

# Australian Greens' Dissenting Report

## Views on the Bill

1.1 The Australian Greens believe this inquiry into the Qantas Sale Amendment Bill 2014 was useful from the perspective of collecting evidence from Qantas' management and the unions representing Qantas workers regarding the potential impacts on jobs if the proposed legislation is passed.

1.2 The Australian Greens believe that the overriding factor when determining whether or not to support the proposed legislation should be its direct impact on jobs.

1.3 The Australian Greens agree that there are a number of problems facing Qantas, but these problems are more complex than simply a lack of foreign ownership. A much more comprehensive response, beyond simple deregulation, is required from government.

1.4 The Australian Greens believe that Qantas senior management has serious questions to answer around certain financial and strategic decisions. The request by senior management to amend the *Qantas Sale Act 1992* should not be simply implemented by the Australian parliament.

1.5 We reject some of the commentary from some committee members that the financial and strategic direction of Qantas is a "matter for shareholders" and the Qantas board. Qantas' history, contemporary significance as a national carrier, size in terms of domestic employment (it employs 33,000 local workers) and the fact that it has been proactively requesting federal government support mean that these issues are of pertinence to this inquiry and to the parliament more generally.

### *Views on the problems facing Qantas*

1.6 A number of submissions highlighted issues in the domestic aviation market and pointed to potential poor decisions made by Qantas' management, which could have contributed to its current financial situation.

1.7 The submission by Colonial Airways points out that Qantas holds 65 per cent of the domestic aviation market.

1.8 The submission argues that "Qantas' losses also rose and compounded dramatically here due to the inconceivable and poorly timed withdrawal and handoff of lucrative international routes and national markets."

1.9 The submission quotes aviation consultant Mr Oliver Lamb, who said that "Qantas had made an error by slashing international services from Brisbane, Melbourne, Perth and Adelaide in the past two years, allowing foreign airlines to capture its market share" and "Qantas has spent a lot of money on ventures in Asia, and Jetstar, at the expense of its international network."

1.10 Colonial Airways summarises these comments as "the crux of the very reason Qantas has moved backwards."

1.11 These sentiments are supported by the submission from the Australian Licensed Aircraft Engineers Association (ALAEA).

1.12 In its submission ALAEA suggests that Qantas' management has made a number of strategic errors. They argue that this is possible "as the Qantas Board does not contain any person who has worked or been promoted from an operational aviation profession (Pilot, Engineer, Flight Attendant, Baggage handler, customer services, etc)."

1.13 The ALAEA submission lists a number of potential areas where poor management decisions have led to financial losses, and like Colonial Airways, includes Jetstar Asia as a prominent factor.

1.14 The Australian Services Union (ASU) submission supports the view that a lack of financial capital isn't the main issue facing Qantas:

Advocates of the proposed reforms often argue that Qantas is disadvantaged by the restrictions on foreign ownership. They contend that Qantas has difficulties raising capital. We dispute this argument. As one of the world's most successful airlines, Qantas has never had any trouble raising capital when required. Qantas is presently below the foreign ownership threshold of 49%. It has only come close to the exceeding the threshold on one occasion (the [Airlines Partners Australia] private equity bid). This indicates that sufficient local capital is available.

### ***Jobs***

1.15 As noted in the committee's majority report, "Qantas indicated that the repeal of Part 3 of the Qantas Sale Act would provide it with greater workforce flexibility, telling the committee that the Qantas Sale Act as currently drafted denied Qantas the ability that Virgin has to undertake a large part of its operations (such as heavy maintenance and call centre work) offshore."

1.16 Submissions from the ASU and the Australian Council of Trade Unions (ACTU) argued that Qantas already has implemented an offshoring strategy and would take further steps to offshore more jobs if given the opportunity, for example by repealing Part 3 of the Qantas Sale Act.

1.17 The fact that Qantas still retains the flexibility for up to a further 10 per cent foreign ownership, under current rules, suggests the issue is more complex than "more foreign investment."

1.18 The current situation, along with evidence presented to the committee, suggests that the most likely situation if Part 3 of the Qantas Sale Act is repealed is a more comprehensive takeover of Qantas by either an individual foreign government owned airline or a conglomerate of foreign government owned airlines.

1.19 It is almost inevitable that if such a situation were to occur, a stream of Australian job losses would follow, as the new owners would have essentially no incentive to retain jobs in Australia.

***"A level playing field"***

1.20 An issue repeated a number of times by Qantas senior management, as well as by government Senators, was the need for "a level playing field".

1.21 In its submission Qantas stated that:

A decision has now been taken by this government to ask the parliament to amend the Qantas Sale Act. We support this as a means to level the playing field; as we state in our submission, Qantas is prevented by the act from competing on equal terms to those of our competitors.

1.22 As pointed out in the majority report, The Qantas Engineers' Alliance argued that no "level playing field" exists in the aviation market, which is distorted by "massive government intervention and ownership."

1.23 The ACTU submission went further and stated that the concept of a level playing field was essentially "illusory" due to government intervention.

1.24 Given the above, it is important to point out that by creating a "level playing field" Qantas is essentially arguing for the right to be bought and owned by foreign government owned airlines in the same way Virgin is.

1.25 While that may be a priority for Qantas management, there is strong evidence that this is not in the interests of the Australian public to have Australia's national carrier and largest domestic airline by market share bought and run in the interests of foreign governments.

***Summary***

1.26 Evidence presented to the committee by a number of witnesses and submissions make a compelling case that poor management decisions have impacted on Qantas' current financial situation.

1.27 Evidence presented to the committee makes it clear that if Part 3 of the Qantas Sale Act was repealed, the most likely outcome would be an effective takeover of the airline by one, or a group of, foreign government owned airlines. If that was to occur, it would very likely lead to an exodus of jobs and investment in this country.

1.28 In terms of a level playing field, it seems somewhat disingenuous to argue, as Qantas and government senators have, that in the context of an aviation industry dominated by government-run airlines that operate in the interests of domestic tourism and wider economics needs, the only appropriate response for the Australian government is to fully deregulate the domestic industry and set up Qantas for a full foreign takeover.

**Recommendation 1**

**1.29 That the bill not be passed.**

**Recommendation 2**

**1.30 That the Senate seriously considers any options presented to the Senate Rural and Regional and Transport Affairs Committee inquiry into Qantas into how the government can provide assistance to Qantas that will protect jobs, wages and conditions of Qantas' workers, that will provide international and domestic services to the Australian public, and that are in the national interest.**

**Senator Lee Rhiannon  
Senator for New South Wales**

**Senator Peter Whish-Wilson  
Senator for Tasmania**