

Submission

to

Senate Economics Committee

Inquiry into the Qantas Sale (Keep Jetstar Australian) Amendment Bill 2007

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1. The Australian Services Union [ASU] is one of Australia's largest Unions, representing approximately 120,000 employees.
2. The ASU was created in 1993. It brought together three large unions – the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare workers, information technology workers and transport employees.
3. Today, the ASU's members work in a wide variety of industries and occupations and especially in the following industries and occupations:
 - Local government (both blue and white collar employment)
 - Social and community services
 - Transport, including passenger air and rail transport, road, rail and air freight transport
 - Clerical and administrative employees in commerce and industry generally
 - Call centres
 - Electricity generation, transmission and distribution
 - Water industry
 - Higher education (Queensland and SA)
4. The ASU has members in every State and Territory of Australia, as well as in most regional centres as well.
5. The Union has approximately equal numbers of males and females as members, although proportions vary in particular industries.
6. The union has 11 Branches:

- NSW/ACT (Services) Branch
 - NSW - United Services Union
 - Queensland Services Branch
 - Central and Southern Queensland Clerical and Administrative Branch
 - North Queensland Clerical and Administrative Branch
 - Victorian Authorities and Services Branch
 - Victorian Private Sector Branch
 - Tasmanian Branch
 - South Australia/Northern Territory Branch
 - West Australia Branch
 - Taxation Officers Branch
7. The Union has offices in Australia's eight capital cities as well as in 15 regional centres including Townsville, Rockhampton, Dubbo, Hay, Newcastle, Wollongong and Morwell.
8. The ASU is a principal Union in the Airline industry with members in domestic and overseas carriers. In the Qantas Group the ASU has coverage of approximately 12,000 of the Group's 38,000 employees and has members working for Qantas Airways Limited, Jetstar Airways, Eastern Australian Airlines, Sunstate Airlines and a range of other

subsidiary companies including Qantas Holidays and Qantas Flight Catering Limited and Qantas Information Technology Limited.

9. The ASU members in the Airline industry work in a range of occupations including in call centres, finance, administration, IT, freight, engineering, catering, operations, sales and marketing to name but a few areas.
10. The ASU also represents employees in most of the overseas carriers that either fly to or have offices in Australia including Singapore Airlines, Emirates, United Airlines, Malaysia Airlines, Air Niugini, South Africa Airlines, Lufthansa, KLM Cargo etc.
11. The ASU also has members in the domestic carriers Virgin Blue, Regional Express Airlines and Air North and in ground handling companies and air freight companies like Menzies Aviation, Aerocare and Australian Air Express.
12. The ASU was also the major union in the Ansett Australia Group which went into administration in September 2001. The ASU had 4,500 members of 16,700 employees working in the Group at the time of its collapse.

Support for the ACTU Submission

13. The ASU supports the submission of the Australian Council of Trade Unions to this inquiry in so far as the submission addresses the provisions of the Bill as an extension of the current Qantas Sale Act provisions to the operations of Qantas Group subsidiaries which are the subject of this inquiry.
14. The ASU however believes that legislation being both the Qantas Sale Act 1992 and the Qantas Sale (Keep Jetstar Australian) Amendment Bill 2007

do not go far enough to protect the National interest and Australian jobs in the Qantas Group in the context of the proposed private equity takeover of the Qantas Group and generally. The ASU believes that the nature and operation of the airline industry has changed substantially both in Australia and world wide since the enactment of the Qantas Sale Act and that the effectiveness of the Act to be able to maintain Qantas as an Australian carrier has been changed substantially by the significant industry changes that have occurred.

Current State of the Industry

15. At the time of the enactment of the Qantas Sale Act the aviation industry world wide was dominated by Government owned airlines. In 1992 more airlines flew to Australia than is currently the case. In particular there has been a significant exodus from the Australian marketplace of European airlines. For example, in 1992 airlines such as Alitalia, Air France, KLM, Lufthansa and Olympic Airways had regular passenger services from Europe to Australia. None of these airlines now fly passenger services to Australia, though they may maintain small sales offices for Australian customers. British Airways has significantly cut back its number of flights to Australia as compared to its 1992 flight schedule, now only flying to Sydney.
16. It is fair to say, however, that there have been some new entrants into the Australian marketplace including the Middle Eastern carriers like Emirates and Gulf Air. The Asian carriers are now also more significant to Australia than they were previously.
17. The relationships in aviation have also changed with the development of airline alliances like the Oneworld and Star alliances which has seen the significant use of code sharing by airlines with partner airlines thus

eliminating duplication of airline flights to locations, in particular to Australia. This has meant that there has been a rationalisation of air travel which was probably not contemplated by the authors of the Qantas Sale Act 1992.

18. Since 1992 the industry has also undergone significant structural change. The industry is extremely susceptible to factors that influence consumer confidence and as a result significant 'shocks' have shaped the industry. These shocks have included two Gulf wars, SARS, aviation flu threats, fuel price crises and of course the aftermath of September 11 2001 which have seen a shake-up in the industry's operation and changed the way in which the Qantas Group has operated in the world aviation market.
19. Australia has also been affected by the low cost airline phenomena which has seen a change in the expectations of passengers and the segmentation of air travel.
20. The Australian domestic aviation industry has also undergone significant change with the demise of a number of domestic carriers like Compass 1 & 2 and of course most recently the collapse of the Ansett Group and the emergence of low cost carriers like Jetstar and the original Virgin Blue model. These collapses and changes have been related both to the external aviation market worldwide but also to the peculiarities of the Australian aviation market.
21. The Australian aviation market is influenced by the fact that Australia is not a 'hub' for airlines. That is airlines do not fly onwards from Australia as they do for example from countries or ports like Singapore or Bangkok which are significant hubs or 'through-ports' in Asia, as is Frankfurt in Germany which is a significant European hub. As a result it is fair to say that while important for Australians, Australian destinations are at the end of the line or a 'spoke of a hub' for many carriers.

22. The shocks that the aviation industry has suffered since 1992 have contributed to the withdrawal of a number of carriers from Australia who have determined that flying to the end of the 'spoke' is not in the best interests of the carrier or the nation that it represents. This is a significant change from the marketplace in 1992.
23. This phenomena is significant for Australia and our Australian carrier as we cannot rely on the national interest being served by carriers who have no loyalty to the country or its population.
24. The draftsman of the Qantas Sale Act would not have envisaged such a significant change in the marketplace at the time of the legislation. This change in environment is extremely important when considering any changes to the Qantas Sale Act to protect the Australian national interest in the event of a successful takeover of the Qantas Group by private equity interests. It is the Union's view that the intention of the original legislation was to preserve the national interest and ensure a viable Australian national carrier both in terms of the employment it creates for Australians and the passenger and freight services provided to the country. Qantas also contributes to the Australian economy by facilitating export opportunities for Australian industry. The Company is also a significant contributor to the Current Account.
25. The change in the nature of the industry is also typified by the response of a number of carriers post September 11 2001 which saw withdrawal of carriers from a range of marketplaces as the significant shock of September 11 bore down financially on those carriers. This hit home particularly in Australia with the collapse of the Ansett Group which saw its parent company Air New Zealand retreat to New Zealand as its core marketplace rather than continue their operations in Australia despite the fact that these operations were significant to Australians. In the end the national interest of Australia was irrelevant to Air New Zealand.

26. The onset of SARS and the Avian Flu threats have also seen the Asia carriers withdraw services to Australia as they retreat to 'core' business to cope with the downturn of business because of such issues. In summary it is clear from the experience of the above that overseas owned airlines operate in private or foreign interests, not Australia's interests.
27. An understanding of the change of the marketplace is important for government and our legislators when considering the legislation that affects Qantas as our national carrier as in the end as the past fifteen years have shown the commercial considerations of airlines are influenced by their country of origin's nationalistic loyalty and commercial interest, not by any concerns for the national or commercial interests of Australians. The ASU believes that in dealing with the Qantas Sale Act and the significant role the Qantas Group plays in the economy our national interests including infrastructure, defence and employment must be at the forefront.
28. As our national carrier, Qantas and the Qantas Group cannot just be regarded as another public/private company. As the national carrier it has bestowed on it significant rights and, we say, responsibilities through the granting of Air Service Agreements by the Australian Federal Government. The Company could not operate to its current extent without these rights and so conversely it has to and does expect regulation by the Federal Government in the national interest. This framework has not changed despite the various upheavals and changes in the industry since 1992.

Qantas Group Jobs and the Qantas Sale Act

29. Despite all the changes in the aviation industry, the Qantas Group has been extremely successful in terms of both profit and growth. The operations have changed since 1992 with the growth of both the domestic

market and the overseas market and the start-up of new airlines like Jetstar and Australian Airlines which have targeted the low cost segment both domestically and internationally. The company has also expanded its joint venture in freight and passenger services with new businesses in the Asian region.

30. During this time the Qantas Group has also expanded its overseas workforce and it now employs flight attendants, pilots, call centre operators, administrative and IT staff and maintenance workers either directly or through contractors in countries such as India, USA, Great Britain, Thailand, Fiji, Mexico, The Philippines, China and New Zealand. Although the Australian workforce has grown there is no doubt that there has been a shift of work that has been previously performed in Australia to overseas locations.
31. Without proper legislative controls, we believe that this shift of jobs overseas will continue to gain momentum.
32. The current Qantas Sales Act and the Qantas Sale (Keep Jetstar Australian) Amendment Bill provides provisions for headquartering Qantas Group companies in Australia. The experience when Ansett was taken over by Air New Zealand showed that similar provisions and conditions placed on Air New Zealand by the Australian Government were not adequate to prevent the offshoring of key functions overseas. Post the Ansett takeover, key administration, finance and management jobs were shifted to New Zealand despite the requirements to maintain a headquarters for Ansett in Australia. While numerically there were large numbers of Ansett 'HQ employees' in Australia, the functions that had been offshored were, in the end critical to the success of the airline.
33. While provisions to maintain an Australian headquarters seem adequate on the face of it, if the 'headquarters' does not have the major

management and administrative and finance functions contained in them, the provision is almost worthless.

Additional Provisions for the Act

34. The ASU believes that it is important to strengthen the Qantas Sale Act 1992 to include provisions to maintain Australian jobs. The current proposed provision, which takes the facilities in aggregate as the benchmark for keeping jobs in Australia, at best preserves 50% plus one of the Group jobs in Australia if the Qantas Group jobs are in Australia and one other country. The more countries that have Qantas Group jobs the less jobs are required in Australia. The provision also does not in fact specify which jobs are preserved. There is also nothing in the provision which would maintain particular classes of jobs in Australia, for example in call centres, administration, finance or maintenance. All of these jobs could be offshored and yet Australia could still be the principle operational centre for the Qantas Group and the aggregate of jobs in the Group could be still in Australia.
35. Similarly the ASU believes that as the proposed takeover of Qantas is by a highly geared private equity consortium there should also be some consideration given to securing the entitlements of employees in the Group. The Ansett Group collapse in 2001 starkly showed the ramifications of an airline collapse on both the effected employees, passengers and creditors. Six years later significant numbers of Ansett employees still have not received all their entitlements despite airline passengers contributing a significant ticket tax. Changes to the Qantas Sales Act should also secure Qantas Group staff entitlements.
36. Any provisions in an amending Act should also cover all Qantas subsidiaries and related entities both current and future.