

Cutting Costs is vital - but don't forget the quality

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Peter Dunkin was Etihad's first UK general manager and worked for British Airways (BA) for 17 years. He talks to ABTN about the current cost culture at BA headquarters and why a strike would be disastrous.

"The British Airways cabin crew strike must not happen", said aviation advisor Peter Dunkin.



"When lawyers are appointed to resolve issues between a company and its employees, it is a sure sign of a mutual loss of trust and confidence. In this season of reconciliation and new year resolutions, let us hope that those involved in the BA dispute can replace hostility with humility and negotiate an agreement. If the airline is to survive, macho or militant behaviour is not the answer, but rather common sense negotiation.

Peter Dunkin

"A strike would be suicidal. BA's foreign competitors are hovering like vultures hoping, no doubt, for the demise of our principal flag carrier. Lufthansa-owned bmi has been running an advert since early November with the strapline: 'BA may soon be grounded. You needn't be.' It appears that all is fair in love and war.

"It is vital for the cabin crew to agree more competitive working practices and remuneration. They must surely understand that the industry is on its knees, and the UK is in deep recession.

"However, BA should also view its people as its most important asset. If the vision of the airline is to be a high quality full service airline and charge a premium, then well trained and professional crew are an integral part of the proposition.

"Apart from service delivery and being the face the brand, they have a vital responsibility for safety and security, often taken for granted. It is useful to make comparisons with cabin crew packages at Ryanair and Virgin, but the media should also compare with BA's full service rivals Lufthansa and Air France. Virgin is quoted as paying £15k and the low cost airlines even less. Are cheap cabin crew the answer?

"Should BA be prepared to say: 'We are proud of the fact that our cabin crew are paid well. They are better trained, more professional, and deliver better service than our rivals. And this is a service that's worth paying more for.'

"Let me tell you a true story. In the early 80s, Delta Air Lines, the first airline I worked for, faced serious financial difficulty. The staff of the airline came up with a voluntary initiative to reduce their own pay. Over 85% of employees gave up to 5% of their salary back to the airline.

"The gesture was marked a year later by a ceremony where the staff presented the airline with its first new B767 as a gift wrapped in a very large ribbon. This was not a management led initiative, but was the idea of the airline's cabin crew. If employees are treated with honesty, respect and empowerment, there are no limits to what they will do for the organisation.

"Cost reduction is vital. It has been the key focus of Willie Walsh and his predecessor Rod Eddington. However, an excessive focus on costs can lead to a fall in quality, which in turn means reduced revenue - in other words a false economy.

"Reduced costs are easy to measure and demonstrate to shareholders. Cutting the right costs and measuring the effect of cuts on the quality of your people and service, requires more skill.

"At this year's BA AGM, an unhappy staff member accused the Board of knowing the cost of everything and the value of nothing.

"This time last year, a third of the senior management team left under a generous voluntary redundancy scheme. Virtually anyone who put their hand up was allowed to leave. The risk of this strategy is you will lose some of your very best managers and leaders.

"Strong and bold leadership is now vital, not just from the CEO, but from the management team who remain. The airline must conclude its major staff cuts.

Only then will it be able to rebuild staff morale, confidence and productivity.

"It is good for Britain and the Aviation industry to have a strong BA and we should wish them well in their troubled times."

Peter Dunkin is an aviation advisor and executive coach.