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Speaker key

LO Louise.
CM Carolyn McCall
CK Chris Kennedy
PS Peter Stanford
GK Gerard Kassel
NG Neal Glen
PH Peter Hyde
SG Samantha Glebe
AL Andrew Light
JK Jeff van Klaveren
JR Jonathan Roper
DM Douglas McNeill
DF David Findson
PB Paul Butler
AL Andrew Lautenberg

LO Good morning ladies and gentlemen, welcome to the Easyjet conference call. My name is Louise; I'll be the coordinator for today's conference. For the duration of the call you will be on listen only. However, at the end of the call you'll have the opportunity to ask questions. If at any time you need assistance please press star zero on your telephone keypad and you'll be connected to an operator. I'm now handing you over to Carolyn McCall to begin.

CM Good morning everyone, welcome to the call for our first call to IMS. With me is Chris Kennedy, CFO, and Rachel Tenselton [?] head of our IR. You will have seen from the statement we published this morning, I'll just go through a few of the key points and then we can go straight to Q & A.

Firstly Easyjet has a closed strategy to grow our position across Europe and despite the disruption, more of which later, we grew seats flown by 7.7% and passengers by 8.8% with an increase in load factor. Unit revenues were flat year on year on a reported basis and up by 0.3% on a constant currency basis. We've seen good growth in unit revenues in the UK but naturally saw some decline in mainland Europe as we significantly increased capacity there by 20%. Now nearly 60% of Easyjet passengers originate outside the UK. Passenger revenue grew by 7.7% per seat to £37.85. However, ancillaries were disappointing, impacted by decline in checked bag revenue and the continuing impact from one off regulatory factors such as the change to opt in from opt out insurance. Costs were in line with expectations and declined by 2.9% per seat ex fuel. Now, obviously disruption has an enormous impact in the period. ATC strike actions cost £6 million and

snow cost £18 million. Additionally we lost £7 million contribution, mainly from the snow. So in total the impact was £31 million as we cancelled around 3,300 sectors. We also saw a definite slow down in bookings during the month of snow disruption. We are working to recover a significant portion of the cost of destruction to increase revenue and cost reduction initiative. OTP performance improved, particularly first wave. Obviously this was impacted in December because of all the severe disruption. Warwick Brady, our new ops director, is focused on continuously improving our OTP by implementing best processes and much clearer operational structures on bases.

We have made some good progress towards the implementation of the strategy plan we outlined to you in November, with a dedicated program management office and the right project management skills to execute the plan. In addition I'm really pleased that we have recruited Peter Duffy as our marketing director. This is a key role going forward, focused on developing the brand in Europe and increasing the demand for all our excellent products. In terms of outlook fuel at circa \$850 a metric ton is challenging. As we highlighted the price of fuel in our full year results and the impact of snow on booking patterns means that Q2 unit revenues are slightly below our previous expectations, albeit, so far Q3 is on plan and above Q2 levels. On the assumption that we recover a significant portion of the cost of disruption as the remainder of the year, as we've said, and excluding the additional cost of fuel, our full year expectations remain unchanged. So now over to you for some questions and I'll hand back to the operator.

LO Thank you. Ladies and gentlemen if you'd like to ask a question please press seven on your telephone key pad. If you change your mind and wish to withdraw your question please press seven again. You'll be advised when to ask your question. Our first question comes from the line of Edward Stanford from Oriol. Please go ahead.

PS Good morning, I wonder if you could just touch on this; you mentioned you were going to review your baggage policy in the light of what's happening, perhaps if you could just amplify a little bit on that. And also could you give a little bit more flavour of what initiatives you're looking at to recover the lost snow and ATC disruption. Is it simply a matter of putting prices up and what other initiatives are you doing?

CM Let me take that and I'll bring Chris in for the recouping of the costs of disruption. On bags, actually this has been a looming issue over the last two years. It's actually not just an issue for Easyjet, I think it's a trend across all the low fare airlines, and what's actually happening is people are trying to take on far more hand baggage, cut the baggage, so as not to put a bag in the hold, check a bag in. So actually we are not just starting the action now, over the last quarter what we've been doing is we've been doing a large amount of research on consumer behaviour and there are particular markets that are affected, Spain and Italy are the two that are really affected by this. And we are running a trial in Milan in addition to the research on the behaviour. In Milan the trial is about allowing people to bring in two smaller hand bags to put into the cabin, and being very, very strict about that policy. So as long as those two smaller bags fit into the gauge we're trialling whether that will have an effect; by being very, very strict at the gate about no other bags being allowed on board and therefore encouraging people to check in bags

other than that. So we're looking at the research at the end of this month, that was actually delayed because of the snow disruption, we couldn't interview the people in each market. We will have a new bag policy in February which will take into account consumer behaviour, what people are actually doing, price sensitivity where we look at the pricing on all our bags, including price variants, and we'll announce a new bag policy. On recouping of the cost I'm going to hand over to Chris.

CK Yes, on the cost – well on disruption we're going after both revenue and cost to mitigate that. We've got quite a long list of initiatives that we're going after. To give you a flavour, for instance on the revenue side what we will do is we're going to have three new lines of flying in the summer, in order to recoup some of that capacity loss. So that will give us additional revenue and on the cost side there are a couple of maintenance programs that are performing better than we had expected and we're going to see some upside on those. So that's just to give you a flavour of two of the initiatives.

PS Sorry, I didn't quite catch the first one, did you say three new lines of flying?

CS Yes.

PS Thank you.

LO Thank you. Our next question today comes from the line of Gerard Kassel from UBS, please go ahead.

GK Good morning. Two question please. One, in terms of your hedging on fuel, certainly for your September 2011 number it's stayed flat at the 79% mark. Can you just comment and reaffirm your hedging policy? Also, potentially, that rate didn't move up during the course of the quarter. Clearly your currency hedging has gone up. Secondly, just in terms of the general pricing environment, if you could make some comments on that in terms of outlook for pricing as well as how your selling is going and your push towards much more of a mix towards business travellers, how some of those initiatives are coming along, please?

CK On the hedging for the forthcoming 12 months we hold between 50% and 70%. On the fuel we were very well hedged, we were at the top end of our hedging rate with our fuel and frankly through the quarter we didn't see attractive opportunities for further hedging. The spread on the forwards was too high. That spread's narrowing now and we're going to re-look at it certainly for the FY12 to increase our hedging on that side. On currency, again, we're within policy, we're within the range, and we took the opportunity as the dollar weakened to top up some of the hedges where normal trading was in the range of the hedges.

CM On the business traveller proposition we have flexi fares now rolling out a bit further, we're very, very pleased with the initial results of that, we've seen a definite improvement on flexi fares, actually slightly above where we had targeted. We are in the process of recruiting the very small sales team that I described in [unclear] France and the

UK that we've got somebody in the UK now selling direct to businesses. So we're making good progress. We've also put in a number of routes which are predominantly business routes. So as we said in our full year some of the extra capacity is on business routes. You will see from Geneva, for instance, from Charles de Gaulle and Orly we are actually increasing both frequency of routes from business destinations and also we've put in some new routes to capture domestics on that.

LO Thank you. Your next question today comes from the line of Neal Glen from Credit Suisse. Please go ahead.

NG Good morning guys. Just two questions from me. The first one is a revisit of your comments on pricing. I'm just interested in terms of what your feeling is or what you're seeing with regard to your peers and indeed your own actions in terms of striving to raise pricing with a view to absorbing the higher fuel price? Are you seeing much evidence of that at this stage and how hopeful are you that the pricing level can actually rise over the summer, is this what you're seeing now? Then secondly just to touch on the capacity development side and if you have any expectations in terms of how competitive capacity should move through the summer at higher fuel levels. Also, clearly, it may prompt some own thoughts regarding your own capacity level at these higher fuel prices, if not for this summer perhaps into FY12. I'd be interested in your thoughts on that please.

CM I'll start with pricing. I think all airlines have commented that the rising cost of fuel but also APT; APT in the UK went up in November by £1 a passenger, in Germany it will go up €8 per passenger shortfall as of April. I think those two things will inevitably mean that prices will go up but I think at the moment we're not seeing that, we're not seeing that being passed on. For obvious reasons, given our competitive position we will wait and see how this is going before we pass this on in terms of ticket prices. But I think that it is inevitable that prices will go up so I think that will happen.

CK And, Neal, on the capacity side we don't have any perspective view of the summer capacity for competitors and we certainly don't have a view on how the competitors will react on capacity for fuel price. But I guess what we can say is that forward bookings for that period are slightly ahead of where we'd expect to be and slightly ahead of last year. At the moment we see no reason to think the yield will be any different.

NG Just a follow up on that on the capacity side, can you give us a bit of insight in terms of how your decision making process may develop in terms of if fuel were to rise from here, for example? How willing would you be to address your own capacity levels over the medium term?

CK I think our central planning assumption is that we're well positioned as fuel prices rise because we're not at the bottom end so we're not losing as much discretionary travel as lower priced competitors. And because of our cost base we're better off, in a better position to absorb the price rise, so that will give us competitive advantages against

negatives. So we actually think that rising fuel prices are an opportunity for us rather than a threat.

CM And when you look at it even in the first quarter our growth, every single one of our markets, in our main market in Europe, mainland Europe, we put in significant capacity in Q1. We have shown growth, passenger growth in every single one of our markets. So we think this is a very strong fence for us and we believe, as Chris said, it's an opportunity to take more share, profitable share in mainland Europe.

NG Great, thank you for your comments.

LO Thank you. Your next question today comes from the line of Peter Hyde from Lebrun Capital, please go ahead.

PH Good morning. I just wonder if you could come back to two or three things. Firstly, on the business route, as you morph your frequency towards business routes can I confirm that; are they short sector length and have you got any feeling whether the sector length of the whole network over the next year or two might kind of come in a bit because of that? Secondly I just wonder on the new lines of flying whether you could just explain that a bit more because obviously you kind of wonder whether it's margin dilutive or yield dilutive or what exactly you're talking about when you talk about three new lines of flying? And then finally just coming all the way back right to the here and now, I don't know whether you can give us any better quantification sense but I think you sort of talked about the fact that yields were up in the UK and down in Continental Europe. I just wondered if you were willing to go a bit further in terms of either describing or better still quantifying by how much in each market. Well, UK versus Continental Europe.

CM On sector length, Peter, you're absolutely right to say that our sector length is not growing and it's not intended to grow. It will probably remain flat over the next couple of years and that is a direct result of our increase in frequency and depth in our possible routes and getting them more profitable over time. I'm going to ask Chris to come in on the new lines that you mentioned.

CK Yes, Peter, in plain English, we've had three HP19s coming off lease in May, so they were going to go out of the fleet, we've extended those leases for a couple of years, that gives us additional capacity over the summer to regain the seats. We did that having done a bottom up review of where we might deploy those assets so we're absolutely certain it's not yield by leases because we've got a very clear idea where we're going to put them and have profitable loads routes albeit [unclear].

PH And sorry to push you slightly on that, is it more leisure orientated or business orientated?

CK They announcements we did over the summer is leisure. Two will go into Gatwick on the leisure route.

CM Your first question was a quantification of...?

PH Well, I was just wondering, I suppose the bottom line is how dilutive do you think adding kind of large dollops of capacity to Continental Europe has been; I suppose is the real question.

CK Two things, Peter, one thing is Europe is more profitable than UK or has been since [unclear] got there. So as a general rule the more we deploy in Europe the higher the returns will be. What we've put in in Q1 in terms of ticket revenue has actually been going on plan so we know that there is a short term dilution when you increase capacity on route and you increase frequency. And we know then that it recovers with time as we drive out competition from that route. So it is on plan and the yield dilution is where we would expect it, which is where we've increased frequencies.

CM And then you asked us to go into more detail on yield, which we actually don't disclose because it's [unclear] information. [Overtalk] for a lot of that information, as you would know.

PH Thanks.

LO Thank you. Your next question comes from the line of Samantha Glebe [?] from Bank of America Merrill Lynch, please go ahead.

SG Thank you and good morning. Two quick questions, just coming back to your comments on unit revenues for Q2, revenue is slightly below the Q3 on plan. Can you just remind us of how much visibility you'd have of forward lookings for the third quarter at this time of year? And secondly, just for the purposes of our modelling, that 18 million severe weather cost, you've given us the lost contribution, I assume there will be variable cost saving as well. Can you maybe just break down the 18 million any more? Thanks very much.

CK The 18 million is the direct cost of disruption and the overwhelming majority of that is customer compensation. Within that you've also got the [unclear] and some brand handling costs. But it's overwhelming customer comp. We've conditional core [unclear] as well, in there. So that's on the 18. Your other question was around visibility forward looking. Specifically at this time of year we will see 10% to 15% seats sold. As I said earlier we're slightly ahead of last year on seats sold but right now it's limited visibility, we get the clear view in May which is when we can give you the clear guidance on the summer.

SG Thank you.

LO Thank you. Your next question today comes from the line of Andrew Light from Citi, please go ahead.

AL Hi there, good morning, a couple of questions. First of all, on the baggage issue, do you think this is just a kind of technical pricing issue that's readily fixable or is there more, and is there an underlying issue about higher baggage fees that's really driving people towards the higher cost airlines, bag carriers? Is there a real worry of that? And secondly on the disruption cost, how much are you factoring in for the rest of the first half, in your 140 to 160.

CM Sorry, you just broke up for a minute. Second question again please.

AL In your guidance for the first half for minus 140 to 160 roughly how much extra disruption costs are you kind of building into that?

CM Okay. Just on the baggage issue I think what's happened is that – the first thing to say is that customers are really smart so they kind of work their way around the system, and the system is fairly well established now on bags. The second thing to say is that Easyjet is not highly priced in terms of baggage compared to its competition. It's actually that we charge the lowest in terms of checked in bag charge. I will be in a much better position to answer this in terms of consumer behaviour when we have all the research in but I think there are just issues in terms of the fact that we haven't done very much multi variant pricing. We charge the same roughly; we actually do charge the same for bags being checked in whether you're going on a one hour flight or a six hour flight. Now we've just changed that, we've actually increased the bag charges if you go on a medium sector flight, [unclear] or whatever. That just seems logical. I think we are testing and trialling as I said. I think this is an issue which is due to behaviour and pricing. I don't think this is about passengers not checking bags into the hold long term because if we actually make it sensible and rational and fair I don't think we will have resistance. I think if it seems to be unfair or a rip off or not really meeting the needs of consumers; we're here really to make people's travelling lives easier not to complicate them. That's what we want to do. I we can do that through our bag policy then I think we will get somewhere and it will be successful. So that's what our aim is and we'll tell you more about that in Q2.

Second question was? About disruption, wasn't it, about what we planned in? Your question was just, so that we get it right, is that have we [unclear] in anything, have we forecast disruption going forward?

CK The one this is it excludes any significant disruption so we're just assuming what we call a normal level of disruption.

AL It's about 15 million a year I think you said at your last meeting.

CK Yes.

AL And on the ATC side, I'm not the expert, but do you see the issues as being resolved around Europe or is it just an ongoing problem?

CM I think what we've been doing proactively is we've been seeing the governments of particularly the countries affected, and that would particularly be France and Spain. Our forecast would be that this will continue but we are getting very reassuring signals from Spain so when I met with the minister of transport there they seem very confident that the worst is behind them. They don't expect strikes for the summer. That's not necessarily what we will be planning our operation on; we won't be planning our operation around that statement though it was reassuring to hear that from Spain. I mean, our estimation is that it is not highly likely, as you know quarter one has been plagued by it, but it is reassuring to hear that the Spanish government took very strong action and they believe that that action is going to work long term.

AL Thank you very much.

LO Thank you. Your next question today comes from the line of Jeff van Klaveren [?] from Deutsche Bank. Please go ahead.

JK Good morning. Could you just clarify the seat capacity going through H1, H2, just talking about extra lines of flying? And just secondly are you on track for pilot recruitment for the summer?

CM We are on track for pilot recruitment for the summer, most definitely, and for crew recruitment for the summer. Actually for the first time ever we ran the August rosters through in December and so we know exactly what we have to do in terms of recruitment and training in order to fulfil those roster requirements in August. Which, as you know, is our single busiest month. So yes, things are on track in terms of recruitment and training.

CK And, Jeff, in terms of the additional capacity, it works out at 1.4% additional capacity for H2, which works out at just under 1% for the full year, .8% for the full year.

JK So can you just be clear, for H2 you're saying you were saying 14% growth before, you're now saying 15% in absolute terms?

CM For H2 we're now saying 11.7% set grow for the [inaudible].

JK Thank you.

LO Thank you. Your next question today comes from the line of Jonathan Roper [?] from SG. Please go ahead.

JR Thanks very much. First of all, just because I couldn't quite hear the answer to that last question if you could just repeat and say again what's the seat capacity growth for H1 and H2 please?

CK In H1 it's 11.4% reported and then H2 11.7%. H2, excluding the impact of the volcano would be 7.8% growth, that's with the additional lines flying in.

JR Thank you. And then the second; well two more questions really to your outlook actually. You say in the statement that the first half revenues, sorry, unit revenues will be down a couple of percentage points. Just to be absolutely clear, they were flat in the first quarter so that means down 4% in the second quarter, is that right?

CK Yes.

JR And what's really the main element driving that? Bag weakness or is it lower load factors or is it underlying ticket prices going down.

CK its continuing bag weakness and it's the impact, principally in January and February, on bookings when the snow was disrupting. So we saw a fall off in the level of bookings when the snow was falling and that affected January and February. In March we're seeing an upward trend and we actually had a very good January sale which has really underpinned capacity and yield for March onward.

JR Okay, so the lower bookings will kind of relate to lower load factors in those months.

CK Yes.

JR And then the final question is just where you say your full year expectations remain broadly unchanged, is that overall including your profitability expectations remain broadly unchanged? I know you don't give profit guidance at this stage but is that what you're saying?

CM Yes, we're saying excluding the rising cost of fuel our expectations remain broadly unchanged because we are working towards and we have a plan to recruit a significant portion of the snow and ACT disruption that we experienced in quarter one. So it includes the cost disruption that we've experienced in quarter one but it excludes the rising cost of fuel.

JR Okay, but I think current consensus is around 250 or so million pre tax. Again, I know you don't give guidance on pre tax at this stage but is there any reason to be uncomfortable with that number?

CM Well, Jonathan, 250 if I look through people's models it seems to be accredited on a \$75 a barrel fuel price. Clearly the current fuel price is much higher than that so if people's assumption is the current price of fuel continues to the end of the year then we would have 30% of this year's fuel unhedged. People will kind of need to adjust [inaudible] new presentations and myself and Chris will engage with you afterwards if it's helpful.

JR That's fine, thank you.

CM We've clearly highlighted fuel in our hedging policy for the full year and all of our outlook is based on not the price of fuel that we have at the moment. As with every other airline, I mean every other airline is going to be affected by it.

JR Sure, that's fine, thank you very much.

LO Thank you. Your next question today comes from the line of Douglas McNeill from Charles Stanley, please go ahead.

CS Good morning. You say in the statement that on time performance is in line with your targets in October and November. Could you just clarify for us what that target was please? And then secondly I note the disclosure in the annual report that there's been something of a collapse in employee satisfaction levels, has that been followed by higher attrition rates in the quarter?

CM Right, on OTP we are counting on average for the year a minimum OTP of 70%. So the range internally that we're driving people to is 70% to 75%, and 70% is the kind of minimum on average [unclear]. And we exceeded that in October and November. It was December that dragged down the overall, of course, on OTP, because actually we had 30 consecutive days when at least one of the airports we operated out of was closed. In fact this morning Basle was closed. That's the affect of disruption on OTP for December. So we still managed a 65% average for October, November, December, in the first quarter and that is a definite improving trend. Your question about morale, when I came in in July actually I did say in my first IMS statement to all of you that I had seen that morale was at what I would say was a very low ebb. And that was a high note of the summer really. I have worked very hard towards going out and listening to people and I've been in every single base now except probably Glasgow because the snow got in the way. All of my team at A&B level have been doing the same and we will continue to work on what we can do in order to improve the communication and engagement of people in the business. I have to say you don't experience that on board experience at all. Our crew are incredibly professional as are our flight crew, our captains are exceptional. So I think this is an issue that we have to address internally because we want our people to feel recognised and valued for a job very well done.

DM And the attrition rate in the quarter then, any change there?

CM I haven't got the exact figure for the quarter because it will vary depending on the community. So actually the captain population will be very stable and there will not be a lot of term there, where we will have had the churn will have been in FOs, but I haven't got the exact stats to hand because we will do those on a confidential kind of basis, on a quarterly basis at the A&B, but I haven't got those stats at the moment.

DM Thank you very much.

LO Thank you. Your next question comes from the line of David Findson from BarCap, please go ahead.

DF Good morning everyone. Just a quick question just to pick up on the bookings impact from the weather. You said January and February impact, is it fair to say that during the storms that was hitting your advance bookings and then people would come back to those holidays in terms of booking. Could you give some colour on how the weather impacted the closer end bookings and maybe how it's trended over the last few weeks as the weather has normalised, so to speak? And if you think there's any chance that people will come back and revisit those holidays later in the quarter.

CM Yes, I think you're accurate in that there was no question that in the worst snow days we saw a fall off in forward bookings for January and February. So we saw a direct correlation with the severe weather and our booking system. That's the first thing. The second thing is because of that very serious and severe disruption in December a lot of family holidays were affected and so they were rebooking within that week, that was a very, very busy week. And some of them would not have been able to necessarily do that. So there was an effect there on December. I think there is no question that as the weather this month has normalised there are positive signs for March and onwards, both in terms of volume and in terms of yield [inaudible]. So I think your take on that seems to be materialised.

DF So it's really that you have to wait a few months to kind of come back to it. What about as you shift more towards a more business oriented approach or business travel oriented approach? Are you starting to see any change in your booking curve that's noticeable from maybe higher revenue on business traveller bookings closer end? Just any update there.

CM I think this will be a slow burn. I think the sector fares are a very positive trend. It is a very small trial because we expect our bookings to fill, we want to be very careful how we roll it out, and we don't want to take any risks that are unnecessary. So I think it's too soon to say that for this financial year; it will be something that rolls out this year into next year, we should start seeing some real benefits of that.

DF That's helpful, thanks.

LO Thank you. Your next question is from the line of Andrew Light at Citi. Please go ahead.

AL Yes, good morning. Just on the cost, your previous guidance, I think for the full year, was unit cost a seat excluding fuel and disruption, minus 4%, and it came in at minus 2% for the quarter. Is the minus four in fact still for the year or for the first half?

CK Yes, minus four providing we pull back all the disruption costs it's still there. The 2.9% in the quarter is just the impact of lower capacity; there were fewer seats [unclear] over. So we're on plan on our costs.

AL Is that minus four for the full year or just the first half?

CK It's for the full year. As I said, it depends how much of the disruption costs we get back through cost reduction versus revenue increase, and will affect cost.

AL Thanks very much.

LO Thank you. Your next question today comes from the line of Paul Butler from McQuarry. Please go ahead.

PB Just a clarification, good morning, if you could give us a bit more detail on business travellers. You said that the yield that you're getting through your flexible tickets has been better than you expected and I was just wondering whether you might quantify a little bit more what you're seeing there.

CM I can't do that right now. We'll give you some more visibility on that perhaps in the first half; we'll talk to you much more about the trial. We've literally run this trial for, how long, two months? It's early days but as I said we believe the business proposition is a strong one. We believe we can increase the 19%, 20% of share we already have, our passengers, we can get more business passengers for sure and we can get better yields out of them. So I think we should rather wait and talk to you about that properly rather than give you sound bites about what we think is happening now.

PB Okay, I'll look forward to that then, thank you.

LO Thank you. Just a reminder ladies and gentlemen, if you would like to ask a question please press seven on your telephone key pad. We now have a question from the line of Andrew Lautenberg [?] from RBS. Please go ahead.

AL Hi there, two questions please. The first one is on I guess your preparations for the summer and your operational performance. It's impossible to make meaningful judgement about how robust you're making the operational platform off the basis of the chaotic quarter we've just had but how confident are you that you're in shape to have a really operationally robust summer. And then my second question would be around the UK government's thinking on air passenger duty on aviation taxation. From looking in the press it looks as though the move to a per plane tax, which is something you guys lobbied hard for, looks to be dwindling a bit and there appears to be talk of raising air passenger duty in the South East UK relative to the regions. What's your thinking on that, how likely do you think that is to play out? What's your position on UK aviation taxation?

CM Okay, let's take the one that is really absolutely critical for us, which is the preparation for summer, Andrew. We actually say, yes, it's has been a very disrupted quarter, as you say, the worst weather in 100 years, and all of that. However our way of managing that has become far more efficient and far more controlled. So we have been alerting passengers by text, we have been emailing, our website has been extremely

informative, as you would expect, but actually we've gone beyond what we ever do in terms of information factors, by airport. So we actually have reduced the cost of disruption by just managing it better, by something like 10%. I think even though it was chaotic and hard as hell what really what was going on operationally, actually for us it was very easy to tell that we were managing it better and far more efficiently and we've been very passenger focused about it but actually we were saving costs by doing it well. I think that's quite a good preparation because we had local business development teams, we had a central business development team, we were on the phone three times a day seven times a week all the way through that 30 days of disruption. As you know, Andrew, we have a daily ops meeting and we call meetings on Saturday and Sunday if we're having any kind of issue at all operationally. So I think we are more robust operationally, I think Warwick has got to grips, after three months, of what the real causes are. The rostering issues, as we said to you before we're looking to solve it really for 2012, and we cannot fix long term rostering issues in terms of how much more flexibility we can get into the UK rosters, for instance, for this summer. What we can do is get more people to voluntarily go on flexible rosters for the summer, which we are doing. We're recruiting, we're training, as I said earlier in the call, we know what the numbers are that we need; we're on track to achieving those. We are putting in a very clear base structure which we will be announcing in February where there will be very clear based leadership who will call the shots on the day there is air traffic control action, for instance. And so I think that you will see a step change in terms of our passenger focus through the summer, or actually all the time, and our operational focus all the way through summer. So that's what I can say in terms of preparation for summer. Is there anything else you want to ask about that?

AL No, that sounds good, thank you.

CM Then on UK APT, I was at a lecture that Nick [unclear] gave about a month ago where actually he didn't mean to talk about APT at all because it was about his vision for Britain and he actually mentioned that paying tax was an important part of the coalition government's manifesto and agreement. So I'm still looking to the government to deliver on that promise because I think it is the right thing for Britain because it is a better tax environmentally. They can't talk about the environment and then do absolutely nothing on aviation when they know that a per plane tax is the best ecologically for the country and it's a fairer tax on passengers. So we will keep pushing for that, I asked him about that again the other night. The environment does seem to have slipped off this government's agenda actually and I think that that is something we will try and do something about. I think it would be absolutely horrendous if they approved it again. I think the UK APT £1 has not been helpful to passengers. And if they try and do something in the South East plus anywhere else I think that given how much pain the middle classes are feeling financially, virtually every single thing government has done has hit the middle classes, I think that really would be quite difficult. So we will do our best to lobby against anything in London South East [unclear] country.

AL Thank you.

LO Thank you. Your final question today comes from the line of Andrew Evans from Namoura. Please go ahead.

AE Morning. Just coming back to the check bag fee, do you have any idea of what percentage of passengers actually check in bags, how that's trended over time given that those fees have been going up? And then what kind of structural differences you see across the network, say for example the percentage rate you have in the UK versus Spain or Italy.

CM Just under 60% of all our passengers across the network check in their bags. As I said where they do that least is Spain and Italy. What was the other question?

AE How that's been trended over time.

CM The trends are downwards, so actually across all airlines, low fares airlines across the market I think it's something like 30%. And we have to check that figure and come back to you, but I think it is 30% down over a period in terms of checked bags in.

AE In terms of the UK and Spain is there a huge gap?

CM Spain and Italy are the two markets where we've really got to take some radical action, they are the two markets that are disproportionately affecting that figure on bag revenue that we gave you.

AE Perfect, thanks very much.

LO Caroline, that was your last question so if I could hand back to you to wrap up today's call.

CM Thanks very much. Thank you all very much for your interest, it's been a tough quarter but we're pleased with progress we've made, we've done a huge amount of hard work, putting in some really good work to ensure the success and the continued success of Easyjet going forward. Thanks very much indeed.