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THE MAN WHO SOLD THE SKY

John Leahy helped Airbus push Boeing out of the number one position in plane sales. Can the best salesman in the business keep Europe at the top?

BY TIM HEPHER
PARIS, FEB 8

One warm July evening three years ago, John Leahy set off along London's river Thames in an electric punt. With Leahy, a sharp and energetic New Yorker who has

been Airbus sales chief since 1994, were the company's Middle East president Habib Fekih and Tim Clark, president of Emirates Airlines, one of the fastest-growing airlines in the world.

Dubai-based Emirates was the largest customer for Airbus's A380 superjumbo but

Leahy wanted Clark to confirm his support for the A350, Airbus's bid to compete with Boeing's hot-selling 787 Dreamliner.

The three men inched their boat along a secluded stretch of the river six miles west of Windsor Castle. There were others out enjoying the last few hours of sun. As the

evening wore on, the punt became more difficult to steer and the men narrowly avoided a fracas with members of the local rowing club.

Spirits undimmed, they landed and made their way to the Fat Duck, a restaurant with three Michelin stars whose menu includes such dishes as snail porridge and salmon poached in a liquorice gel. Over dinner Leahy and Clark finally agreed a deal: a contract for dozens of jets worth \$15 billion. The Emirates boss says Airbus's chief operating officer forgot nothing of that evening.

"He remembers everything," says Clark. "When a deal is taking shape John will remember every last facet of it. The deals we do are so complex given the amount of money. It is all about how it is going to be put together."

Leahy, 60, is one of the most prolific salesmen in industrial history -- a relentless chaser who with irreverent wit and the discipline of a politician has amassed a backlog of plane orders worth half a trillion dollars. More than anyone, the American is responsible for lifting Europe's Airbus to the number one slot in global sales.

"HE REALLY MOVES THE METAL. HE IS INDEFATIGABLE."

"He really moves the metal," says Cathay Pacific Chief Executive Tony Tyler. "He is indefatigable. When he smells a deal he will dig in until he has done it but he is also good -- he takes the trouble to understand our business."

At the same time, Leahy -- whose voice can turn to salesman-smooth in an instant -- also represents a flavour of raw capitalism that many Europeans are not by instinct happy to embrace. In France, where Airbus is based, Leahy has little to do with the Parisian elite and is in turn largely ignored by them, which may explain why he has yet to receive such common Gallic honours as the Legion d'Honneur. Apart from his lack of French -- the 200 or so days a year he has spent on the road mean he "hasn't had the time" to learn, he says -- there's also his personality, which can be brash and, well, American. For the past four years, Leahy and other current and former executives have also been under investigation over insider trading allegations concerning delays to the A380, a process which could drag on for years. Leahy and his colleagues all deny any illegal behaviour.



ANOTHER BITE: Airbus CEO Tom Enders (centre) and Virgin's Sir Richard Branson (left) ham it up with Airbus sales chief John Leahy after signing a contract for 60 Airbus A320 jets during the annual Airbus news conference last month. **REUTERS/JEAN PHILIPPE ARLES**

Under Leahy, Airbus has outsold Boeing in eight of the last 10 years, and in 2010 bagged 52 percent of the global market. The 40-year-old company last month sold its 10,000th plane -- almost 9,000 of them on Leahy's watch. The American has travelled millions of miles and will go anywhere for the sniff of a plane sale, says Cathay's Tyler, who once served him a bowl of snake soup to see how far he would go to win a deal. Leahy finished it.

"He's a real survivor," says Sir Richard Branson, founder of Virgin Atlantic and minority owner of Virgin America. "It's very rare in the aircraft manufacturing industry to have somebody who has survived as long as he has, and it's obviously a perilous business."

Now Leahy -- who first made his name some 20 years ago, persuading conservative U.S. airlines to abandon long-time suppliers and try Airbus's fly-by-wire A320 -- has just rolled the dice again, convincing reluctant Airbus bosses to embark on an overhaul of the A320.

The company's best-selling plane will be fitted with new engines that burn 12-15 percent less fuel than the existing engines. Leahy's goal is to spark a stampede of defections from Boeing's 737 and, at a time when airlines face rocketing fuel prices, keep out would-be competitors from places such as Canada and China.

It's a big play. Airbus is gambling that it can reshape a segment of the market that will be worth about \$1.7 trillion over the next 20 years. The move risks upsetting powerful

buyers, particularly leasing companies which have invested in existing models and want to protect their resale value. And industry critics predict the plan could backfire if Boeing decides to leapfrog the A320 with an even bolder redesign of the 737. Over the coming months, and certainly by the end of this year, Leahy and his sales team will know whether his zeal for the A320neo is likely to pay off.

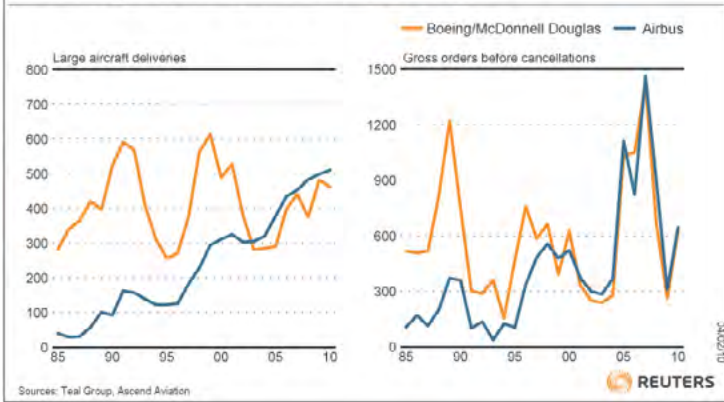
The man himself is confident his latest gamble will work. He denies it's a classic aircraft industry bluff designed to wrong-foot his opponent. "Not at all: this is 110 percent re-engining. It is a natural solution. It is not a feint with Boeing."

CONSTANT MOTION

AFTER A BRIEF NEW Year break, Leahy's functional suite of offices on the edge of Toulouse airport is humming with activity. It's the end of the first Monday sales meeting of 2011 and casually dressed executives are ready for the year ahead. The team has worked flat-out to pull off a surprise win in the annual sales race against Boeing, offloading more than 100 jets between Christmas and New Year. Leahy is already hard at work on another coup: a deal with Indian budget carrier IndiGo that in volume terms would be the world's largest ever plane order.

Rakesh Gangwal, former CEO of US Airways and the founder of IndiGo, is in Toulouse to talk business and Airbus is determined to keep

Boeing and Airbus market share



EADS and Boeing investor returns



PRODUCTION RUN: The Single Aisle A320 line at the Airbus facility in Finkenwerder near Hamburg. **REUTERS/CHRISTIAN CHARISIUS**

him there. In 2005, say two people involved, Gangwal bought 100 Airbus A320s even though Boeing sent in a private jet to entice him to their pitch for the 737. (Boeing declined to comment for this article).

Now Gangwal wants to place another big order. That evening, after a dinner of curry at Leahy's renovated mansion on the outskirts of Toulouse, he and Leahy hammer out a 180-plane provisional deal worth \$16 billion over cigars and whisky.

"John has an uncanny ability to understand what an airline is really looking for," says Gangwal. "If he can find a way to give you what you need, he will do it, but then maybe he will take something off the table which is not as important to you."

Personality counts for a lot in the \$60 billion a year global aircraft industry. Colleagues say Leahy spends his life in constant motion, negotiating endlessly and supported by a team of secretaries working in shifts. A trained pilot and instructor with 3,700 flying hours, Leahy has spent his life in one long battle against time: driving a New York taxi at night

as a student, flying cargo across the Great Lakes while studying for his MBA, sleeping on planes between sales calls and refusing to play the typical schmoozer's sport of golf because, he says, it "takes too much time".

THE DANCE OF THE SEVEN VEILS

IT IS DURING A negotiation's fast-moving and unpredictable end-game that Leahy comes into his own. Plane deals are so complex -- a typical purchase agreement can fill a thick ring-binder -- that they can drag on for months, even years. Leahy's mentor, former Airbus CEO Jean Pierson, used to call the courtship the "dance of the seven veils".

Leahy insists his sales teams travel continually to stay in touch with airline and leasing bosses. The merest whiff of an opportunity is reported back to Toulouse, where a fleet plan is put together and sellers sent to woo the airline. Usually, Boeing, engine makers General Electric and Rolls-Royce, and industry financiers are chasing the

same money.

Once the big companies slip into town to lay siege to the airline, the real hustling begins. To get the best price, the airline plays the offers off against each other until the last possible minute.

In July last year, for instance, the industry's wheeler-dealers flew to Hong Kong to battle for one of the year's most important orders: Cathay Pacific had \$8 billion to spend on mid-size jets. It was a choice between Boeing's 787 Dreamliner and Airbus's A350. Leahy set up base at the Island Shangri-La hotel overlooking Victoria Harbour. Boeing's vice-president for sales Marlin Dailey was a short walk away at the Upper House.

After the usual ping pong of negotiations, Cathay Pacific boss Tyler called for "best and final" offers and told the suppliers: "No second-guessing, put whatever you have on the table."

Leahy was in luck. Cathay had decided to call Boeing in first, leaving the last word to the Airbus sales boss who sipped green tea outside

Tyler's office and rehearsed his final move.

When his turn to pitch came, Leahy unveiled a formula which worked for Cathay but which, according to people on both sides of the discussion, did not simply involve shaving the price. None of the parties will say what the concession was. Such talks can turn on many things -- taking old planes back, offering marketing support or tweaking the complex financial engineering, making the deal feel more affordable upfront for cash-pinched airlines.

"I had to pretend we weren't impressed, but it was a pretty good offer...The reason it worked was that he was able to structure it in a way that it worked for us, which is a great skill," says Tyler.

It took another 12 hours for Cathay to make its decision. Leahy was nervous. "There is a saying in the industry, 'time kills deals,'" says Isabelle Floret, senior vice president for Pacific sales at Airbus, who helped negotiate the deal. "The longer you have to wait, the more chance you give to the other side to come back." Furthermore, Leahy had arranged to leave for the United States to celebrate his 60th birthday the next day.

Finally, at 3 am, six hours before the Airbus sales boss was due to leave, Tyler gave his answer. Airbus had won. Leahy roused the

hotel staff for a 4 am champagne reception, inviting Tyler's team to celebrate his birthday and their new fleet. "To this day, Boeing don't know how they lost that negotiation," Leahy says in a matter-of-fact tone.

THE MAN BOEING LOVES TO HATE

DESPITE PERIODIC PRICE WARS, in a duopoly like Airbus and Boeing's there is rarely much to choose between the two companies even when it comes down to price, airline executives say. Leahy's strength is his ability to think fast on his feet and see the next move from a new angle. He has outlasted seven Boeing sales chiefs -- not to mention five Airbus CEOs -- giving him a level of influence and autonomy that his opponents can only dream of.

He is also a polarising figure, a showman whose baiting of "our friends in Seattle" infuriates many at Boeing. To critics, Leahy rides the coat-tails of European support for the aircraft industry. Officials at Boeing also make no secret of their belief that he instructs his teams to slash prices to win deals. Boeing's weekly sales meeting in Seattle used to kick off with a slide of a cartoon asking "Where's Leahy?" The U.S. company even hired an actor to play him at a sales conference to fire

up his opponents. "John was the guy that at Boeing we loved to hate and we blamed him for a lot of the losses that we experienced against him," former Boeing sales chief Toby Bright told Reuters.

That was especially true after 9/11 when Boeing slashed production by a quarter and laid off over 20,000 workers while Airbus built market share, reducing deliveries by just 7 percent.

The feud now stands at the centre of the world's largest trade dispute -- between the European Union and United States at the World Trade Organisation. Washington argues Airbus can only afford to sell aggressively because of EU subsidies. The EU disputes this, saying a report issued last week proves Boeing gets its own subsidies.

"We frequently used to say Airbus was dumping into the market to keep production rates up. It might have been justified in difficult years, but I think what John was trying to do was to surpass Boeing and become the largest aircraft manufacturer, and they did that," says Bright, Boeing's top airliner salesman between 2002 and 2004, and now marketing chief at Jackson Square Aviation.

Once introduced to visitors by former Airbus boss Pierson as "mon mercenaire (my mercenary)", Leahy insists he does not feel at

HOW A BLOWN ENGINE WON AIRBUS A \$3.5 BILLION DEAL

BY TIM HEPHER

Last November, a Rolls-Royce Trent engine explosion on a Qantas A380 superjumbo sent tremors through the aviation industry. Eight years earlier a blowout on a similar engine virtually handed John Leahy a \$3.5 billion deal.

In 2002, Leahy took an Airbus A340 test plane to Johannesburg for an unprecedented fly-off against a Boeing 777 that would see South African Airways' entire board taken aloft for two trial flights.

The omens were not good. The latest stretched model of the A340 was not yet in service and Airbus only had a drab-looking test plane available for the contest. SAA, a longtime Boeing customer, had decided the Airbus should fly first; behind the scenes there were problems getting the plane ready on time.

Finally, the four-engined A340 took off, wheeling above South Africa's high veldt as Leahy plied his guests with champagne and sales chat. The Airbus exec's sales spiel had been built around the slogan "four engines are better than two," and Leahy emphasised that this

was especially true in hot, high airports like Johannesburg where engines need to work harder.

Boeing argued four engines were twice the trouble.

After the Airbus landed, it was time for Boeing's Toby Bright to transfer the passengers onto his 777 wide-body and take it through its paces. As the Boeing thundered down the runway, though, one of its two Trent 800 engines seized up with a loud bang and take-off was aborted.

"We had to screech to a stop on the runway, taxi back and park beside the A340 and John Leahy was standing there," recalls Bright. "It was the worst experience of my sales life. As soon as I saw the engine had blown I knew we had lost."

The impact was almost lost when a Rolls representative reminded the shaken airline executives that the Airbus plane also had Rolls-Royce Trent engines. "I didn't talk to that guy for another year and a half,"

Leahy says.

Airbus won the contract but the 777 has gone on to outsell the A340 six to one.



FLIGHT TEST: An A340-300 at the the 2009 Paris Air Show. REUTERS/BENOIT TESSIER



AIR RIVAL: Jim McNerney, President and CEO of Boeing, speaks to the press outside the West Wing of the White House last September.

REUTERS/JASON REED

all disloyal to his country's interests. He says Airbus spends over \$10 billion a year in the United States and the planes he sells often have U.S.-built engines and other parts. "I have absolutely no problem as an American working for Airbus. A lot of people have jobs in America because I work for Airbus."

SALES SECRETS

LEAHY MADE HIS MARK by conquering venerable U.S. airlines such as Northwest and United. His secret weapons included "walkaway" clauses or "buy-it-if-you-like-it" deals unlike anything the industry had seen. They allowed Airbus to generate headlines for 50- or 100-plane deals that were in fact based on much smaller initial commitments.

Beginning in 2002, Leahy and his team inflicted further defeats on Boeing by targeting low-cost airlines. EasyJet, Air Berlin and Air Asia all converted to Airbus, which soon overtook Boeing in deliveries. Inside Airbus, Leahy was said to face a revolt from executives who fretted about the pricing being offered. But he convinced them low-cost travel would change the industry.

However, Leahy rejects Boeing's claims that he systematically cut prices to win. His sales philosophy is simple: sell the product first, and find out what is most valuable to the customer. "Nobody buys a car he doesn't want just because the dealer gave him a good discount on it. You try to get a good deal on the car you want. If you really have decided that you want the Porsche you're not going to take the Cadillac -- the same with an airline," Leahy says.

And when Boeing has snared a customer, how does Leahy get back in the game? "If they have really done a deal, I don't," he says. "If they have a legally binding contract we will not intervene. But 'we are going to do a deal with this customer' doesn't mean 'we have a

deal' and that's the point at which you can go in and say 'I'm sorry I screwed up, what did we do wrong?'"

When Leahy loses, though, customers know about it. His old friend Steven Udvar-Hazy, founder of the world's largest aircraft leasing company, International Lease Finance Corp, and Leahy's biggest customer over the years, remembers buying up to 100 Boeing 737s on the eve of an Airbus event in Hawaii in the 1990s. The deal made the front page of a newspaper which Udvar-Hazy sent to Leahy's room.

"He was very sore," recalls Udvar-Hazy, who last week took his first Airbus delivery as head of a new company, Air Lease Corp. "That evening there was a party with everyone dressed up and he pushed me in the swimming pool. We were wearing nice evening clothes. This is the kind of supplier I have to put up with."

TREMORS IN TOULOUSE

AIRBUS WAS CREATED AS a consortium in 1970 to take on the Americans by sharing the costs of building modern airliners. It was bedeviled from the start by bureaucratic warfare between France, Germany, Britain and Spain. Jobs were allocated by nationality, with the sales chief's chair reserved for a Briton.

Pierson, Airbus's ebullient CEO between

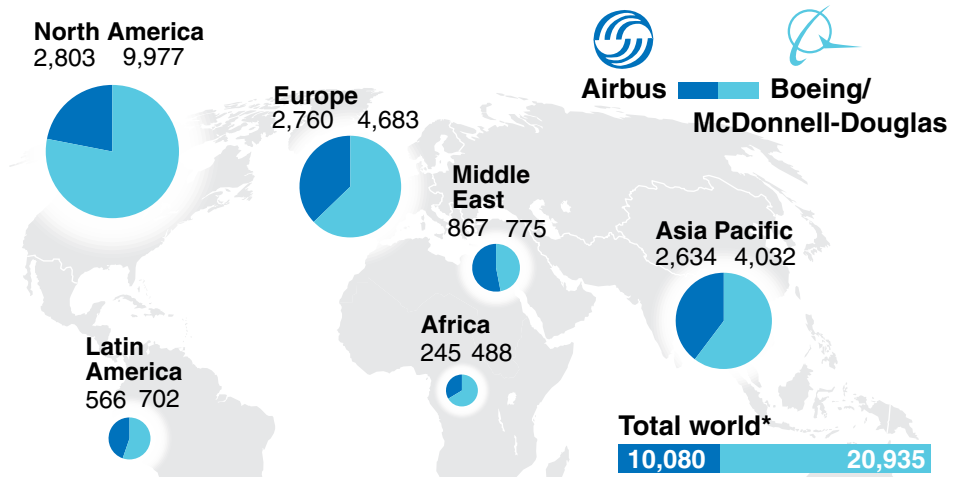
1985 and 1998, believed that Airbus should have a European identity at home but a local face in its main markets. In 1994 he promoted Leahy, who was running the U.S. operation. "The English criticised but they were pragmatic. John was good and rose quickly. The proof is what we see today," recalls Pierson, who spends his retirement on a boat in Corsica.

Leahy's arrival in Toulouse with his young family sent tremors through the precise, regulated world of French aerospace. He ordered walls torn down to create an open-plan office and shook the cobwebs off a system which one of his cohorts described as a "gentleman's club". The culture shock was confirmed when he called a sales meeting for a weekend. Leahy recalls how people described him in those early years as "the hyperactive American".

But the thick-skinned salesman was convinced Airbus should become more aggressive and go up against Boeing -- and his boss agreed. "In a world market, with up to 20 percent you are nothing," Pierson says. "At 20 to 40 you start to be a danger and can go to 50. We needed to get out of the 20-40 cave."

Called before Airbus's board in 1995, Leahy said Airbus should go after half the market.

AIRLINERS SOLD BY REGION



Founded	Headquarters	Employees	CEO	Airliners delivered**	Revenues
1970	Toulouse	55,000	Tom Enders	510	~\$40 bln
1916	Seattle	60,000	Jim Albaugh	462	\$31.8 bln

* Includes VIP or unidentified customers not included in regional breakdown

** in 2010

Sources: Airbus, Boeing

Boeing details refer to commercial airplanes only





BIG BIRD: An Emirates Airbus A380 illuminated during a hand-over ceremony at the manufacturer's site in Finkenwerder, near Hamburg, in January 2010. **REUTERS/CHRISTIAN CHARISIUS**

"Someone said that is very interesting John, and we appreciate that this a nice goal for the sales teams, but we are the board so we would like to know what you believe is a realistic number to get to, and so I said '50 percent.' They were speechless," Leahy recalls. Louis Gallois, who sat on the board as head of France's state-owned Aerospatiale and now runs Airbus parent EADS, remembers that "everyone including me told him to stop dreaming."

YEAR OF THE LONG KNIVES

NOW THAT AIRBUS IS number one, some analysts question how well the culture which served it as underdog is suited to defending its position. While sales boom, parent EADS and financial analysts have complained about weak profitability. Aides say Airbus Chief Executive Tom Enders has shifted the emphasis to profit from market share, echoing the strategy Boeing followed almost a decade ago.

Leahy has certainly been stretched these past few years. His evangelical zeal went into overdrive with the A380, the world's largest airliner which he touted as a cruise ship of the skies, stretching the imagination with talk of casinos, showers, shops. His sales pitch adapted to the times. In 2006, the A380 had "the power of 2,500 cars." A year later, as oil prices soared above \$100, he talked, not

entirely tongue in cheek, of "saving the planet one A380 at a time".

The darkest moment came when wiring problems pushed back A380 deliveries by two years. The breakdown ignited tensions between France and Germany, caused a riot in the French parliament and a blur of senior management changes. Leahy says he survived the extraordinary turmoil by focusing on selling planes.

"In that 2005-2006 period, which was probably the year of the long knives and European politics, I probably spent so much time on the road doing deals that when they were putting knives in each others' backs and at each others' throats I wasn't around."

With Europe's proudest symbol of industrial co-operation at risk of imploding, he says he turned down job offers from people urging him to get out and save his reputation. "It would have looked like jumping ship -- like a used car salesman saying 'I hope you enjoy that car' as he walks away. My signature was on those contracts and I felt a real obligation to stay," he says.

Asked if Boeing tried to hire him, he laughs. "I don't think Boeing would ever offer me a job. No they didn't."

He hit the road with furious intensity in October 2006 -- not bothering with hotels but scheduling his 8-9 day trip so he could sleep

on planes -- to warn customers the A380 would be 18 instead of six months late.

The professional fiasco turned into a personal ordeal weeks later when Leahy visited the Mayo Clinic in Arizona for an annual check-up. One of his arteries was severely blocked and within days surgeons had placed two stents in his heart. After 12 years working his global contacts, he was ordered to slow down. "I tried to but it doesn't work very well because you get involved in deals," he says. He is careful what he eats but still itches to travel after two or three days in Toulouse.

INSIDER PROBE

THE A380 DELAYS ALSO led to Leahy's legal headaches. In mid-2006 France's stock market regulator AMF announced a probe into suspected insider trading. Leahy was among those who had exercised stock options and sold shares in March 2006, making a gain of 2.24 million euros, according to the AMF.

EADS' announcement of the A380 delays came three months later and triggered a 26 percent drop in its shares in a single day. Those who sold between November 2005 and March 2006, including Leahy, have all denied cashing in on inside knowledge of the problems.

In December 2009, the AMF cleared all current and former executives, including

Leahy. But a separate investigation by French magistrates into the same allegations is still underway. Three months ago, Leahy was placed under formal investigation, a step which falls short of formal charges but which may lead to a trial. Six other people and the Lagardere media firm, which is a core shareholder in EADS, have also been placed under investigation.

Leahy puts a brave face on the investigation, insisting it covers ground on which he and others have been cleared. But the prospect of a trial is a source of serious preoccupation, not least because France's system is little understood among peers and clients in the United States, and the affair seems to be taking some toll.

"I am less worried about his health than his reaction to being placed under investigation," says a top company official. "He finds it unfair because he has already been cleared. He doesn't understand it, happening in a country for which he has done so much."

READY TO RETIRE?

BORN THE SON OF an accountant in New York in 1950, Leahy met his wife of 37 years, Grace, on the dance floor of his university campus union where he worked part-time organising bands and parties. The couple married in 1973 and they have three grown-up children.

Leahy studied communications and philosophy at the Jesuit-founded Fordham

University in New York and took up flying while studying for an MBA at Syracuse University. A private man for someone bathed in industry attention, Leahy relaxes when telling stories about seat-of-the-pants landings in small aircraft.

Pushing his seat back he mimics how the engine note rises if you nod off at the controls and how he would "catch" – he gestures a sudden move to grab hold of a control column -- the freight plane he used to fly, before the captain woke up and filled the cockpit with insults.

After university and a stint in real estate he became head of marketing at Pennsylvania-based Piper Aircraft before joining the U.S. arm of Airbus as a salesman. It was 1985 and the European company's global market share was about 13 percent.

Can Airbus do what it does without Leahy? The answer may be changing as Airbus matures into the leading jetliner producer ahead of Boeing, but many say deals still rely on his charisma, arm-twisting and sometimes grouchy style of negotiation. "He has extraordinary imagination," says EADS's Gallois, who has made sales trips with Leahy. "He is like a pianist who touches the keys with extraordinary agility."

Surprisingly, if there is anyone Leahy fears, it is Boeing's chief executive Jim McNerney. The 61-year-old is a former boss of General Electric's engines division and the two men have known each other for years.

"He is a very good salesman. Better than anyone they have got out there," Leahy says, overlooking Boeing's CEO of commercial aeroplanes Jim Albaugh.

EADS management is due for changes in 2012 when Airbus CEO Tom Enders is expected to step up to replace Gallois as CEO of the parent company. Enders' likely successor Fabrice Bregier and Leahy are "not close but respect each other's ground," an Airbus executive said.

Leahy himself sidesteps questions about his future. The closest he comes to discussing retirement is to hint he may take up flying again. Two weeks ago he was working the phones from a ski resort and pledging to sell more than 500 planes in 2011. People who know Leahy say his unfulfilled dream deals might include breaking Boeing's 40-year partnership with low-cost giant Southwest Airlines, or winning an A380 order in the Americas.

Does the man who just agreed to buy a record 180 planes from John Leahy think he will retire? "That's a very good question," says IndiGo's Rakesh Gangwal, who has known Leahy for almost two decades. "I don't know how he would do it. He would drive his wife Grace crazy. He is such a driven man. I can't see John relaxing in retirement for very long."

(Edited by Simon Robinson and Sara Ledwith)

COVER PHOTO: Airbus sales chief John Leahy at Airbus head office in Blagnac near Toulouse, southwestern France, last month. REUTERS/JEAN-PHILIPPE ARLES

SIMON ROBINSON,
ENTERPRISE EDITOR, EUROPE, MIDDLE EAST
AND AFRICA
simon.robinson@thomsonreuters.com

SARA LEDWITH,
TOP NEWS TEAM
sara.ledwith@thomsonreuters.com

TIM HEPHER,
GLOBAL AEROSPACE CORRESPONDENT
tim.hepher@thomsonreuters.com