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## **BA sees blue sky as pilots swap shares for pay cuts**

British Airways pilots will accept shares worth £13 million as part of a deal to save the airline £26 million a year

*Tom Bawden*

British Airways pilots have agreed to take a bet on the prosperity of their company by accepting shares worth £13 million as part of a deal to save the airline £26 million a year.

The arrangement is part of a draft agreement with BA's 3,235 pilots for a package of wage cuts and productivity gains. The shares will not be granted until June 1, 2011, and cannot be sold for a minimum of three years after their allocation. The number that each pilot receives will depend on the stock's price when they are granted.

BA's shares have fallen by more than two thirds in the past 2½ years, as rising fuel bills and declining demand for first-class and business seats has badly hit the bottom line. They fell by a further 4.6p, or 3.3 per cent, to 132p yesterday.

Andrew Fitchie, an analyst for Collins Stewart, has a price target of 214p on the shares, meaning that by the time the pilots are granted their allocation, they could have missed out on some of the potential to make a profit on them.

However, the British Airline Pilots Association (Balpa) said that it was pleased with the deal that it had struck and acknowledged that drastic measures had to be taken.

Jim McAuslan, the union's general secretary, said: "We have been doing some intensive research and polling over the last two months. Our research indicates that BA is facing a real business challenge and this is not the case of the employer crying wolf. We have always said that as a union we would share the pain if our members shared in the gain".

About £16 million of the annual savings will come from wage reductions, with the other £10 million resulting from pilots working longer hours and changing shift patterns.

The changes amount to a 2.61 per cent cut in the pilots' average basic pay, which is thought to average about £80,000 a year, and a 20 per cent reduction in flying time allowances" — an additional payment received by pilots for every hour in the air. In return, BA's pilots, who earn an average total of £107,600 when bonuses and allowances are added to their basic salary, will be granted £13 million worth of shares on June 1, 2011.

The £26 million in cost savings equates to £8,037 per pilot, while the share allocation amounts to £4,018.

The deal will put pressure on the airline's 15,000 cabin crew to reach a cost-cutting agreement of their own. They are in discussions with BA after the airline told them that it was looking to cut 2,000 of their jobs in the scramble to save money.

A spokesman for Unite, the trade union representing the cabin crew, said yesterday that talks were continuing.

A BA spokesman said: “We are pleased that we have reached an agreement with Balpa and that it will recommend proposals to its pilot members in a forthcoming ballot.”