

**Name:** Ian Livingston  
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### **Interview with Ian Livingston**

#### **Geoff Cutmore**

Moving on, BT Group: a big story here in the UK and around the world. The group is saying they will cut 15,000 jobs through this year. That's about 10% of the current workforce. In addition, there'll be another 15,000 to cut next year. Those cuts come as the telecoms giant aims to reduce operating costs by £1bn. Let's get to Ian Livingston. He is the CEO of BT. Ian, welcome back to the programme. Look, you flagged up the charge that you were going to take I think last quarter when we spoke with you. Can you just talk us through what further write-down might be expected out of the Global Services business and other parts of the operation?

#### **Ian Livingston**

Well, we've announced today a write-down of around about £1.6bn, which is something very much we flagged. We said over the course of the next two years combined we'd have a further write-down for restructuring about £400m. That should be – basically, I think that should be the main part of what we need to do to get the business on the right footing and take it forward from here.

#### **Geoff Cutmore**

What is underlying trading like within Global Services right now?

#### **Ian Livingston**

Well, actually, in many ways, it's quite strong. We had over £8bn worth of new orders in the course of the last year. Last quarter was strong; the pipeline looks quite good, albeit it's taking more time to actually finalise orders, I think because of the recession. What we're doing in Global Services is already we service the customers well. We just recently won one of the major customer satisfaction awards. We're the highest ever scorer for any telco. Going forward, however, we have to service the customers even better, but do that more efficiently and more effectively. That's what a lot of the write-downs for restructuring are all about.

#### **Geoff Cutmore**

Is there a prospect of a reset of demand given that this is a business that is dependant on global companies buying or up-scaling their IT and communications operations? Through this period of difficult economic headwinds, how easy is it to make progress, to expand either your market share or grow?

#### **Ian Livingston**

Well, I think obviously times are going to be tougher. Some customers don't exist any longer, regretfully. However, customers need networks, and also, they're increasingly looking for the sort of cost savings that BT can bring. If a CIO wants double-digit cost savings, he wants them quickly in running their network and doing it more effectively, efficiently, scaleably, and also for things like conferencing, then they are coming and talking to us. For instance, our conferencing business has doubled its sales last year. A bit of that was due to acquisitions, but we're the world's leading provider of video conferencing services, and that's become very much more popular as you see, as people can try and cut costs because they don't want to travel so much, so they take those services instead. There's some pros and cons, but we think that, as a global business, providing global services to global customers, that doesn't go away just because we're in the middle of a recession.

#### **Martin Baccardax**

Ian, you clearly have a tricky balancing act with respect to keeping equity shareholders happy. You're maintaining some form of dividend even though it's reduced and cash flow is improving probably not as quickly as you would like. How is this impacting your capital market access? I ask because I see flashes this morning of a £600m bridge loan, and I'm just wondering if you can give us a steer of what kind of capital costs you're having to face as a Triple-B?

**Ian Livingston**

Well, we actually borrowed between June last year and the previous June £4.8bn. We actually did see that things were going to get potentially a little bit tricky, and we've actually borrowed about £500m over the last few months; we did some refinancing. We actually don't have a capital markets requirement until the beginning of calendar 2011, so we're in pretty good shape, actually. Even then, it's not a huge requirement. Now, we might go into the markets, and the markets are certainly open to us to pre-fund some of that, but we're in a pretty good shape. Obviously, as a Triple-B, you pay a bit more than if you were a higher credit rating. On the other hand, we've got good cash flows. We've announced today that we expect next year the cash flow before our pension payments to be in excess of £1bn. That actually will allow us to pay the pension, pay the dividend, and actually pay down debt. I would see our debt heading to under £10bn as we go through next maybe 12 or 18 months.

**Rebecca Meehan**

Speaking of pensions, Ian - it's Becky in the studio here - big jump up in your pension contributions to, what, £525m a year. I know you've been going through that review of the pension scheme. What's the deficit now? How difficult is this pension issue becoming for you?

**Ian Livingston**

Well, what we've announced today is what the next three years' payments will be, which is £525m a year for the next three years. That's a jump from £280m a year we paid for the previous three years. We've been through that; that's been agreed with our regulator and it's been agreed with the trustees. We haven't yet announced what the deficit will be because that has to be finalised, and the regulator will want to review that, so we'll announce that at some later stage.

**Geoff Cutmore**

Ian, can we just talk about the other three units before we let you go here? Obviously, we'd love an update on retail, Open Reach, and wholesale. How are they doing?

**Ian Livingston**

Well, the answer is, actually, they're doing very well. We - 4% EBITDA growth in these three divisions combined. Over the last three quarters, we had actually the best results for five years. Retail, for instance, increased its operating profits 19%, had its best market share it's had in broadband for five years. Actually, the costs reduced in these other three divisions in total by more than 10%, a more than 10% reduction overall costs. We're driving profitability that way; we're also putting more investment in our network. Actually, we've got three divisions doing very well, one division obviously we have to turn around, and the aim is that next year we'll have four divisions doing very well.

**Geoff Cutmore**

Good luck running the business through the rest of the year.

**Ian Livingston**

Thank you.

**Geoff Cutmore**

We'll catch up I know on a programme soon. Ian Livingston.

**Ian Livingston**

I'll come into the studio next time.

**Geoff Cutmore**

Well, that will be great. Come and do a guest host spot for us as well; we'd love to have you around for a couple of hours if you've got the time, but I know you're a busy man.

**Ian Livingston**

Love to do that.

**Geoff Cutmore**

The CEO of BT Group, Ian Livingston.

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