

ALAEA

Australian Licenced Aircraft Engineers Association

25 Stoney Creek Rd.

BEXLEY NSW 2207

Ph: (02) 9554 9399

e: alaea@alaea.asn.au



25 Stoney Creek Rd Bexley 2207 NSW
Ph: (02) 9554 9399 Fax: (02) 9554 9644
Email: alaea@alaea.asn.au
Web: www.alaea.asn.au
ABN: 84 234 747 620

Submission to Senate Standing Committee on Rural Affairs and Transport

Pilot Training and Airline Safety Including Consideration of the Transport Safety Inves- tigation Amendment (Incident Reports) Bill 2010

March 2011

1. Preface

The Australian Licenced Aircraft Engineers Association [ALAEA] was founded in 1960 to advance the professional, technical and industrial interests of Licenced Aircraft Maintenance Engineers [LAMEs]. LAMEs are licensed by the Civil Aviation Safety Authority [CASA] to certify for work performed on aircraft within Australia. The role of LAMEs is vital in ensuring the safe operation of the Australian aviation industry from major operators to general aviation.

The ALAEA has more than 3300 members employed in all sectors of the industry – major airlines, regional, carriers, charter and helicopter operations and general aviation.

For the purposes of this submission, there are two relevant groups of licensed personnel in aviation – LAMEs and pilots (air traffic controllers are also licence holders). As employees, both LAMEs and pilots have dual obligations - to the authority that issues their licences and to their employer. These dual obligations inevitably produce a tension that can, in the context of commercial factors, inhibit full and frank reporting, particularly where an unscrupulous or highly commercially-focussed employer is involved.

It remains a concern to ALAEA, particularly with the rise of lower-cost carriers and corporate structures that encourage internal competition, that the reporting of safety related matters outside the employer's organisation is seen as disloyal or contrary to the common law duties of fidelity and loyalty to an employer. In recent years, ALAEA has seen a rise in the number of punitive actions taken by employers in regard to LAMEs who have reported safety, airworthiness or security related issues either to the employer or industry regulators. This is an unwelcome development and one ALAEA wishes to see reversed in the interests of a safe, secure and viable Australian industry.

The position ALAEA approaches the current inquiry from is that, while these matters always involve a balancing exercise, LAMEs should be encouraged to report safety related matters and not be subject to punitive actions for doing so. In terms of reporting, the default position should be in favour of reporting rather than withholding.

2. Introduction

The ALAEA has closely followed the current inquiry into pilot standards and airline safety including consideration of the *Transport Safety Investigation Amendment (Incident Reports) Bill 2010* [the Bill]. In particular, the principle of encouraging the reporting of safety related matters in a protective framework is a key one for ALAEA and its members. It is crucial that safety related personnel are encouraged to report and, in circumstances where an internal report is not acted upon, they be further encouraged to approach the Australian Transport Safety Bureau [ATSB] without fear of retribution.

In regard to the specific terms of reference, this submission will briefly address terms (g) – Legislative Immunity for Flight Crew, (i) – How Reporting Processes Can Be Strengthened and, given Senator Cameron’s questioning of the Qantas Airways Ltd CEO, Alan Joyce, at the 25 February 2011 hearing, term (j) as it relates to maintenance issues.

In regard to term of reference (j), the submission will deal with some of the issues raised by Senator Cameron and responded to by Alan Joyce including:

- A claim by Alan Joyce that Qantas *‘only pick the highest standards of maintenance facilities offshore’* – Senate RAT Committee Hansard 25 February 2011 – page 16.
- An observation by Alan Joyce that *‘Who better to manage the engines and maintain the engines than the people who manufacture them? They know more about them than anybody else.’* – Senate RAT Committee Hansard 25 February 2011 – page 17.
- A claim by Alan Joyce that *‘The amount of technical problems on our aircraft is actually decreasing. It is the press scrutiny and the press interest that gets you to see them, but there is no increase in the amount of issues that are occurring on Qantas.’* – Senate RAT Committee Hansard 25 February 2011 – page 17.

3. Safety vs. Airworthiness vs. Security

At this point, it is important to briefly deal with the different reporting obligations that LAMEs are subject to in regard to safety, airworthiness and security issues. By way of demonstration, a recent case involving defective cockpit doors fitted to Sunstate Airlines Dash-8 aircraft is relevant. While the specific example is dealt with further below, suffice to say that LAMEs, in the course of their duties, discovered that supposedly grenade-proof cockpit doors were able to be opened with a paddle-pop stick or rolled-up boarding pass.

After reporting the matter to their employer, six LAMEs were suspended on the basis that they had looked at the doors contrary to their safety responsibilities. According to Sunstate, these were security issues and the Civil Aviation Safety Authority [CASA] concurred that it was not an issue of airworthiness. While the situation was complicated by the fact that a long-running industrial negotiation, including protected industrial action, was occurring nevertheless it does demonstrate the artificial distinction between safety, airworthiness and security issues.

Recommendation

- A. *Although not for this current inquiry, ALAEA recommends that the Committee reviews the potential to extend the protections of the Bill to areas including airworthiness and security matters.***

4. Term of Reference (g) – Legislative Immunity for Flight Crew

ALAEA supports a form of legislative immunity for pilots and other flight crew who report safety matters. The development of a “Just Culture” including frank and open reporting is a key element to the continuing development of the industry. While human systems will always be subject to failure, openness and continual learning are keys to minimising those failures.

In circumstances where commercial factors bring pressure to bear on safety standards, the fear of punitive actions by employers looms large. To some extent, these punitive actions can be offset by legislative safeguards. ALAEA’s understanding of legislative safeguards for

reporters that exist in the United States and the United Kingdom indicate that they are far in advance of any similar Australian framework.

Of course, ALAEA does not support protections for reporters whose actions constitute criminal acts or gross negligence or are malicious.

Recommendation

- B. ALAEA recommends further study be undertaken to develop an Australian framework for legislative immunity for pilots, flight crew and LAMEs reporting safety related matters.**

5. Term of Reference (i) – How Reporting Processes Can Be Strengthened

In regard to term of reference (i) and the Bill, ALAEA notes that the definition of '*responsible person*' in the Transport Safety Investigation Regulations, 2003 [the Regulation] includes:

- '(e) a person who:*
- (i) Is licensed as an aircraft maintenance engineer under the Civil Aviation Regulations 1988 or the Civil Aviation Safety Regulations 1998; and*
 - (ii) does any work in relation to the aircraft;'*

Thus, LAMEs would be covered by the provisions of the Bill.

ALAEA supports the Bill.

Recommendation

- C. ALAEA recommends that the Bill be passed.**

6. Examples of Punitive Action by Employers Against Safety-Related Personnel

ALAEA supports the need for enhanced legislative protections for reporting safety related matters. In recent times, ALAEA has been concerned regarding a growing trend by employers to take punitive actions against LAMEs who report safety related matters. The

trend has seen airline and aviation companies, operating in an intensely cost-competitive environment, 'pushing regulatory boundaries' in order to cut costs, often at the expense of sensible safety risk management.

These threats have also been made against ALAEA including litigation and significant damages claims, reference of actions to criminal authorities and, the somewhat hysterical claim that certain of ALAEA's actions in regard to the Sunstate matter referred to above, may abet terrorists.

Over the last decade, and especially over the last year ALAEA is aware of a number of circumstances in which employees with a statutory duty under the *Civil Aviation Safety Act 1988* or the *Aviation Transport Security Act 2004* have been subject to termination of employment or prejudicial treatment from their employer because they have reported their safety or security concerns. In each case the employee at first reported the incidents or concerns to their employer and/or the relevant regulatory body before, in some cases, making their concerns public through the media either personally, or through an employee organisation. The employers are invariably aircraft operators.

A summary of some of these matters is:

- The dismissal of a Chief Engineer LAME for carrying out a pre-flight inspection and discovering serious airworthiness defects which delayed an aircraft going back into service. The ALAEA lodged an application with Fair Work Australia under the 'general protections' provisions of the *Fair Work Act 2009* and the matter subsequently settled.
- The suspension of six LAMEs by Qantas Group's Sunstate Airlines in Queensland for reporting defective and unsecure cockpit doors. The employees were suspended on full pay but unsure what their future held for 3 months. Upon reinstatement in February 2011, first and final warning letters were placed on their files. After this period, members reported to the ALAEA that approximately 30% of Sunstate Dash-8 aircraft cockpit doors were still unsecure. The matter is currently under investigation by the Office of Transport Security.
- The application to Fair Work Australia by Qantas Group's Sunstate Airlines in Queensland to prevent (on the grounds of being unprotected industrial action) its

LAME employees from reporting defects outside of the strict guidelines of their allocated work tasks. The application was subsequently granted which placed the threat of a monetary penalty being applied to an employee if they found defects on an aircraft that extended the companies "estimated" ground time for maintenance. The penalty has been applied by the company on various occasions which results in a wage deduction each time. The circumstances of the deductions vary but one example occurred when an aircraft due for an overnight service was found to have serious oil leaks inside an engine. Under company instructions the Engineers attempted to repair the defect without success until ultimately a decision was made to replace the engine. The aircraft was grounded for four days and the company deducted four hours pay on each day the aircraft was grounded from each ALAEA member rostered on for duty over that period. Some employees lost 16 hours pay.

- The direction of a charter aircraft operator to their staff preventing the discussions of a maintenance inspection on a wing to anyone including CASA unless the manager was present with a threat of dismissal if the instruction was disobeyed. A copy of the relevant email is attached as "Attachment 1".
- The threat of legal action by Qantas Airways against officers of the ALAEA or any Qantas employee regarding supplying information about the airlines practices to the CASA without Qantas' express permission. The information referred to was supplied as a document to CASA after request was made by the Deputy CEO of CASA for particular information relating to Qantas' quality system. This document was handed to Qantas by CASA unaltered revealing the source and extent of the information received. Copies of the information supplied to CASA Deputy CEO Michael Quinn and the reply from Qantas Airways are attached as "Attachment 2" and "Attachment 3", respectively.
- The dismissal of LAME Bernard McCune and suspension of LAME Digger King by Qantas Group's Jetstar Pacific airline in Vietnam for raising serious issues over the airlines maintenance practices affecting aircraft safety. The unfair nature of their dismissals was confirmed in Vietnamese courts however Jetstar Pacific have refused to reinstate the employees. Bernard McCune was dismissed by Jetstar Pacific Airline shortly after suggesting to the airline's safety management that the cause of a very serious flight control malfunction on one of their airliners could have been prevented

by “a better approach to maintenance”, and also raising issues of a engine inlet cowl that was not legally fit to fly but was allowed to continue in service by Jetstar Pacific management.

McCune had been raising safety concerns over a long period of time with Jetstar Pacific management. He was handed a pre written letter of resignation and told to sign it and leave Vietnam but he refused. His employment was then terminated and he was told his reason for termination was for defrauding the airline. No evidence was subsequently adduced to support the claim.

Following his dismissal Mr McCune made a detailed complaint to the Civil Aviation Authority of Vietnam [CAAV] outlining systemic operational and maintenance issues with Jetstar Pacific. The complaint is attached as “Attachment 4”. This complaint included supplying supporting photographic evidence. Subsequent to this Jetstar Pacific became aware of the existence of these photographs and accused another Jetstar Pacific Engineer, Digger King of supplying those photographs to the CAAV and terminated his employment also. The CAAV report vindicating the concerns of McCune and King is attached as “Attachment 5”.

The dismissals of McCune and King were supported in the media by the chief executive of Jetstar Airways (Australia) and Jetstar Pacific board member Bruce Buchanan saying that *“there would be no apology or any reinstatement of the men who blew the whistle on Jetstar Pacific in Vietnam to its aviation regulator.”* A copy of the media report is attached as “Attachment 6”.

The public statements of Bruce Buchanan stand in stark contrast to the Qantas Group submission to this inquiry where, at page 13, the following is submitted:

In addition to supporting open and prompt reporting as part of the Just Culture approach to safety, there are other Group policies and procedures in place which encourage employees to report matters of legitimate concern. One example of this is the Group's Whistleblower Policy, which applies to instances where employees are fearful of possible unfavourable repercussions as a result of raising a concern and can assist with protecting the employee's identity.

The Whistleblower Policy and Procedure provides an additional internal safeguard for employees that are concerned about a possible breach to any legal or regulatory requirement or Group policy. Employees are encouraged to report any concerns and may choose to do so anonymously under this policy. This policy is in keeping with the Group's approach to reporting and culture of disclosure. An extract from the Qantas Group's Code of Conduct and Ethics is provided at Attachment 3.

In this instance it seems that the public statements of Bruce Buchanan and actions of Jetstar Pacific stand in stark contrast with the Qantas Group policy.

In ALAEA's submission, these events lend considerable support to the need to encourage open and frank reporting by safety related personnel within a legislative framework that provides protection from employers intent on punishing the reporter.

7. Term of Reference (i) – Maintenance Issues

In dealing with the maintenance issues raised by Senator Cameron and responded to by Alan Joyce, this submission will briefly outline some background on aircraft maintenance before dealing with the specific maintenance issues.

7.1 *Aircraft Maintenance at Qantas and Jetstar*

For the purposes of the Senate committee it is relevant to explain the two levels of maintenance carried out by both Qantas and Jetstar. Daily safety inspections are carried out by licenced engineers in conjunction with general servicing functions such as replenishing engine oils, fuelling of aircraft, troubleshooting and rectification of identified faults. These lighter checks would provide employment for approximately half of ALAEA's members in Australia. This form of maintenance is often referred to as 'Servicing' and is generally carried out during the day to day operation of the aircraft.

Heavier checks are carried out according to the airlines CASA approved system of

maintenance at specified intervals based on flight hours and cycles at intervals of up to 6 years. These checks are carried out in aircraft hangars or Heavy Maintenance facilities and take from 5 days to 6 weeks to complete and in normal circumstances it is these heavier checks that are referred to as 'Maintenance'.

In the industry 'Servicing' is commonly referred to as "Line Maintenance" and 'Maintenance' as "Heavy Maintenance".

Qantas currently utilise three Heavy Maintenance facilities in Australia. The Tullamarine site carries out maintenance on the 737 fleet and Brisbane maintains the 767 and A330 fleets, supplemented by outsourcing to Hong Kong and Singapore. The Avalon site is predominantly used for 747-400. The Sydney site was Australia's biggest aircraft maintenance facility and carried out Heavy Maintenance checks on 747 and 767 aircraft and some A330 work. The Sydney Heavy Maintenance B767 facility closed in November 2004 and moved to a new Qantas hangar in Brisbane. Qantas closed the remaining B747 Sydney Heavy Maintenance facility in May 2006 with the loss of 256 Licenced Aircraft Engineer positions and several hundred additional support staff. Jetstar has a small hangar in Newcastle which acquires some A320 work.

7.2 *Claim by Alan Joyce that Qantas 'only pick the highest standards of maintenance facilities offshore.'*

An unlicenced aircraft engineer working in Australia, or in an overseas facility working on Australian aircraft under Australian regulations must carry out his/her duties under the guidance of a licenced aircraft engineer who checks and certifies for the unlicenced engineer on completion of his/her work. A LAME certifies for his/her own work and in some cases requires a second licenced engineer to check her/his work for dual certification purposes.

Depending on aircraft size, it would be normal at any one time that between 40-100 engineers both licenced and unlicenced would be working on the aircraft at a heavy maintenance facility. It has been discussed between ALAEA and Qantas management

that the correct mix of licenced to unlicenced engineers should not drop below 30% licenced. This provides for a minimum number of licenced engineers at any one time working in an Australian maintenance facility at 12 supervising for the work of 40 engineers including themselves or one LAME checking and certifying for his own work and up to 3 others.

A current snapshot of Australian facilities would show that the Brisbane and Avalon facilities sits somewhere near that mark with the Melbourne facility up closer to 70% licenced and 30% unlicenced. As such the Melbourne facility is slightly more expensive but completes its aircraft checks at the fastest rate of any 737 maintenance facility in the world with an unblemished safety record. In other words - world's best practice.

In 2007, ALAEA members visited the two facilities in Asia that were then maintaining Qantas and Jetstar aircraft. At the Manilla facility, where A330 aircraft were maintained, they reported that at any one time only two Licenced engineers were working alongside 44 unlicenced engineers. These two locally employed licenced engineers were required to check and certify for their own work and that of 21 others at the same time.

The Singapore site that maintained a then-constant stream of Qantas 747 aircraft had up to 60 engineers working at any one time of which a maximum of five were licenced. The five locally employed licenced engineers were required to check and certify for their own work and that of eleven others at the same time.

Over the years, a number of incidents relating to maintenance errors in Asian facilities have been reported to ALAEA. A typical report by a member was:

"I observed an unlicenced engineer being handed a job card by his supervisor to carry out an inspection of wiring behind cargo area panels. In the Sydney Heavy Maintenance facility I was aware that this task would take around 4 hours. The unlicenced engineer returned 30 minutes later with the card signed by him and asked

the Supervisor to certify for his work. The Supervisor was overseeing the work of over a dozen other engineers concurrently and did not have enough time to check the work. I decided to have a quick look myself only to find that the cargo area panels that needed to be removed to carry out the inspection had not been moved and the work not done.'

Further:

'Six avionic AMEs performing certification tasks without a LAE (Licence Aircraft Engineer) rostered on.'

In ALAEA's view both the Singapore and Manilla sites were operating at unsafe levels with regards to the number of licenced engineers.

7.3 Observation by Alan Joyce that 'Who better to manage the engines and maintain the engines than the people who manufacture them [Rolls Royce]? They know more about them than anybody else.'

In ALAEA's submission, in making this observation Alan Joyce is suggesting that Rolls Royce owns and operates the Hong Kong facility from which Qantas purchases "power by the hour" for its A380 aircraft. In fact, the facility – HAESL - is 45% owned by Rolls Royce, 45% by HAECO (a company owned by the Swire Group who also own Cathay Pacific Airlines) and 10% by SIAEC (a company owned by Singapore Airlines). Given these matters, ALAEA respectfully suggests that it is a little disingenuous to be suggesting, as Alan Joyce does, that it is Rolls Royce who manages and maintains the A380 engines.

From the time of the introduction of the B747-400 up until July 2009, Qantas maintained and overhauled all its RB211 engines for B747 jumbo jets in its Rolls Royce centre of excellence Sydney engine line facility. Qantas established world records for reliability in longest engine hours on wing for its Rolls Royce engines, fuel efficiency and Rolls Royce used Qantas experience to improve its RB211 engines.

In the early part of 2009 Qantas commenced the implementation of a shutdown of its Rolls Royce engine overhaul facility after making a cost cutting decision to outsource its RB211 including the A380 Trent 900 overhaul work to HAESL in Hong Kong. 360 Australian engine engineering jobs were lost. This cost cutting approach sacrificed some of Qantas control over its own product in that it handed over the safety and security of its engines to a facility with joint owners including Singapore Airlines and Cathay Pacific Airlines.

So what's changed for Qantas after being the world's best practice in engineering for Rolls Royce RB211 engines? Fundamentally Qantas has taken the risk to sacrifice its control over the safety of its product for a perceived cost reduction by handing over its RB211 and Trent 900 engine work to Hong Kong and Singapore.

In this regard it's helpful to review a series of incidents that occurred at the end of last year:

- On 13th August 2010, the USA FAA issued an airworthiness directive for Rolls Royce RB211 Trent 900 engines, the engines used by Qantas, Singapore Airlines and Lufthansa on their Airbus A380 aircraft. In part the directive said "Rearward movement of the IP turbine would enable contact with static turbine components and would result in loss of engine performance with potential for in-flight shut down, oil migration and oil fire below the LP turbine discs prior to sufficient indication resulting in loss of LP turbine disc integrity."
- On 30th August 2010, a Qantas B747 jumbo powered by Rolls-Royce RB211 engine with a Trent variation had an 'uncontained failure' with one of its engines shortly after it left San Francisco and had to turn back.
- On the 4th November 2010, a Qantas A380 powered by Rolls Royce RB211 Trent 900 engines had a massive "uncontained" engine failure after take-off from Singapore and returned safely to Singapore.

- On 5th November 2010, a Qantas Boeing 747-400 made an emergency landing after leaving Singapore due to another Rolls Royce RB211 engine failure. Passengers on board the flight said they heard a bang and saw smoke coming from the aircraft's engine minutes after takeoff.

These events are serious life threatening events, so why did Singapore Airlines keep flying its A380 Trent 900-engined aircraft and risk it? The answer may well lie in what is really at stake for them and Rolls Royce and that is they have to be seen to be backing their own work and product out of their engine joint ventures or risk losing a massive capital investment in the joint ventures outlined above.

While Alan Joyce distinguished Qantas from Singapore Airlines by grounding the Qantas A380 fleet he still faces the same engineering quality problem with “Power by the Hour” of having no real control over the quality of the engines Qantas uses on its A380s and some B747s. In fact, it may well be that Singapore Airlines (through its engineering subsidiary SIAEC) and its higher risk taking philosophy has more control over the Qantas brand than Qantas does.

7.4 *Claim by Alan Joyce that ‘The amount of technical problems on our aircraft is actually decreasing. It is the press scrutiny and the press interest that gets you to see them, but there is no increase in the amount of issues that are occurring on Qantas.’*

Alan Joyce claims the amount of technical problems on Qantas aircraft is decreasing however ALAEA research and review of airworthiness databases such as the CASA published Service Difficulty Reports [SDR] over the last 10 years shows that the number of reportable incidents for Rolls Royce engines has trended upwards, with a noticeable increases in 2006 when Qantas closed the Sydney Heavy Maintenance facility and 2009 when the Sydney based engine overhaul facility was closed and Rolls Royce were handed Qantas’s engine maintenance.

A Service Difficulty Report is a mandatory report to be submitted to CASA when a major defect has been discovered on an aircraft or aircraft component. A summary

of reportable defects submitted by Qantas to CASA over the last 10 years is as follows:

2001 - 6
2002 - 8
2003 - 2
2004 - 1
2005 - 6
2006 - 8
2007 - 12
2008 - 6
2009 - 19
2010 - 12

In total there were 23 incidents in the 5 years 2001-2005 and 57 incidents in the 5 years following. This is a 147% increase in defects, or defects occurring at 2.47 x the previous rate.

ALAEA representatives would be pleased to appear before the Committee to supplement *the material provided in this submission*.

Stephen Purvinas
Federal Secretary
The Australian Licenced Aircraft Engineers Association

Attachment 1

My return to Sydney has been delayed until Monday at 1700, therefore new programme for this week:

On Monday:

Book E, I&R:

1. Book E, I&R:
- a. E for Thursday 9th Sept
- b. VH-111 for the Thursday 16th Sept.
2. RE E&A:

I would like to discuss the work package at approx midday.

- a. What recurring SID inspections are due?
- b. When is the next weight & balance due?
- c. Are there any significant ADs or major/unusual items other than propellers?????

My:

Do we have the correct size LE tape for the tailplane in the store? If not then get it on Monday please

On Tuesday:

The 100-hourly will start:

1. At 0730 I will run the engines and feather the props.
2. On completion and drop oils and do leak down checks.
3. Remove both props for overhaul by EastCoast Propellers.
4. I would like the nut bolt inspection (iaw CASA directive) done on Tuesday afternoon immediately after lunch:
- a. There is to be no work on the spar unless I am in attendance:
- b. I will personally report the result to CASA;
- c. Under no circumstances shall an staff member discuss the inspection or the result with anyone, unless I am present:
- i. Not even to CASA during their annual inspection.
- ii. Failure to observe this instruction will be grounds for dismissal.
- d. If needs feed-back then I will do it, and
5. I will personally work on the tailplane.

Wednesday:

Finish airframe inspection

Thursday:

E, I&R inspection.

Friday:

Install propellers, engine run(s) and test flight by

Questions or comments?

Rgds,

Attachment 2

13 August 2008

Michael Quinn

Deputy CEO CASA
By email.

Michael,



25 Stoney Creek Rd Bexley 2207 NSW
Ph: (02) 9554 9399 Fax: (02) 9554 9644
Email: alaea@alaea.asn.au
Web: www.alaea.asn.au
ABN: 84 234 747 620

Regarding the meeting at the AIPA offices last Monday when I mentioned to you my concerns over audit findings and actions taken over an audit of a 3rd party supplier to Qantas.

From my original notes of the audit I can give you the following information:

The audit identification number is 06 SPT 25

The audit took place between the 20th and 22nd of October 2006

The audit was of Byron Aviation located at Revesby NSW (Near Bankstown aerodrome)

Some of the findings from the audit identified:

- Numerous safety issues.
- Issues with facilities
- Issues with staff training
- Issues with traceability of spare parts and shelf life of chemicals
- Portable Oxygen masks and Cabin Service Manager chairs for 747 and A380 were being manufactured and supplied to Qantas without APMA or production certificate being held or approval being given by Qantas Quality Systems
- Portable Oxy masks were being manufactured to an obsolete drawing with substituted parts in a non-clean room environment
- The company representatives did not disclose to the audit team that they were manufacturing and supplying the Oxygen masks to Qantas when asked about what services they were providing to Qantas
- Many issues with controlled documents

My notes indicate that at some stage prior to this audit the supplier had been audited by CASA, possibly for obtaining a production certificate and that CASA had made some findings for example serial numbers on calibrated tooling.

My concerns are that the Qantas system allowed the use of non-approved aircraft parts to be purchased and used on RPT aircraft.

CASA audited the said supplier and either did not find the same number and type of findings that were picked up the Qantas auditors or they chose not to act on what they found.

If CASA had issued serious findings against the supplier why was Qantas Quality department not informed as a user of their services?

There was no recall of the disposable passenger and crew oxygen masks that had been manufactured without approval to incorrect data in a non-clean environment with

"To undertake supervise and certify for the safety of all who fly."

substituted parts and that this was based on commercial reasons as it was found that several thousand of these masks were in service and to recall the masks would have been at a substantial cost to the airline. (A member of the Engineering services department had also made the comment to me when we were trying to investigate further into the commercial arrangements with Byrons and the subject of oxygen masks was raised that there had been some problems with faulty masks but the stock had been found in store and returned to the supplier. I asked if this had been reported through the normal quarantine channels but this information was unobtainable and I do not believe that it was reported.)

There appeared to be a resigned attitude within the Qantas compliance department that this particular supplier had support from a managerial level within Qantas Engineering Services and thus the backdoor was able to be used to use this supplier on an adhoc basis and that they had no powers to prevent it.

I believe that Byrons was issued with a Production Certificate in the following months, however given that they were knowingly manufacturing and supplying non-approved parts it seems to be a reward.

From my recollection the audits reports were not specifically distributed outside of Qantas Engineering, but they were distributed to senior management across departments affected by supply from Byron.

TRAINING

During an audit on A330 maintenance in early 2007 serious training issues were discovered regarding supervision levels, CAR214 training and recurrency training. From my notes I can confirm that the audit identification number is 06 QSC 64.

The audit made findings of

- Aircraft released for service on ETOPS sectors by certifying staff non current on ETOPS training
- One certifying engineer responsible for supervision of 3 maintenance crews. The maintenance crews included his own crew, a support crew with little A330 experience and a boroscope engine crew performing boroscope inspections on the engines.
- A lack of familiarisation training on the A330 aircraft for the majority of engineers both licenced and unlicenced including those specially assigned to maintenance on that aircraft type as required by CAR 214.

Subsequent investigations revealed that there were hundreds of LAMEs in the system that were not current with ETOPS training.

We believe that Qantas has still not carried out the required CAR 214 training of its staff in that area in contravention of the regulation. This may be verified by an audit on the Qantas EQ training record system.

GROWING CONCERNS OVER THE VOLUME OF DEFERRED MAINTENANCE

Logistics

It has been reported to us that there has been a sharp increase in the numbers of MEL's, ATPs for the Boeing 737 fleet attributable to a severe shortage stocked or available spares. This problem is not limited to the 737 fleet.

Shortages Of Engineers

We have been made aware of an internal memorandum/report from the Manager of Aircraft Allocations that says there is a manpower shortfall every night of 200 engineers. This ties in with other figures we have been given such as 63 LAMEs have gone from ACS in the last financial year and have not been replaced. This includes a Voluntary Redundancies initiated by the Manager of ACS Murray Harris and reallocation of LAMES from general duties to the Team A380. Many of the LAMEs that have moved to Team A380 have multiple licence coverage and will no longer be available to be utilised on the other aircraft in the Qantas fleet. There has also been a spate of AMES and LAMEs resigning and moving on due to what they perceive to be no career progression due to limited or no training opportunities directly attributable to cost cutting by ACS management.

This shortage has also manifested itself in the inability of engineers to have leave approved and a large amount of overtime required to simply manage to keep aircraft airborne without addressing the ever growing backlog of deferred maintenance. This could be verified by an audit of accrued leave within Qantas Engineering. The next factor to consider following this is the effect of this on fatigue and morale.

Insufficient Licence Coverage

We have been informed that due to a lack of licence coverage, for example 747 LE in ports such as Melbourne that Maintenance Authorities have had to be issued to cover maintenance activities and that no additional licence training is scheduled to cover the shortfall directly attributable to cost cutting by ACS management. Maintenance Authorities should not be used as a routine certification privilege.

The shortage of available licence coverage and manpower has also lead to a sharp increase in the use of EAs, MELs, ATP and Flight Permits.

Inadequate Facilities

It has been reported to us that due to a rescheduling of maintenance work to Los Angeles there has been in large increase in the issuing of EAs because the Los Angeles maintenance base is not equipped to perform the work requested. Work is being scheduled to a port that has demonstrated that it cannot perform it and this work is being allowed to be delayed with the use of EAs.

It is possible that Qantas is operating outside of its CAR 30 approval by scheduling maintenance to a facility that is not equipped. If Qantas has CAR 30 approval to carry out that type of maintenance at that facility then a close look needs to be taken into the issuing of those EAs.

Inadequate Management Experience In Aviation

We have real concerns that the lack of aviation experience amongst some of the Qantas Engineering management including the head of ACS has lead to a level of ignorance to the importance of and awareness the regulations. A recent example of this was a scathing email from the Murray Harris to his management team about the release of PCT trainers to assist the training school in rectifying a non-compliant training course. If the PCT trainers had not assisted in rectifying the deficiencies in the course the training could not be carried out leaving a further shortfall of certifying staff.

This is also evident in the situation last year of the alleged incidence of an AME certifying as a LAME and that it apparent that the manager in charge was not aware of the licence issue until he was made aware it by the Technical Training School.

Are managers of aircraft maintenance departments within Qantas required to complete Airworthiness Legislation examinations such as AA to hold those positions? If not can they be fully expected to understand the complex relationships between cost, compliance and airworthiness principles?

It appears that a management budget decision gets made and then airworthiness compliance has to be squeezed into that budget without sufficient scrutiny from Quality and Risk surveyors.

Quality and Risk surveyors are not allowed to audit Qantas Engineering managers budget decisions and decisions to change personnel numbers and the effect it may have on compliance and airworthiness issues. And if they were to be allowed the findings would be reported to Engineering management only.

We believe that for a full and frank picture of the increase in MELs, PUS, ATP and Flight Permits the CASA investigation team needs to speak to all staff involved with the Integrated Operations Centre (IOC) encompassing the Maintenance Control Centre (MCC) and Maintenance Watch in both Sydney and Melbourne and that this needs to be done in an environment that allows no-blame and full confidentiality.

We also suggest that the same applies for the Quality Auditors within the Qantas Quality and Risk department.

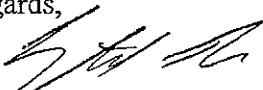
We have concerns over a number of recent incidents such as a total hydraulic failure on a 737 aircraft on approach into Brisbane, Flight Number QF 548 and the lack of feedback such as maintenance memos or safety alerts into the system regarding what had happened and to alert engineers to a serious airworthiness issue.

So too a concern over the lack of feed back or reporting of a 747-400 series aircraft that had a T/E flap fairing (Canoe) fall off on landing at JFK airport in the USA. An EA was issued to fly the aircraft without the fairing fitted until the 1st of August but no information was issued across the LAME network for extra vigilance on the parts affected by the failure.

We can only assume that this lack of feedback and reporting was to reduce media coverage of Qantas and was not in the best interests of safety.

We look forward to discussing these and other issues with you at the next available opportunities.

Regards,



Steve Re
Technical Officer ALAEA
Trustee1@alaea.asn.au

Attachment 3



27 August 2008

The President
Australian Licenced Aircraft Engineers Association
25 Stoney Creek Rd
BEXLEY NSW 2207

Dear Sir

Disclosure of Qantas confidential information

Qantas Airways Limited (**Qantas**) has recently become aware of the unauthorised disclosure of both Qantas' and a third party's confidential proprietary information by an officer of the Australian Licenced Aircraft Engineers Association (**ALAEA**). As the disclosure was made on the letter head of the ALAEA, we assume the disclosure was made with the knowledge and approval of the ALAEA.

The information in question concerned details of an audit of a Qantas function and of a third party supplier to Qantas. The disclosee is a former employee of Qantas, who obtained this information in the course of his employment at Qantas. Under the terms of his employment and at law, the employee is obliged to keep all such information confidential and not to disclose the information to any outside party or use the information without the consent of Qantas. Needless to say, such consent was neither sought nor given.


In addition, when the former employee was performing the audit of a third party supplier, he was granted access to the confidential proprietary information of that company. Each Qantas employee, when performing such a task, has an obligation to keep such third party information confidential and only to use the information for the purpose access was granted.

We regard the unauthorised disclosure of confidential information by current or former employees as a serious matter and a serious breach of the terms of employment as well as the law. The ALAEA officer appears to have taken Qantas' proprietary information with him when he left Qantas' employment, which is again a serious breach of the terms of his employment.

While Qantas appreciates the ALAEA has a role in raising concerns of its members with aviation regulatory authorities, however, this does not permit it to disclose information which is improperly or illegally obtained or which is subject to obligations of confidentiality. Further the piecemeal disclosure of selected information by the ALAEA gives a misleading and incomplete version of the events in question to the regulatory authorities.

The purpose of this letter is to put the ALAEA on immediate notice that it must not permit its officers to disclose Qantas' confidential or proprietary information without the prior consent of Qantas. If Qantas becomes aware of any such disclosure occurring again, it will take such action against the ALAEA and any responsible persons as it may be advised including commencing legal action.

Yours faithfully


Wes Nobelius
Deputy General Counsel



Qantas Airways Limited ABN 16 009 601 901
Qantas Centre 203 Coward Street, Mascot NSW 2020 Australia
Telephone 61 (2) 9691 3536

qantas.com

Attachment 4

Southern Airports Authority / CAAV

Mr Nguyen Van Phong

Deputy Head of Aviation Safety Surveillance Division

Tuesday 3rd November 2009.

Dear Mr Phong further to our conversation on Saturday night and that on the 19th October 2009 where I submitted a hand written four-page report detailing some of my experiences working with Jetstar Pacific Airlines.

In addition to the above I would like to clarify the first report I submitted to you.

Firstly some background and details about myself-

Name: Bernard John McCune

DOB: 27th May 1970

A total of twenty-one years experience in Aircraft Maintenance of these sixteen years as a B1 CRS working with many airlines and MRO's worldwide.

Qualifications:

- Structures Fitter (Aircraft Sheet Metal 1st Class).
- VAR-66 B1 Aircraft Maintenance License # CAAV-08/1028.
- FAA Airframe and Power plant Mechanics Certificate # 3079307.
- CASA Licensed Aircraft Engineer #L426597.
- Licensed on the following types: B767-200/300, B737CL/NG and A320 Series.

Employed by Pacific Airlines on the 14th March 2006 and terminated by the Deputy Chief Technical Officer of Jetstar Pacific Jerry Woods without notice or reason on the 15th September 2009.

In March 2006 I was employed by Pacific Airline's with three other engineers to assist and certify for the introduction of the first dry lease B737 to the fleet VN-A189. During the time of my employment with the airline my duties have been to certify for the B737 and A320 as well as train the local Vietnamese technical staff. Additional duties have been acting as technical representative for the airline during C checks and deliveries of the B737 and A320 aircraft.

Within this period of time with the airline I have not had any maintenance issues or faults brought against myself by JPA or CAAV.

Since the introduction of the Jetstar management I noticed a change in the approach to the issue of aircraft maintenance where cost seems to be the driving factor rather than safety and reliability. This is seen through the lack of spare parts and tooling for the aircraft but more importantly allowing the aircraft to fly in poor condition or in a known unserviceable condition outside the manufacturers limits or the company regulations and / or the VAR's.

QJ/11/2
3rd Nov 09



Foreign management in the technical department has been selected not on qualifications and experience but rather on friendship with senior management.

Some of the issues of concern I have witnessed at JPA are:

- Maintenance (both legitimate and illegal) being carried out on aircraft without being documented in the technical log.
- Staff being instructed by maintenance management to carry out work on the aircraft without recording an entry in the technical log.
- Aircraft being released by a CRS without the correct maintenance task being carried out to correct the defect, false maintenance entry.
- Aircraft parts / components being replaced on the aircraft without the correct test procedure being carried out prior to flight, e.g. pitot probes being replaced without leak check being done with the required test equipment as per the AMM.
- A foreign engineer attending work repetitively under the influence of alcohol and signing for the release of aircraft. Reports of this activity having been made by pilots, foreign engineers and local technical staff but no action taken due to these people being friends with management.
- Removal of parts / components from aircraft which then continues to operate without any approval via the AMM, MEL, OEM or CAAV.
- Maintenance errors happening in the technical department affecting the safety and operation of the airline without being correctly addressed. An example being on a B737 a system B EDP filter being replaced during an A Check of VN-A192, the foreign CRS failed to supervise the removal / installation of which the housing assembly was removed which is against the procedure in the AMM. The housing was installed back to front and on first flight the system B hydraulic quantity dropping below 20%. The aircraft landed in Vinh where it stayed until a foreign CRS came up from Saigon, the EDP, which was found to have failed, was replaced. The aircraft was released for pax service and in flight the same failure happened again with the system B hydraulic dropping below 20%. When the third EDP was replaced and the correct maintenance carried out after the aircraft was AOG in Saigon it was released to service. Investigation was carried out but not action taken against those who failed to carry out the task correctly which is surprising considering it was a serious incident that happened twice due to negligence, remembering the sys B hydraulic is the critical system on the aircraft.
- Foreign CRS's not being medically fit to hold a CAAV license as well as not being current on type on the B737 but being issued an approval by JPA QA.
- Technical defects being written in the technical log by pilots, but when they find that there is not a CRS at the station it is written over as entered in error then the aircraft is flown with the defect and it is addressed at the next base where a CRS is available. This also applies to known defects verbally reported by the pilots but not entered in the technical log but the aircraft is still allowed to carry on with passenger service.
- Known defects raised with maintenance management but CRS staff told to ignore such defects even if they are airworthy issues.
- Some pilots have verbally told me that JPA pilot management have instructed them not to put defects in the technical log unless it was absolutely necessary.
- A checks being constantly given variations to extend the input date of the aircraft by the technical QA manager due to lack of manpower without any action to address the problem. The technical quality assurance department is very weak with no corrective action taken by the QA manager to address safety issues and failures in the maintenance practices within the airline,

DATE
3rd Nov 08

only following instructions from deputy CTO Jerry Woods and the maintenance manager David Andrew.

One area of concern for others and myself at Jetstar is the lack of on wing engine monitoring. This was seen not to work in August with the failure in one week of two engines on two aircraft in the first half of August. Leading up to this event a reducing EGT margin was recorded by the trend monitoring but was not acted on. Alongside this trend monitoring numerous entries were being recorded in the technical log of both aircraft by the technical crew over a period of months but not acted on, incorrect maintenance action carried and no decision made about the future serviceability of the engines on wing.

These engines continued to be operated by Jetstar with marginal EGT limit in revenue service, even though the pilots continued to report verbally or in the technical log of EGT over temperature exceedence. As the serviceability margins approached a critical level the tech crew were retarding the throttle of the bad engine on takeoff to reduce the risk the risk of an over-temp situation. This is seen some copies of the tech logs that I gave you.

On the last day of the operation of VN-A190 with the unserviceable hot engine (6th Aug 2009) the aircraft departed Saigon (BL8493 to DAD). On take-off from Saigon the #2 engine preceded to over-temp and the engine throttle was retarded on take-off to avoid this over-temp situation. This was reported in the tech log #05673 by the captain on arrival in Danang, this was then crossed out by the captain with a note that it was entered in error (presumably due to no CRS staff in DAD station). The aircraft then departed for HAN, on take-off out of DAD the engine again was throttled back to avoid an over-temp of the engine. On arrival in HAN the captain again put an entry in the tech log #05674 stating that he had an over-temp event. Due to no B1 CRS in Hanoi or Saigon the MCC manager was sent from Saigon, a person who is medically unfit to hold a CAAV license and who is not current on the B737. On arrival at the aircraft he took no action to troubleshoot or rectify the problem but rather locked closed the PRSOV not addressing the continuing over-temp of the engine (illegal maintenance) then he released the aircraft for service. On take-off of the aircraft from-HAN it again had an over-temp for the third time that day with the throttle lever again retarded for the take-off.

On arrival in Saigon the over-temp was again recorded. The aircraft was AOG pending bore scope results. When the bore scope of the engine was carried out it was found that the HPT was damaged beyond allowable limits, which made the engine unserviceable meaning a replacement engine was required.

A similar occurrence happened on VN-A191 with continued engine #1 over-temps with it eventually being unable to fly anymore being declared AOG less than a week later after VN-A190, again damage to the HPT beyond limits.

The continued operation of the two aircraft VN-A190 and VN-A191 with known issues with the engine EGT limitations in an unserviceable condition as seen in their last weeks of operation where the pilots had to retard the throttles on take-off to avoid the engine failing is a serious occurrence. Perhaps this could be put into perspective in repeating what some pilots stated to me that if the good engine failed on them they could not rely on the EGT limited engine to keep them flying.

The continued flying of the engines until they failed also placed a heavy financial cost to the airline, allowing the engines to operate until they were completely unserviceable meant that the aircraft had not only become AOG but damage had been done to the engine that could had been avoided or at the very least mitigated. If in taking note of the reducing EGT margin and the pilot

Bill
30 Nov 09

entries the correct maintenance action could have been carried out or if it was assessed that the engine was getting to the stage that it needed to be removed for a shop visit this could have been planned before the engine became unserviceable on wing.

To illustrate the average costs of a CFM56-3C1 would be as follows:

\$2 million for a decent half-life engine.

\$1.5 million for a full overhaul.

\$600-800,000 for an HPT overhaul.

Additional to the above would be the lease costs of an engine whilst the damaged engine is repaired would be approximately \$3,000 per day and you would be looking at least a three month minimum turnaround time for the engine in the workshop.

So given the above it is an expensive exercise for the airline, especially considering that only one engine could be sent for repair whilst the other engine has had to be scrapped. Also factored in the disruption to the airline and the lost revenue whilst the airline was AOG, one aircraft AOG for just over a week the other for three weeks, on average approx \$60,000 a day in lost revenue the whole event could easily cost the airline several million dollars.

Remembering that this is 70% owned by the Vietnamese government who are bearing most of the cost.

Could the above cost and unsafe situation have been avoided?

Yes if JPA management had made proper planning and maintenance decisions in a timely manner.

The above cost to the airline is not the only example, there are many more where AOG's have occurred that could have been avoided or the circumstances mitigated reducing the cost to the airline such as the example previously given with the negligent maintenance on VN-A192 with the loss of system B hydraulic fluid and the associated damage to the aircraft. Numerous times AOG's have occurred at JPA where management have known of a fault or an impending fault about to occur on an aircraft but allowed the aircraft to continue to fly until the aircraft was at a stage where it could not be flown anymore causing unexpected disruption to the schedule and cost to the airline.

In regards to my termination it occurred on the 15th September when the deputy CTO Jerry Woods texted me on my afternoon off asking to meet up with him but refusing to explain the reason. As I was at university that afternoon it was agreed to meet at Highland's Coffee Saigon Center (below where he lives) at 1800. On arrival Jerry Woods stated that I was terminated from JPA, when asked numerous times the reason why he refused to give one saying he was not required to and even stating that he did not care whether it was legal or not as he had the power to do it.

Jerry Woods then gave me a choice, which consisted of me signing a pre written resignation letter that he had composed in the form that I had written to him requesting for personal reasons that I had to leave Vietnam immediately. I refused to sign this, as there is no reason for me to leave the airline. Due to my refusal to resign Jerry Woods went ahead with my termination. Subsequently to my termination as there was no reason to justify it Jerry Woods and the maintenance manager David Andrew fabricated a story that I had defrauded the company on a timesheet where I had claimed hours that I had not worked for to justify their actions. This evidence of my so-called fraudulent act has never been shown to myself or any of the Vietnamese management or staff.

Ante
3rd Nov 09

Following the termination I have applied to the Vietnamese court to have my case heard as the Vietnamese law has been broken by JPA in terminating me without reason. Jerry Woods presented a letter to the court saying that he was justified in terminating me due to the claim that I had defrauded the company but he could not produce any evidence of this when asked by the court.

Having during my three and half years of employment with the airline worked without fault there is no reason to justify my termination I am 100% certain that this has come about due myself raising safety issues about the airline to the JPA management.

The last example of the above was the day before the termination where I raised an issue of the #2 engine inlet cowl of the A320 VN-A195 being delaminated well outside of the Aircraft Maintenance Manual limitations talking with my shift senior Bob Jovkovic and the Maintenance Manager David Andrew saying it is an item that needs to be replaced. This engine inlet continued to fly in an unserviceable condition until it was replaced on the 16th October. I am aware now after speaking to my colleagues remaining at Jetstar that management is actively covering up the fact that the aircraft operated with an unserviceable engine inlet for such along period of time.

The above cover up of JPA flying with an unserviceable engine inlet is typical of what I have witnessed with the airline under the current Jetstar management who attempts to hide any problem that might cause concern to the CAAV. During CAAV audits is normal practice to hide any evidence in the technical building for example clean up any spare parts or uncontrolled documentation in the CRS room.

The safety management system though in place and spoken about by the Jetstar management is not effective and has failed. This is due to employees within JPA being to scared to report safety issues due to threat of action against them by management, this has become more apparent since the termination of myself and my colleague Digger King, both of us known to actively raise concerns about safety and the way the maintenance is carried out at JPA.

The safety management system has also seen to have failed in the confidential reporting system where employees having submitted a report thinking that it is anonymous report and they will not be identified they have then been approached by their manager detailing what they written in the report.

Talking with other staff within Jetstar about the safety management system they share the same concerns. Recently when talking with a captain (who has left Jetstar) about the potential near loss of VN-A191 on the 24th July 2009 where the right hand #9 spoiler jammed in the upright position on approach into Hanoi causing the pilot to have to use full aileron input to control the aircraft. He submitted a report but had no feedback on this from JPA management. When I suggested to the safety management the cause of the defect could at least in a small part be prevented by a better approach to maintenance I was quickly dismissed.

Overall in my experience working in my country of origin Australia and many other airlines and maintenance repair organizations around the world including low cost carriers like Jetstar has lead me to have concerns about the safety and mismanagement of JPA. The current management team seem more interested in running a no cost operation where money is only spent where it is absolutely necessary including in the technical department leading to in my opinion compromises in the safety of the airline. Along with this policy it has lead to situations, some of which I have dealt with in this letter where the refusal to spend money has lead to a much

2/1/10
3rd Nov 09

greater cost to the airline than what was trying to be saved in the first instant. This mismanagement in what I have witnessed has never been held to account.

This letter has been submitted to the CAAV out of the above concern about safety and mismanagement of the airline. Though I trust you when you say that any reports that I submit will be in confidence I am worried by the fact that photos I did give you on the 19th October as evidence have ended up at JPA. This has then resulted in them accusing my colleague Digger King of taking these photos and giving them to the CAAV that then lead to his termination by Jerry Woods.

I hope that my action in reporting the above that the Vietnamese government will investigate to improve the safety of the airline and its management.

As a foreigner who has lived here for over three and half years and has plans to live in Vietnam for many years to come I have faith that the Vietnamese government will take the correct action.

Thank you very much for your time to listen to my story.

Best regards.

BJM
3/11/2009

Bernard John McCune

Ph: 0907936732

Email: bernie248@hotmail.com



Ana Murray

Consul

Australian Consulate, General

Chi Minh City



**MINISTRY OF TRANSPORT
CIVIL AVIATION ADMINISTRATION
OF VIETNAM**

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness
-----oOo-----

Ref No. : /CHK

Ha Noi,

Formal Conclusion of CAAV Regarding Safety Inspection At JPA

DIRECTOR OF CIVIL AVIATION ADMINISTRATION OF VIETNAM

Briefing

Considering the result of JPA VAR-145 certificate scheduled audit in October 2009 by CAAV and number of negative statements regarding Safety issue that Southern port authority received from Mr Bernard John McCune (a former Mechanic at JPA) dated October 19th 2009 and November 3rd 2009, CAAV has made an official Decision numbered 3731/QD-CHK dated Nov 3rd 2009 to conduct an inspection on JPA Maintenance Management Organisation. In addition, CAAV again received through the Southern Port Authority more negative statements on Safety issue from Mr Bernard John McCune dated Nov 3rd 2009 and from Mr Digger Dolphus King (a former Mechanic at JPA) dated Nov 4th 2009. The inspection delegation conducted the evaluation in accordance with the Decision above from 05/11/2009 to 18/11/2009 and has concluded their inspection on the Report 175/TTHK (DTT) dated December 04th 2009. After considering the official explanation letter numbered 2292-JPA-KT sent by JPA on Dec 18th 2009, CAAV has issued an official conclusion letter numbered 34/CHK-TTHK on Jan 5th 2010 regarding the inspection. Also, CAAV arranged a meeting with Mr Bernard John McCune and Mr Digger Dolphus King to clarify the conclusion from inspection team. The main conclusion contains information of:

I. Shortcomings and violations by JPA in the Maintenance process:

JPA was certified by CAAV and held VAR-145 Certificate in accordance with VAR-145 regulation since April 2006. Although there was not any actual serious occurrences regarding flight safety and Technical Quality Assurance is self-controlled by the company as well as being supervised continually by CAAV. JPA have had number of violation regarding maintenance activities that involved potential hazards which can lead to safety issues, such as:

1. Maintenance management, facilities and aircraft components; Maintenance staff's certificate and licence issues:

- The implementation of all maintenance activities in reality is not complied with the description of MMOE. Besides, the Organisation structure and the description of managerial system within MMOE documents is inadequate,

incomprehensive and many personnel who appeared without or vague title and their duties within the structure. JPA did not clarify

- According to the provision 13 of Standard of Maintenance Organisation, Organisation who carries out maintenance activities must compile a resources planning system regarding manpower, equipments, tooling, facilities, any mean of materials and hangar in accordance with the complexity of the tasks in order to achieve safety standard. However, JPA did not implement a proper plan and carrying out audit plan as requirements. As a result, JPA has to request for concession from CAAV to extend their maintenance schedule due to lack of manpower since Jan 2009 until now.
- JPA was not capable of fully providing facilities and workshops in accordance with MMOE document. For instance: workshops are too small, wheelshop is lack of air ventilation, parts are kept at wrong place without fire alarm system and mouldy wall...etc.
- JPA has authorised Flight crew to certify A320 aircraft into service while they were not trained and their certificate for the job was not recorded properly.

2. Management, supply and outsource aircraft parts and components:

- The main violation was that JPA did not implement a managerial plan and carrying out audit regularly on maintenance parts and equipment according to the requirement

3. Maintenance Procedure and Technical Quality Assurance Audit:

JPA Technical Quality Assurance system operated very poorly and ineffective, therefore it's been many violations occurred within maintenance process. Aviation safety culture was not conducted thoroughly as requirement. Managerial staffs was actual causes and fully responsible for this system error. Flight crew members and technical staffs also did not assign defect repair into techlog deliberately. There are number of maintenance management violation issues such as:

- Implement maintenance activities incorrectly as it is required in AMM, SRM or the procedures approved by CAAV for a long period of time. Technical Quality Assurance Manager once authorised maintenance schedule amendment while the task involved must not be postponed in any mean.
- Anti-icing pipe system has been brought out to repair (welding task) at an unapproved agent. Also technical staff did not report occurrence on purpose.
- Authorise CAT A mechanics to be able to certify defects within MEL/CDL scope without any training record.
- Outsourcing agents were not audited promptly according to Maintenance Standard and MMOE requirement

- In some case, CRS 33 staffs have certified aircraft into service without competence for the tasks
- Many defects found but was not recorded into Maintenance logbook; flight crew deliberately erased or inform filling defect by mistake where mechanics did not present since the defect was real; pilot did not fill unexpected occurrence into techlog in many case and many mandatory occurrences were not reported to authority in accordance with Decree 75 and MMOE procedure.
- Many defects were not controlled properly and without cross-checking if the job is done in compliance with task-card; validation the repair using NDT method did not carry out.
- Accountable Manager did not conduct meeting promptly to evaluate quality system as requirement.
- Technical staffs record incorrectly the size of defects and twisting the fact of defect level.
- There is no evidence that technical staffs were directed by managerial staffs to cover the defects found for commercial purpose. However, mistake of recording and during maintenance activities has shown that staffs must be trained to improve quality system as well as safety culture.

4. Violate the Aviation Safety culture committed in MMOE

JPA has not fully developed the Aviation safety culture committed in MMOE. Many findings in maintenance and operation practices have originated from the subjective behaviour, the awareness of management and Technical staff; It is known that some staffs feel concerned to report the defects or report but not receive the support from Company; not report the defects to Authority (even Mr Bernard and King just accused JP after labour termination)

5. Employ the Maintenance staff

Labour contracts signed between JPA and foreign employee in English without Vietnamese violate the Decree No: 44/2003/ND-CP on 09/5/2008 stipulated and instructed by Government on the regulations of labour contract.

According to report of Inspection team, from 01/8/2009, JPA signed directly with the foreign employees who have not labour licence relating to recruitment and management of Foreign Employee working in Vietnam regulated in Decree No: 34/2008/ND-CP on 25/3/2008 issued by Government and Circular No.: 08/2008/TT-BLĐTBXH on 10/6/2008 issued by Ministry of Labour, War invalids and Social Welfare relating to the instruction on Decree No.: 34/2008/ND-CP dated 25/3/2008.

6. Labour termination, temporarily termination

6.1. In case of Labour contract termination with Mr Bernard John Louis Korgul McCune, JPA reported that working performance of Mr Bernard who often disagreed with management

was ineffective and cooperation attitude was not active. So Mr Bernard was terminated the labour contract with the reason of labour violation.

Basing on Labour code rectified and supplemented in 2006, in consideration of all records and documentation relating to the discipline on Mr Bernard John Louis Korgul McCune, JPA has violated the following regulations:

- Termination to the Labour contract with Mr Bernard before its due is inadequate; JPA did not follow the Labour code procedures such as: not direct meeting with employee for the consideration of discipline; no Discipline meeting minute with the presence of employee; no reminder in writing to Mr Bernard about the discipline violation, working performance or fraud activities of employee; no advance notice of labour termination to Mr Bernard in accordance with the labour code. Meanwhile, Mr Bernard is respected and trusted by Vietnam colleagues.

- Labour termination decision with Mr Bernard signed by Mr Jerry Woods- Technical deputy Director is illegal as Mr Jerry Woods is an inadequate person to decide the labour contract termination with JPA employee.

- The record of Labour contract termination with Mr Bernard did not comply the regulations. There are some adjustments in record to deal with Inspection team and justify the wrong things.

- The control, record, number and follow the outgoing documents of JPA did not comply the regulation.

6.2 In case of the 03 month-off decision applied to Mr Digger Dolphus King:

The contract of Mr Digger Dolphus King is signed by JPA with the working period of 02 years from 01/8/2009. Mr Digger King is given a 03 month-off period without salary from 30/10/2009 to 30/01/2010 with the following reasons:

- Professional licences are insufficient to tasks.
- Make mistakes in A/C maintenance practices.
- Health and mind are not in good condition.

CAAV suspects the labour suspension to Mr Digger King considered as not objective because JPA did not provide CAAV with the evidents on mistake of Mr Digger King.

7. Documentation and storage.

JPA did not have a record to control the outgoing and incoming document; not number the document orderly basing on the outgoing document and not follow up the outgoing document in accordance with Decree No.: 110/2004/NĐ-CP and Circular No.: 55/2005/TTLT-BNV-VPCP

II. SAFETY SUPERVISION OF CAAV TO JPA IN THE PASSING TIME.

1. Result of the regular supervision of CAAV.

CAAV often conducts the regular audit in accordance with VAR-145 regulations, capacity and facility, human resource necessary to rating supplement, Maintenance Organisation licence extension; check the Techlog and Aircraft situation to extend the CofA for all A/Cs.

Through the audits and extension on the above licences for JPA Organisation and A/Cs, Flight Safety Standard Division of CAAV found out a lot of findings in Organisational structure, and operation manuals, MMOE, facility, equipment for A/Cs; Efficiency of TQA system; Maintenance staff ; Techlog record and Defect report; Training and Technical staff approval. On the basis, CAAV has implemented some resolves as follows:

- CAAV has issued 5 Decisions on administration sanction in 2008-2009 applied to JPA on the violation of operation, maintenance, recommendation issuance in order to implement the necessary measures for corrective action; perform the urgent action to ensure the A/C operational safety; withdraw the licence of staff violated; revoke the operational concession issuance authorisation; revoke the A check rating of JPA.

2. Evaluation:

In fact, JPA did not comply promptly with the authority recommendation. Many mistakes and violations were covered deliberately by JPA from the supervision. Aviation inspection is part of the air transport safety supervision. There are number of previous violations remained as well as new finding violations after the inspection. Result of the inspection has shown that:

- Safety supervision at JPA is not concreted, many systematic violations found
- The supervision of corrective action was not carried out strictly
- MMOE document approved is still inadequate hence Maintenance Organisation System of JPA is inappropriate.

III. WARNINGS AND SETTLEMENTS

JPA's primary fault was to build and operate weak maintenance systems, which allowed numerous mistakes to occur throughout maintenance processes. The majority of maintenance officers have at some point made mistakes. The air safety guidelines have not been deployed in the way the airline has committed, and JPA senior management must take responsibility for these flawed systems.

Numerous technical engineers and pilots have made errors in maintenance or in filing their diaries; and these mistakes can primarily be attributed to flaws in maintenance processes, led by a team of key personnel, who themselves have made numerous errors. However, considering the willingness of JPA to cooperate with inspecting teams, CAAV will not impose punishments to these engineers and pilots, instead choosing to issue warnings.

The CAAV has decided to carry out the following measures:

1. Revoke JPA's productivity norm A of aircraft maintenance
2. Cancel the title approval within JPA's maintenance management (in MMOE)

given to these following persons:

- Mr Luong Hoài Nam, General Director;
- Mr Atanas Stankov, Technical Quality Manager;
- Mr David Andrew- Maintenance Manager;

3. To revoke the technical engineering certification from Mr. Louis Korgul.

4. To send a warning to the whole engineer fleet, mechanic engineers and pilots of JPA who violated the regulations of aircraft exploiting and maintenance.

5. Jetstar Pacific airline is required:

- To carry out complete abiding by regulations that is ruled by legal materials, introducing materials of aircraft exploiting and maintenance.

- To re-organizing the quality control system so that the aircraft maintenance engineer fleet and JPA's operating can be effectively controlled.

- To examine, correct and re-submit MMOE for approval.

- To re-organize the management system to ensure Vietnam side's effective control in accordance with spirit of the Decree 76/2007/ND-CP.

- To examine and define responsibilities of involved individuals among the JPA's aircraft exploiting department and maintenance department.

- To reorganize and keep consistency thoroughly among staff members who are responsible for noting daily techlog and aircraft maintenance report.

- To perfect the training system, to train JPA's employees and prepare document for CAAV's approval.

- To revoke CRSs provided to pilot to confirm the completion of maintenance, which does not qualify the conditions and procedures accordingly.

- To fine company employees who have violating behavior against to company regulations.
- To correct the staff organization, administration, admin storage.
- To complete procedures of granting working permits for foreign labor at JPA
- To recover, solve, ensure legal benefits of Bernard in accordance with law regulations; to objectively evaluate Digger King's working termination.
- To examine Decision 1010/QĐ-JPA on 23May2009 about policy of authorised finance to adjust accordingly.
- To implement forcefully the air safety culture in Company in accordance with commitments and regulations of MMOE.
- To cancel the latest notification about writing prohibition at "additional information" section.

6. Safety Standard Department:

- To review, monitor and re-organize safety monitoring on JPA.
- To increase inspection, monitoring on JPA's aircraft maintenance activities.
- To perfect system of air safety monitoring.
- To compose guidelines on procedure of reporting maintenance problems according to regulation and report to Head of CAAV.

7. Air Transport:

Increase inspection, monitoring on implementing regulations in accordance with JPA's business licence.

8. Aviation Inspectors:

The Ministry of Transportation requests the inspection team to consider implementing sanctions for administrative violations to organisations and individuals who intentionally concealed information, or were uncooperative to inspectors. Inspectors are to notify government authorities over violations of JPA in their use of foreign labor, while also ensuring no punishment to employees who have been cooperative the inspection team.

9. Southern Airports Authority.

Strengthen inspection and supervision before JPA flights. Within 30 days of receipt of the findings of this inspection, the General Director of JPA is responsible for the implementation of improved inspection and supervision processes. This is to be reported to CAAV before 20 February 2010.

pp. **DIRECTOR**
DEPUTY DIRECTOR
(Signed and sealed)
LAI XUAN THANH

Attachment 6

SMH Online

Jetstar Pacific hits back, while whistleblowers hold their line

Tom Allard and Matt O'Sullivan

January 15, 2010

BRUCE Buchanan, the chief executive of Jetstar Airways in Australia, said yesterday there would be no apology or any reinstatement of the men who blew the whistle on Jetstar Pacific in Vietnam to its aviation regulator.

Mr Buchanan, chief executive of Jetstar Airways and on the board of Jetstar Pacific, where whistleblowers Digger King and Bernard McCune worked, yesterday told *The Age*: "I just find it astounding that someone would take photographs, send them off to their friend who had just been dismissed, rather than put in a safety report, and use it for their political advantage. What I find astounding is that if these guys had safety concerns, why didn't they put in [safety] reports?"

Jetstar Pacific is 27 per cent owned by Qantas, which owns Jetstar Airways.

Mr McCune, Mr Buchanan added, had a "very chequered past" and accused him of attacking the airline after missing out on a promotion. "He did exactly the same thing at Virgin Blue. Do I think he should not be in the organisation? Absolutely," he said.

Mr McCune, who hails from Victoria and describes himself as a "very stubborn redhead", said Mr Buchanan's claims were simply untrue.

He had never applied for a promotion at Jetstar Pacific and both men had presented written and verbal reports on the safety flaws, including a lengthy email - viewed by *The Age* - to a senior Qantas manager in Australia.

"These are personal attacks, lies and slander. It's a dirty tricks campaign and one that's been going on for months," said Mr McCune.

"It's interesting isn't it? They never say the CAAV report is wrong. They won't dispute the facts."

For his part, Digger King knew his colleagues were unhappy when he joined up with fellow engineer Mr McCune to take their concerns about safety at the carrier to Vietnam's aviation regulator.

But he never expected the loud knock on his front door that came late one weekday night in late November.

"This guy came around to my place on a motorcycle and rammed it into my door. He then started to kick it down. He was pissed to the eyeballs and he threatened me. He was totally out of control. It was unbelievable."

The man, says Mr King, was David Andrew, his former housemate and the maintenance manager at Jetstar Pacific. A police report of the incident formed part of a Civil Aviation Authority of Vietnam (CAAV) investigation into Jetstar Pacific, which ordered Mr Andrew be removed from his post, an edict the airline adhered to.

"There was a lot of hatred there for me," said Mr King, a nuggety, super-fit 65-year-old veteran of the airline industry who last year rode his bicycle almost 2000 kilometres from Hanoi to Ho Chi Minh City.

"People were telling me you are going to bring us down. This place will go out of business. I told them if they did something when we first complained about it, it never would have come to this."

In an exclusive interview with *The Age*, Mr King and Mr McCune spoke of blowing the whistle on what the CAAV found in a report released this week to be a "very poor and ineffective" culture of safety maintenance at the airline.

Mr McCune, who was illegally sacked after he refused to sign a resignation letter drafted for him, said he first raised the safety issues in early 2008.

"The reason we went to the CAAV is because senior managers weren't responding to the safety concerns," he said. "There was an intense investigation and we have found to be correct."

As well as finding a litany of safety violations, the CAAV report also accused Jetstar Pacific of covering up defects from supervisors.

On Wednesday night, a day after the report's release, both men said they felt vindicated, but also apprehensive that their reputations would be further sullied.

All they ever wanted, said Mr McCune, was to "fix the safety problems and clear our names".

Certainly, Mr McCune has become a minor media fixture in the country. Photos he obtained of a damaged plane laden with passengers ready to depart were splashed across the country's print and online media late last year.

Jetstar Pacific accused Mr King of leaking the photos. He was suspended two days later on the grounds of making repeated mistakes, a rationale the CAAV found to be unsubstantiated.

Online bloggers have nominated both men to be the "heroes of the year". Local maintenance staff at Jetstar Pacific, meanwhile, petitioned for Mr McCune's reinstatement, saying "he was the foreigner they hated most" when he started at the airline in 2006 but they soon warmed to him and regarded him as a "good teacher and good friend".