

# **THE AUSTRALIAN WORKERS' UNION**

**SUBMISSION TO THE SENATE  
ECONOMICS COMMITTEE**

***Qantas Sale (Keep Jetstar Australian) Amendment Bill 2007***

**9 MARCH 2007**



## **The Australian Workers' Union**

The Australian Workers' Union (AWU) is Australia's oldest continuously operating union of employees, formed in 1886.

The AWU represents over 135,000 members throughout Australia, from industries as diverse as mining, oil and gas, tourism and hospitality, aged care, shearing, aluminium smelting and refining, steel production, local government, health, horse racing and training, sugar refining and retail.

The AWU represents over 1200 members throughout the Australian aviation industry, whether civil or military in nature. AWU members in the aviation industry are principally engaged as Aircraft Workers (AW's), Aircraft Mechanics (AM's), Aircraft Maintenance Engineers (AME's) and Licenced Aircraft Maintenance Engineers (LAME's).

The AWU represents over 1000 members within the Qantas Group of companies<sup>1</sup>, most of whom are engaged in core maintenance and engineering functions at the following locations –

- Brisbane Heavy Maintenance, Brisbane
- Mascot Airport, Sydney
- Tullamarine Maintenance Base, Melbourne
- Avalon Maintenance Base, Avalon (Victoria)
- Richmond RAAF Base, New South Wales
- Jet Turbine Services, Melbourne

The AWU also represents Qantas employees engaged in line maintenance, ground support operations and stores and warehousing at various airports throughout Australia.

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<sup>1</sup> "Qantas Group of Companies" includes Qantas Airways Limited (QAL), Qantas Defence Services (QDS) and Jet Turbine Services (JTS)

## **The Bill and The Qantas Sales Act 1992**

As an affiliate of the Australian Council of Trade Unions (ACTU), the AWU concurs with the submission made by the ACTU with respect to the Bill.

The Bill is designed to ensure that the integrity of the *Qantas Sales Act 1992* (QSA) is protected, insofar as the conditions of the QSA may not presently apply to the operations of Jetstar (in particular) as a wholly-owned subsidiary of Qantas.

Specifically, the Bill proposes to amend the provisions of the QSA by –

- a) expanding the scope of the QSA to subject “associated entities” of Qantas to the requirements of locating head offices within Australia, and of particular interest to the AWU and its members, ensuring that maintenance and engineering functions are retained within Australia<sup>2</sup>;
- b) mandating that at least two-thirds of Qantas directorships are constituted by Australian citizens, including those of associated entities<sup>3</sup>; and
- c) mandating that an Australian citizen preside over any meetings of Qantas directors, including those of associated entities<sup>4</sup>.

The objectives outlined in the Bill are unreservedly supported by the AWU.

For the reasons advanced in this submission, the proposed amendments must be enacted to protect the integrity of the nation’s iconic carrier and to ensure that the national interest is safeguarded.

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<sup>2</sup> refer ss.5(a) and (b) of the Bill

<sup>3</sup> refer s.5(c) of the Bill

<sup>4</sup> refer s.5(d)

## **The Importance of Qantas Group Operations in Australia**

The economic and strategic importance of Qantas Group operations in Australia cannot be stressed enough.

In a broad sense, the Group is divided between its “flying” businesses and its “non-flying” operations. There are four operating entities in the Group’s flying business, namely –

- Qantas – domestic and international carrier services;
- QantasLink – regional carrier services;
- Jetstar – low cost domestic and international carrier; and
- Jetstar Asia – Singapore-based carrier.

The non-flying businesses include airport operations, freight handling (Australian Air Express), catering, Qantas Defence Services, Qantas Engineering, Qantas Holidays and Corporate support.

The Group employs over 37,000 workers throughout its operations, more than 6000 of whom are employed in the maintenance and engineering functions conducted throughout Australia.

Whilst it is difficult to provide precise data on the number of jobs within the domestic economy that are indirectly generated by the Groups activities, it is beyond doubt that many thousands of additional Australian jobs are hinged on the Group’s operations in Australia.

As of November 2006, the Group operates a fleet of 219 aircraft. The incremental phasing-out of the Group’s contingent of B747 aircraft is to be complemented by a significant capital investment program in the acquisition of “new generation” aircraft types, principally the Airbus A380 (20 ordered) and the Boeing B787 (45 ordered).

Internationally, Qantas Group airlines and codeshare partners operate across 143 destinations in 40 countries (including Australia), which includes the provision of services to domestic travellers at 57 locations throughout Australia. QantasLink, as the regional carrier in the Group, operates around 2000 flights per week to 49 metropolitan and regional destinations within Australia.

## **Group Apprenticeships and Australia's Defence Capabilities**

As the largest private sector employer in the Australian aviation industry, Qantas maintains the most comprehensive program of apprentice intake within the domestic aviation sector.

In 2005/2006, Qantas Engineering directly engaged more than 400 apprentices throughout its maintenance and engineering operations. This program is of key strategic value to the nation's security.

Over the course of the next decade, the Australian Government has committed to the procurement of new generation strike fighter capabilities, particularly the Joint Strike Fighter program. As a transitional measure, the Australian Government intends to expend \$6 billion on 24 Super Hornets<sup>5</sup>.

The AWU represents many members employed by contractors to the Australian Government, particularly Boeing's military Aerospace Support Division and BAE, both of which undertake upgrades and repairs to the nation's fleet of FA/18 Hornets. Many of those members have worked for Qantas and undertook their apprenticeships within the Qantas Group of companies. It is anticipated that many employment opportunities will be generated in the greater Newcastle/Hunter region with the acquisition of these new generation military aircraft. As Newcastle is home to Jetstar's own engineering and maintenance facility, the synergies between the Qantas Group apprenticeship program and Australia's defence capabilities become more apparent, particularly within this geographical base.

In this context, the issue of apprenticeships within the Qantas Group takes on greater significance when consideration is given to the relative shortage of skills within the aviation sector.

In July 2005, the Department of Defence publicly acknowledged that there were critical skill shortages in engineering and licensed aircraft engineering mechanic trades<sup>6</sup>, amongst other trades. As reported, this has the real potential to fundamentally undermine

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<sup>5</sup> Media Release, The Hon. Dr Brendan Nelson, Minister for Defence, 6 March 2007 (Min17.07)

<sup>6</sup> "Defence Attacks Skills Shortage", *Sydney Morning Herald*, Cynthia Banham, 18 July 2005

the nation's defence capabilities at a time when the country is increasingly engaging in international theatres of operation.

In a more direct sense, the Qantas Group shares a burden in the provision of specialist maintenance and engineering capabilities for the Department of Defence.

Qantas Defence Services (QDS), a wholly owned subsidiary of Qantas, provides extensive services in the maintenance, repair and overhaul of military aircraft, engines and avionics. Some of the contractual arrangements between QDS and the Department of Defence are pegged to "through life" maintenance support of at least 20 years' duration<sup>7</sup>. QDS also performs routine and deep maintenance on the RAAF's fleet of C130H and C130J aircraft.

While supporting this Bill, the AWU believes the Commonwealth Government take additional steps to ensure that vital national interests, such as our defence capabilities, are not eroded. The Government must ensure a key progenitor of skills within the industry is not unwittingly compromised by the influence of foreign ownership or interests.

In particular, the deed of undertaking recently announced by the Treasurer and the APA consortium must be significantly strengthened in relation to ongoing apprenticeship training to ensure adequate training and skills development occurs within the aviation and defence industries.<sup>8</sup>

This should include removing caveats on commitments relating to the maintenance of apprenticeship levels where those commitments are dependant on prevailing 'market conditions.'

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<sup>7</sup> "Multi Role Tanker Transport", A330-200 conversion and through life support.

<sup>8</sup> Clause 5.5(h) to the "Deed of Undertaking to the Treasurer of the Commonwealth of Australia and the Minister for Transport and Regional Services, representing the Commonwealth of Australia, 6 March 2007

## **CONCLUSION**

The recent advent of Jetstar operations, whether domestic or international in character, must not be permitted to undermine the policy objectives of the QSA.

The QSA is squarely focused on the national interests, whether those interests relate to the level of Australian control over the affairs of the Group, or the location of core maintenance and engineering functions within the country.

The amendments proposed in the Bill are a necessary and responsible measure designed to ensure that our national interests are adequately safeguarded and cannot be undermined by the manipulation of Group corporate structures.

The AWU submits that a significant proportion of the maintenance requirements of Qantas Group flying operations must be conducted within Australia. With its superior safety record and highly skilled workforce, the Qantas Group must be obliged to ensure that the level of maintenance conducted within Australia is no less than that which is presently undertaken.

The AWU supports the design, effect and scope of the Bill.

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