

→ Chief executive Q&As

BAA has faced significant challenges over the last year. How does corporate responsibility compete with other business priorities? It doesn't, says Colin Matthews, chief executive, who argues that a responsible approach to business is integral to the company's success.

Underlying revenue

£2,590m

2007: £2,226m

Underlying operating profit

£582m

2007: £713m

Number of passengers

145m

2007: 150m

Number of employees

13,213

2007: 11,729



Colin Matthews,
chief executive

You've been in your role for a year. What are your views as you take stock of the last 12 months?

Last year our business faced significant challenges. The global credit crisis meant fewer people passed through our airports. Our ownership structure was reviewed by the Competition Commission and the challenge of climate change has put aviation under an intense environmental spotlight.

We also had a number of successes. We reorganised the business to focus on front-line operations at our airports and delivered improvements in passenger service. We put the finance in place to support future investment and continued to deliver our significant capital development programme.

Going forward, we have a clear vision for Heathrow – to become Europe's hub of choice by making every journey better. Over the next year, I will be focusing on three priorities to help deliver that vision:

- Continuously improving our passengers' experience at Heathrow.
- Efficiently delivering our significant capital expenditure programme.
- Clearly setting out our views on the strategic issues for UK aviation, including how airports are regulated, and how we can grow within strict environmental limits.

Why is corporate responsibility important to BAA?

Managing the impacts of our business responsibly is fundamental to our success: our licence to operate and to grow depends on it. Those impacts are wide-ranging, from noise, air quality and climate change, through to ensuring that local people benefit from employment generated by our airports. We strive to balance the interests of our many stakeholders, to enhance the positive benefits that our airports can bring and to minimise the negative impacts.

I don't believe that aviation expansion is a zero sum game and that we need to choose between growth and sustainability. I think that we can grow within environmental limits. Given that, it's right and in our company's long-term interests that corporate responsibility is treated not as a separate add-on activity, but is integral to everything we do, from day-to-day operations to planning for a third runway at Heathrow.

At the T5 public inquiry, BAA called on the inspector to rule out a third runway. Now you've changed your view, can you be trusted?

I get asked this question a lot. I don't think it's right that we should make commitments



↓ Above
The new T5 building at Heathrow

Below
T5 baggage reclaim hall

that are not within our remit. Ultimately the decision on the development of vital national infrastructure like Heathrow Airport needs to be taken by the Government. We now have a clear government policy supporting the development of a third runway, which did not exist in 1999.

In the past decade, globalisation has accelerated – bringing associated increases in air travel. Over half of Heathrow’s traffic is long-haul, yet Heathrow is falling behind competitors because of a shortage of runway capacity. That’s why in today’s world, we need a third runway, built within strict environmental limits.

I accept that the decision to expand is a difficult one, particularly for those most closely affected in Sipson and Harmondsworth and surrounding villages. We will work hard to build strong links with our neighbours, listening carefully to their views. I will ensure that we work with the highest professional standards and integrity as we develop our expansion plans.

How can you justify aviation’s growing carbon emissions in an increasingly carbon constrained world?

Aviation’s emissions are relatively low, especially at a global level, though they are rising at a time when governments around the world are setting ambitious targets to reduce emissions. But we believe that through a combination of technological advances and participation in European and eventually global emissions trading, aviation can play its role in meeting the UK’s overall reduction target of 80%.

A recent report by ‘Sustainable Aviation’ shows that the UK aviation industry can deliver technological improvements to bring carbon emissions back to today’s levels by 2050, while passenger numbers continue to grow. Over the last year we’ve seen the first A380 services starting at Heathrow – a great example of the introduction of plane that is quieter and less polluting than the planes it will replace.

I’m also pleased that aviation will be included in the EU Emissions Trading Scheme from 2012. Alongside that, we’re founder members of the Aviation Global Deal group, pushing for an international solution in this year’s Copenhagen negotiations. Putting a price on carbon through emissions trading will provide a strong incentive for the development and use of new technologies. It will also provide a clear cap, so even if

technology doesn’t deliver as fast or as much as we anticipate, net emissions from aviation will not grow.

We know that planes are quieter and cleaner, but they are still an annoyance for people who live close to an airport. How do you respond to this in the light of expansion?

We understand that noise from aircraft is an issue for those living close to the airport. Minimising the impact of noise is one of our priorities. We encourage governments and manufacturers to develop quieter aircraft and reward airlines that use quieter aircraft through differential landing charges. We also fine airlines that breach noise limits and use the money for community projects.

People living in the noisiest areas qualify for relocation assistance, and others living in high noise areas can apply for free double glazing and loft insulation. We offer noise insulation for community buildings such as schools and hospitals.

The Government has made clear that a third runway will not go ahead unless there is no more overall noise than in 2002 and has asked the Civil Aviation Authority to act as an independent regulator on this issue in relation to expansion.

As EU air quality limits coming into force in 2010 will not be met around Heathrow until 2015, how can you justify expansion plans?

Let’s be clear. Unless air quality limits are met, the Government will not allow additional flights at the airport. The Environment Agency will act as an independent regulator on air quality.

We are determined to play our part to ensure air quality limits are met by influencing airlines to use cleaner aircraft and reducing emissions from our ground vehicles. We are also investing heavily to improve public transport around the airport.

Given the current economic conditions, are you continuing with your plans for significant capital investment at Heathrow?

Yes, we are fully committed to our investment plans for Heathrow. We aim to rebuild and refurbish airport facilities, providing London with an international gateway to be proud of, and deliver the best possible service for passengers and airlines.



Our plans over the next five years include replacing Terminal 2 with a brand new building, and the continued refurbishment of Terminals 3 and 4. We will also invest in training our employees to ensure we are ever more focused on making passenger journeys as smooth and enjoyable as possible.

You say passenger experience is a priority, doesn’t the T5 experience indicate otherwise?

We are delighted that T5 is working so well today, however we regret the significant disruption caused to passengers around its opening. We have learnt valuable lessons which we will use to avoid the same mistakes when opening future facilities. The problems were quickly resolved and the facility now provides one of the best passenger experiences of any terminal in Europe, according to the independent Airport Service Quality ranking. T5 has brought 30% more terminal capacity at the airport, freeing up the space needed to start rebuilding and refurbishing the other terminals to ensure the entire airport delivers the experience that passengers expect. We are committed to maintaining T5’s current high level of performance and improving the experience of passengers across our airports.