of 100 metres visibility has been imposed by the airline, however — so pilots can see sufficiently to be able to taxi to the terminal once they have landed.

With the airline's Boeing 757s and Airbus A320s already cleared for landings in such adverse conditions, it means British Airways' fleet has the best all-weather capability of any of the world's airlines.

Return to Kuwait

FLIGHTS to Kuwait and Tehran were resumed by British Airways this summer — and Fukuoka has been brought on-line for the first time.

Flights to Kuwait took off again on June 10, making British Airways the first non-Arab airline to service Kuwait again after the Gulf war.

Tehran was brought back onto the airline's network in July after a break of six years.

Fukuoka, on Kyushu, the most southerly Japanese island, became the third city in Japan served by British Airways when Boeing 747s started flying there, also in July.

All British Airways flights to Tokyo are non-stop for the first time this winter, with 13 flights a week by Boeing 747-400s.

Wild birds can't fly

A WORLDWIDE ban on the carriage of wild birds has been imposed by British Airways following consultation with the RSPCA.

Hugh Somerville, British Airways' Head of the Environment, said: "In the past we have taken a firm stand on this issue in the hope that by strictly enforcing and exceeding regulations governing the carriage of these birds we would minimise suffering and avoid forcing the trade underground."

"We are now convinced that we can serve the cause of bird welfare better as a high profile international company by drawing attention to the trade with our own ban supported by a call on the Government to stop issuing import licences."

Russian deal

FORMAL agreement has now been reached between British Airways, Aeroflot, the USSR Ministry of Civil Aviation and the Republican Innovation Fund of the Russian Republic on setting up a new airline, called Air Russia, to serve Moscow. British Airways will have a 31 per cent stake in the venture

Directors change portfolios

ROBERT Ayling has been appointed Director of Marketing and Operations for British Airways, following the resignation of Liam Strong from the company in September.

Mr Ayling was previously the airline's Secretary and Legal Director and Director of Human Resources.

John Watson has added the Human Resources portfolio to his current responsibilities, becoming Director of Human Resources and Information Management.

Mervyn Walker, who moved from the airline three years ago to Galileo, the computer reservations system in which British Airways is a partner, has returned to the airline as Legal Director.

Gail Redwood steps up from her post as Deputy Company Secretary to carry full responsibility for the function (See Page 2).

At the beginning of November, David Holmes joined the airline as Director of Government and Industry Affairs from the Department of Transport, where he had been Deputy Secretary.

Mr Holmes, 56, was the senior Government official responsible for the privatisation of British Airways and BAA.

He is now responsible for all the company's relations with governments, legislative agencies and licensing authorities throughout the world, and with the various industry associations.



TOP TROPHY: Lord King, the Chairman, receives the Business Traveller award from UK Transport Secretary Malcolm Rifkind.

Simply the world's best

BRITISH Airways has been named the world's best airline in separate polls on both sides of the Atlantic. In the UK, readers of Business Traveller magazine have voted British Airways Best Airline overall for the fourth year running, with American travel agents picking the world's favourite airline as Top International Airline in two independent surveys.

Just ask for Holidays...

A NEW brand name has been unveiled for the airline's holiday operations — British Airways Holidays. Already well established in the UK inbound market, it has now replaced the old Leisure Traveller name for all UK outbound programmes, too.

Among the programmes that now come under its wing in the UK are Worldwide, incorporating Speedbird, with separate brochures for Florida and America, Australia and New Zealand and South Africa. There is an expanded City Breaks programme, and a brochure specialising in golfing holidays, too. New out is a range of breaks centred on EuroDisney, opening shortly near Paris.

Engine overhaul unit sold

THE business previously carried out by British Airways Engine Overhaul (BEOL) is being sold by the airline to General Electric.

The proceeds will be reflected in the accounts for the third quarter of the current financial year. Full, formal details of the sale are being circulated to shareholders with this edition of *Investor*.

The business' 1,200 staff, mainly based at Nantgarw, in South Wales, repair and overhaul a wide range of advanced civil jet engines for British Airways and dozens of other airlines and aircraft operators around the world. Under the agreement, it will still maintain British Airways engines.

Lord King, the Chairman, said: "We are delighted that our investment in the business and the excellent reputation of the management and staff have been recognised by GE."

"The proceeds of this sale, which will strengthen our balance sheet still further, will be available for investment in the growth and development of our airline."

British Airways has also agreed in principle to sell its property maintenance branch to Drake & Scull Technical Services, of Hampshire, for an undisclosed sum. Drake & Scull will take over maintenance of the airline's facilities at Heathrow and Gatwick, with 350 staff transferring to the company.