

House of Representatives, 25 March 2014, 9pm

Mr Kelvin Thomson MP (Wills): This afternoon, members of the Transport Workers' Union came to Parliament House to talk about the current state of the Australian aviation industry. In 2013 Australia's aviation industry generated over \$35 billion in revenue, yet wages cost the industry only one-seventh of that. The House will be aware that, following the release of their recent financial results, Qantas asked for government assistance in the form of financial support and alterations to Australian airline ownership regulations, while at the same time announcing the axing of 5,000 jobs. However, many of Qantas's arguments for these measures do not address the central issues that have led the airline to its current position.

In December last year, Qantas management met with officials of the Transport Workers' Union. In that meeting, Qantas's major complaint to unions was that Virgin was running a loss-leading strategy to increase its market share and that the Qantas response was to protect its 65 per cent domestic market share by lowering fares and expanding capacity by double that of Virgin. Qantas management conceded at the time that air fares were unsustainably low. The capacity battle between these two competitors places downward pressure on fares and, hence, revenue and profit margins. Qantas's 65 per cent strategy compounds this, because it triples capacity growth and intensifies the downward pressure on fares and at the same time increases capital costs. In short, there are too many empty seats and too many cheap seats. Qantas maintain that they will continue to increase domestic capacity this year by three to four per cent on 2013 levels. This is simply a continuation of a failed, high-risk, high-cost strategy which looks as if it is seeking to induce industry-wide losses in the hope of destroying its only domestic competitor and achieving a monopoly on domestic air services.

Furthermore, the Transport Workers' Union advised us that the Qantas group have been using loopholes in Australia's special purpose visa program to employ Thai based flight attendants on domestic routes for as little as \$257 per month. The House will be aware that, recently, the federal government changed the requirements for the 457 visa program, including the removal on the number of 457 workers a company can bring in without market testing or adequate protection. This is only likely to exacerbate the vulnerability of this group of workers.

The Qantas Sale Act was enacted in 1992 to ensure that Qantas remained an Australian airline serving the national interest. Yet, the wholesale outsourcing and offshoring of jobs, the reduction of full-time positions in favour of part-time and casual workforce structures, the flouting of migration laws and the reduction of employment standards do not serve the national interest. A repeal of part 3 of the Qantas Sale Act will not address core strategic and planning decisions that have contributed to the situation that Qantas now finds itself in. In fact, it is more likely to see a replication by Qantas of their domestic capacity war in the international arena.

The Transport Workers' Union point out that Australian aviation is vital to our economy and the Australian way of life and that aviation workers have a right to a decent, safe and secure job. To achieve this, aviation employers must stop outsourcing and offshoring aviation jobs with lower wages and conditions, stop exploiting foreign workers using legal loopholes to undermine Australian wages and conditions and stop bringing down standards in the aviation industry through cutthroat and unsustainable levels of competition. The Transport Workers' Union also make the point that a debt guarantee will not serve to improve decision making by Qantas management. The Australian public could find itself funding outcomes that are costly and inefficient without having had the opportunity to contribute to better planning strategy and decision making. All risk will be transferred to the public sector, while rewards—if any—will be the exclusive domain of the private sector. The TWU think that consideration of a government equity stake should be conditional on the provision of quality Australian jobs, on a commitment to skills development and innovation, on the ability to scrutinise and contribute to the strategic direction and growth plans for the airline, on the prioritisation of national aviation security and on the service of the national interest. Qantas management needs to accept responsibility for what has been a failed strategy.