

23 December 2021

Committee Secretary
Senate Standing Committee on Job Security
PO Box 6100 Parliament House
Canberra ACT 2600

Dear Committee Secretary,

Swissport's Public Hearing follow up

Thank you for the opportunity to attend the Senate Select Committee on Job Security public hearing on 8 December 2021 via teleconference.

SWISSPORT'S OPENING STATEMENT

I provide here a copy of my opening statement which provides an overview of our business and highlights three key points:

1. Engaging specialist ground services providers is a worldwide trend
2. Swissport jobs are permanent and secure
3. Swissport enjoys the overwhelming support of our team

Thank you and introduction

Thank you for the opportunity to attend the hearing on the most important topic of job security.

I am Swissport's Managing Director for Asia-Pacific. I joined the business in April of this year.

For those of you not familiar with Swissport: we are a cargo-handling and ground services business that provides specialist services to airlines and airports throughout the world.

We have operated here in Australia for 28 years with a head office proudly based in Brisbane, Queensland. Today we support all major domestic airlines and several international carriers. We provide a range of services on the tarmac and inside and around the airport precinct.

Late last year Swissport was awarded three of 20 contracts issued by Qantas as part of their outsourcing program.

I would like to make three points in my opening remarks this afternoon.

- 1. Engaging specialist ground-handling providers is a worldwide trend that is becoming standard practice globally.**

A report a while ago by KPMG modestly projected that 70 per cent of the global ground-handling industry will be completed by independent ground-handling specialist firms by 2022; that's up from just 24 per cent in 2007.

That's because businesses like Swissport have invested in critical systems, processes, equipment, and technology and also have the experience to achieve the best efficiency and highest operational performance for their airline customers. Essentially, organisations like Swissport are specialists in the ground services and ground-handling space. It's all we think about, we specialise in it and it is our focus.

It's also because airlines increasingly want to focus on what they do best—fly aeroplanes. The result is that today Australia's aviation industry is supported by a number of specialist ground-handling companies like ours.

2. Swissport jobs are permanent and secure.

To deliver the best service for airlines and their customers, Swissport needs a loyal, engaged and motivated workforce. Fundamental to this is providing permanent secure work.

I'm proud to report that 99.95 per cent of our 2,000 ground-handling colleagues are employed on a permanent and secure basis. Swissport does not engage labour hire and has not engaged casuals for some time.

We regularly celebrate our employees reaching 10, 15 and 20 years with our business, and long tenure is testament to the opportunities and conditions we provide.

3. Swissport enjoys overwhelming support from its team.

We have a good relationship with our people and a highly stable and collaborative culture. We never stop consulting with our team members, which helps ensure our agreements reflect what matters most to our people.

We work hard to balance their needs with what our business needs are and provide them with ongoing job security and career opportunities.

Swissport has achieved greater than 91 per cent support from its employees on all historical votes for collective agreements.

Swissport has a special culture where team members and leaders work together to provide the best service for its airline and airport customers. Working with many airlines and many airport locations means diversity of work and career opportunities. Testament to that is we have invested in over 350,000 hours of training for our staff in 2021.

In conclusion: the ground operations landscape has changed significantly over the last 20 to 25 years, with airlines around the globe outsourcing these important services to independent specialist companies like Swissport.

Key to Swissport's success is a balance between meeting the airlines' demands on the ground and sustaining workforce morale and motivation. You can't drive optimisation if your employees don't believe you're putting their interests first.

Swissport has a happy and secure workforce who overwhelmingly endorse our company and who our airline partners increasingly count on for the survival and sustainability of Australian aviation.

Thank you for your time. I'm happy to take questions.

SWISSPORT'S SAFETY RECORD IS OUTSTANDING

- Swissport's safety record is outstanding, and our airline customers, regulators and airport authorities support this view.
- Swissport's safety record is supported by having a permanent secure workforce who are trained to the highest standards in the Australian aviation industry.
- When announcing the decision to outsource ground services on 30 November 2020, Qantas Domestic and International CEO Andrew David said: "We have used these specialist ground handlers at many Australian airports for decades and they've proven they can deliver a safe and reliable service more efficiently than it's currently done in-house."
 - The Qantas media release went on to say: *The data shows that external ground handlers are no less safe and in some cases their safety performance is better. Take aircraft loading, which is a core part of what ground handlers do. An average of 0.4 aircraft damage events per 1000 flights for outsourced operations compared with 0.8 for Qantas staffed airports.*
- Specialist providers like Swissport go through four times the number of checks and governance procedures as the insourced environment because we are audited by each airline customer. By way of example, Swissport in its full-scale operations prior to the pandemic participated in the following safety audits in 2019:
 - a. 15 Regulator audits*
 - b. 42 Swissport safety department audits
 - c. 103 Airline audits
 - d. 19,555 in-station self-audits

*Swissport recorded an exceptionally low average of only 0.3 findings/non-compliances per regulator audit.

RESPONSES TO QUESTIONS ON NOTICE

Please find below the responses to questions taken on notice.

Question 1 CHAIR: "Are you able to come back to us with the figures for the turnover of staff—the numbers that have left and the number of staff employed over the previous three years? If you can take it on notice, that would be of assistance."

Answer: The COVID-19 pandemic and related border restrictions and lockdowns has caused the extended stand down of aviation employees, and with the exclusion of specialist ground staff from government support, has resulted in an acceleration of attrition. It is important that this context is understood when considering the employee numbers outlined below.

In January 2019, there were 2,483 employees in CA18 (2019 cohort).

In November 2021 there were 2,154 employees (2021 cohort).

Of the 2019 cohort, 1,102 remained employed in Nov 2021 (retained)

Therefore, of 2,154 employees in Nov 2021, 1,102 are retained (51.2%), 1,052 are new (48.8%)

So, Swissport's replacement rate over the last 3 years, during the worst of the COVID pandemic and extended grounding of airlines, is about 17% per annum.

By comparison, normal annual employee turnover in Australian banking is higher – at 18.8%¹.

Moreover, research shows that Australian workers across the entire economy stay in a job for an average 3.3 years. This means that the average Australian school-leaver today is likely to have 17 employers throughout their lifetime².

Question 2 CHAIR: “You spoke about the RDAC fund, the Retaining Domestic Airline Capability fund. Did you receive an explanation about why you were left out of that fund?”

Answer: Please see enclosed letter from The Hon Barnaby Joyce MP to the Australian Aviation Ground Handler Industry Alliance (AAGHIA) received on 21 September 2021. No other correspondence was received.

Question 3: I'm just looking at this RDAC fund in the context of the COVID response, and you have given us some fulsome answers on it. I appreciate that. I'm asking about this aspect of it, just to clarify it. If somebody was a Qantas employee working ground handling, they would get paid. For that Qantas ground-handling work that has now shifted to your operations and others, it doesn't get paid. Is that correct?

Answer: Eligible domestic RPT airlines were provided financial support based on the number of employees who were not receiving other COVID-19 financial support but were impacted by COVID-19 lockdowns and border restrictions following the Commonwealth CMO declaring a hot spot. Full details are available at: <https://www.grants.gov.au/Go/Show?GoUuid=4fd51e2e-ef31-458e-a8e7-714ab4d70618>

Question 4 CHAIR: Did Qantas at any point request that the outsourced workers receive pay or conditions comparable to the pay and conditions that were available to Qantas employees before they were outsourced? If you could just take on notice—this sits at the heart of the question—if Qantas was aware of the pay and conditions your workers received. That is the critical part of the question.

Answer: No

Question 5 Senator GROGAN: “If workers don't reach the 60 hours minimum, and they're on a permanent contract, do you still pay them the full 60 hours?”

¹ <https://gethppy.com/employee-turnover/the-millennial-turnover-problem-in-the-financial-services-industry>

² <https://mccrindle.com.au/insights/blog/job-mobility-australia/>

Answer: Yes, I can confirm that in the event Swissport employees are not rostered up to 60 hours in a four-week roster period, they are paid up to the minimum of 60 hours.

Question 6 Senator GROGAN: I wonder if you would like to provide us with some evidence and table some documents. The evidence we have would indicate quite clearly that you failed the BOOT test twice in the lead-up to your agreement being accepted in January 2021.

Answer: As confirmed in the hearing on 8 December 2021, with undertakings there was no failure of the BOOT test in the lead up to the *Aerocare Collective Agreement 2018 (CA18)* being approved in January 2021. Further, these matters are on the public record and the decisions are published on the Fair Work Commission website. A proper examination of the decisions will confirm with undertakings CA18 passed the BOOT test. There was, however, a protracted approval process. It is helpful to set out some of the history of CA18 as follows:

- CA18 was negotiated with employees and unions and endorsed by an overwhelming majority of 91% of employees and submitted to the Fair Work Commission for approval in May 2018.
- There was a significant delay in the approval of CA18. The delay was occasioned by the Fair Work Commission and in a significant respect by actions taken on behalf of the Transport Workers' and Australian Services Unions (**Unions**) which resisted the wishes of the 91% majority of Swissport employees to have CA18 approved. Rather, with fewer than five percent of Swissport employees choosing to be members, the unions continued to intervene and delay the CA18 approval application, against the wishes of the overwhelming number of employees.
- This meant that employees had pay increases along with the introduction of several other benefits delayed by up to two years,
- Approximately 14 months after CA18 had been submitted for approval to the Commission, an interim decision was issued by Commissioner Wilson on 20 December 2019. In the interim decision the Commissioner did raise concerns that the Agreement did not pass the BOOT, however considered that those concerns were capable of being removed through the giving of undertakings. On 30 January 2020 Commissioner Wilson approved CA18 with undertakings. See: <https://www.fwc.gov.au/documents/decisionssigned/html/pdf/2020fwca251.pdf>
- In accordance with a provision in CA18, Swissport employees were back paid some \$8 million on operation of CA18.
- The Unions appealed the CA18 approval decision on 20 February 2020, against the wishes of the employees, and on 11 August 2020 the Full Bench of the Fair Work Commission issued a decision in which it:
 - granted permission to appeal;
 - rejected one ground and did not consider four other grounds of appeal, including the ground that CA18 did not pass the BOOT test;
 - upheld one ground of appeal, namely, the Commissioner erred in his application of the BOOT test;
 - quashed the approval decision; and
 - remitted the matter to Commissioner Johns for redetermination.

- The Full Bench, in upholding only one ground of the appeal, found that whilst the randomised methodology adopted by the Commission was logical, it was ultimately inconsistent with the way a loaded rates agreement should be assessed. This procedural error by the Commission was the only appeal ground upheld. See: <https://www.fwc.gov.au/documents/documents/agreements/fwa/ae506789.pdf>
- The matter was re-heard and the Commission approved CA18 on 29 January 2021. Noting at paragraph 66 of the decision, it was confirmed that CA18 with undertakings passed the BOOT test. See: <https://www.fwc.gov.au/documents/decisionssigned/html/pdf/2021fwca103.pdf>
- Swissport passed the BOOT test with undertakings as evidenced by the operation of CA18 in both 2020 and 2021.
- It is regrettable that employees had pay increases delayed by up to two years by the intervention of the unions, despite these unions not representing about 95% of the workforce.

Question 7 CHAIR: In the period Brad in which Qantas was intending to terminate jobs, did they say to you or the company at any time that Qantas employees would be hired by you or other contractors?

Answer: Following Qantas' decision to outsource ground services, Qantas facilitated an introduction of their impacted employees to Swissport. In addition, a session was held with TWU NSW and Swissport management in support of this.

I trust these submissions are of assistance.

Yours sincerely,

Brad Moore
Managing Director - Australasia



The Hon Barnaby Joyce MP

**Deputy Prime Minister
Minister for Infrastructure, Transport and Regional Development
Leader of The Nationals
Federal Member for New England**

Ref: MC21-007864

21 SEP 2021

Mr Glenn Rutherford
Chair
Australian Aviation Ground Handlers Industry Alliance

Dear Mr Rutherford *Glenn*

Thank you for your letter of 9 September 2021 requesting further support for the aviation ground services sector. I acknowledge the contribution our ground handlers make to the aviation industry and the importance of the critical services they provide for Australian airlines and travellers.

I appreciate you taking the time to raise your concerns regarding the scope of the recently announced Retaining Domestic Airline Capability (RDAC) initiative. The intention of the RDAC initiative is to allow airlines the ability to quickly ramp back up in response to increased travel demand. Having the airlines ready to resume operations quickly as soon as they are able is critical to Australia's economic recovery, and allows supporting businesses to the industry, such as contract ground handlers, the ability to return to work.

I also acknowledge your comments regarding the support provided by the Aviation Services Accreditation Support (ASAS) program. The ASAS program is designed to support a proportion of a business's workforce, with the grant agreement allowing the flexibility for a business to determine the most critical operational roles that will allow those specialist skills to be preserved within the business.

The ASAS program has recently received an extension through until 31 December 2021, allowing all participating ground handling businesses further flexibility to ensure a sufficient supply of appropriately qualified, accredited, and trained ground handling workers to meet increased demand as capacity returns to the industry.

The Australian Government has acted decisively to preserve a viable and competitive aviation industry, delivering a range of support programs to maintain aviation capability in Australia. In total, the Government has provided more than \$5.1 billion support to the aviation industry since the pandemic started causing issues for the airline industry in early 2020.

Support has been sector-wide to maintain connectivity and keep planes in the air while ensuring airlines and airports continued to operate and connect communities. It includes programs to guarantee minimum connectivity through shortfall subsidies, rebates for fuel excise and domestic security charges, solvency support to safeguard regional airlines, and assistance in re-establishing global supply chains.

In addition, the extended JobKeeper Payment and temporary Coronavirus Supplement were put in place to ensure continued Government support for hundreds of thousands of Australians who are without work, while offering businesses and their workers a lifeline through COVID-19. Additionally, on 28 July 2021 the Prime Minister, the Hon Scott Morrison MP, announced a series of packages to support people in areas affected by lockdown.

The Government is committed to continuing to support the industry and maintain air connectivity for Australians.

I understand you met with my Department on 10 September to discuss the current state of your sector and the details regarding your request for additional support, and that discussions are ongoing. Please be assured that the Government continues to review the evidence and feedback from industry participants to ensure support programs continue to work towards meeting their objectives. The suggestions you have provided on behalf of your industry will play a critical role in guiding the Government's continued efforts to assist the aviation industry as it emerges from a very difficult period.

Thank you again for taking the time to write and inform me of your concerns on this matter.

Yours sincerely

Barnaby Joyce MP