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THE MONDAY INTERVIEW

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Troubleshooter Louis Gallois bows out

By Paul Betts



The Jesuits have clearly left their mark on Louis Gallois. Despite being a typical product of France's grandes écoles, with an impressive career running some of the country's largest industrial companies, the 68-year-old has always been a modest man.

The outgoing chief executive of EADS, the Franco-German aerospace and defence group, pays for stamps for his personal letters, drives an unflashy Citroën saloon and helps his wife stack the dirty dishes in the dishwasher. In the realm of business, he has advocated moderation in top executive remuneration, handed a large chunk of his annual pay to charity and has even argued for the abolition of stock options.

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This is not merely a flattering caricature of a veteran industrialist, who for the past six years has headed one of Europe's biggest and most complex companies, commuting between Paris, Toulouse and Munich, as well as courting presidents, central bankers, tycoons and leading businessmen around the world. Every year he has handed back a large chunk of his pay to charity, has advocated moderation in top executive remuneration, and has even argued for the abolition of stock options.



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His provincial upbringing – he is one of seven children of an insurer from Montauban in southwest France – and his Roman Catholic schooling, first at the local Collège Saint-Théodard and then with the Jesuits at Sainte-Genevieve in Versailles, make for deep-rooted values. The same goes for his Republican convictions: not the American kind but the French ones of “*liberté, égalité et fraternité*”, he quickly notes.

Sitting in his breezy, uncluttered Parisian office overlooking the Longchamp racetrack, he confesses he intends to take it easy when he retires from EADS in May. “I shall buy myself a pair of slippers and a big flat television screen and I intend to watch all those TV series I have never had time to follow – especially *Desperate Housewives!*” he says, chuckling.

The CV

- **Born:** January 26 1944, at Montauban, Tarn-et-Garonne
- **Education:** Collège Saint-Théodard, Montauban; Ecole Sainte-Geneviève, Versailles; Economics at HEC; Ecole Nationale d'Administration (ENA)
- **Career:** 1972-89 posts in ministries of economy and finance, research and industry and defence
- 1989 chairman and CEO of Snecma, state-controlled aero-engine manufacturer
- 1992 CEO Aerospatiale
- 1996 CEO SNCF, French national railways
- 2006 co-CEO of EADS
- 2007 sole CEO of EADS
- **Interests:** Old books; baroque Bavarian churches; cinema; golf (nine holes); cycling; seeing his grandchildren

Those who know him well, however, would expect him to remain actively engaged in French industry. He has already agreed to head a new industrial think-tank to draw up recommendations to help reverse what he calls a “worrying process in France of *désindustrialisation*”.

“France boasts a remarkable group of global companies but because they are global they do not invest in France,” he says. “So the issue is how can you recreate the necessary conditions to re-industrialise the country? I have my ideas.”

He immediately rattles off three. “First, you need to put more money into research and innovation and technical education,” he says. “Second, you need to create the necessary financial conditions to improve the profitability of small and medium size companies which are not sufficiently profitable in France to invest in a meaningful way. Third, you need to set up a system of industrial networks in given sectors – or as we

call them here *filières* – with our large international companies showing solidarity and support for midsize groups.” This latter structure is, he says, “the strength of German industry”.

Mr Gallois has always been interested in small businesses. “I think it is much harder to run a small company than a very big one because in a big company you benefit from a multitude of supports. In a small company you are on your own,” he says.

After spending 10 years running [SNCF](#), the state-owned French railway company, he dreamt of owning a bookshop to test his ability to manage a small business. Instead, he was asked in 2006 by Thierry Breton, the then French economy minister, to step in and sort out [the mess at EADS](#). Initially he refused because the situation, “was pretty rotten at the time”. The company had been unsettled by a fierce power struggle among its French executives, problems with its super jumbo A380 aircraft, an insider trading scandal and

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tensions between its French and German partners.

It was perhaps inevitable that the government called on Mr Gallois. Sorting out corporate disasters has been the story of his professional life. “Gallois has always had a great talent for talking to shareholders, politicians, unions and employees,” says a French peer. “He is a consensus builder.”

The call to head EADS came almost a decade after he was asked to take on the SNCF job after the state railway company was hit by a wave of strikes and its then chairman Loïk Le Floch-Pringent went to jail. “I received a call from Alain Juppé, the prime minister and a friend and colleague from [the Ecole Nationale d'Administration], who told me I had no choice,” he explains. Within days, Mr Gallois, the trusted servant of the state, was installed at the railways.

It was challenging, but he has no regrets. “It turned out to be not as difficult as all that,” he says. “And in any case if it is difficult, it is interesting. SNCF is also a very engaging enterprise whose employees are collectively impossible but individually extremely likeable. When I left, the company had become a little more normal. We no longer spoke of users but of customers.”

Originally, Mr Gallois was heading for a financial career having studied at business school HEC and then at the ENA. He became a civil servant and got his first taste of industry when François Mitterrand came to power in 1981.

A leftwing radical in his youth, Mr Gallois was close to the Socialists but that has not stopped him being appointed by rightwing governments. As *directeur de l'industrie* he had to sort out the 1984 collapse of the Creusot-Loire heavy engineering group, which still remains the biggest industrial bankruptcy suffered by France.

In 1989, he was appointed CEO of [Snecma, the state-controlled aero-engine group](#) – “That was my first real industrial experience. I knew absolutely nothing” – then left three years later to go to Aerospatiale, the French Airbus partner, where he had to manage the worst crisis faced by the aerospace industry. “[In 1993] Airbus recorded minus 31 aircraft in its order intake. In other words, the number of cancellations outnumbered new orders,” he says. “Even today, when Airbus is again flying high, I keep reminding everybody that this is a highly cyclical business.”

Aerospatiale later combined with Jean-Luc Lagardère's Matra defence group and then merged with Deutsche Aerospace to create EADS. But that was after Mr Gallois had been parachuted in to sort out the railways. When the call of duty once again came from the Elysée palace, he was well prepared. For one thing, Mr Gallois had been an EADS director right from the start and says he has never missed a board meeting. He was well aware of the minefield he was joining as the new French co-CEO, later running Airbus as well.

He helped streamline EADS' complicated Franco-German governance to turn it into a more normal company. The fact that he has always got on with the Germans helped restore confidence between the shareholders and politicians on both sides of the Rhine. The job of streamlining is by no means over but he is pleased with how far they have come (EADS' shares were the biggest gainers in the CAC40 blue-chip index last year).

But now that he has completed his part of the mission, will he revive his old project to buy and run a bookshop? “Probably no, I'm too old for that now.”

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As for whether he will really sit down and watch episodes of *Desperate Housewives*, some might argue he won't need to.

Instead he will be able to amuse himself by watching the continuing Franco-German soap opera at EADS that his succession is already provoking – and about which he remains coyly diplomatic.

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