

# **Senate Rural Affairs and Transport Legislation Committee**

**Questions on Notice – Thursday, 24 November 2011  
Canberra**

**Inquiry into Air Navigation & Civil Aviation Amendment  
(Aircraft Crew) Bill 2011; Qantas Sale Amendment (Still Call  
Australia Home) Bill 2011**

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**SENATE RURAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE**

**Inquiry into Air Navigation & Civil Aviation Amendment (Aircraft Crew) Bill  
2011; Qantas Sale Amendment (Still Call Australia Home) Bill 2011**

**Public Hearing Thursday, 24 November 2011**

**Questions Taken on Notice – Virgin Australia**

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**1. HANSARD, PG 11**

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**CHAIR:** Would you be able to provide—and I am very mindful that you may want to take this on notice—the breakup of the ports for your own in-house bagging handling and ramp services as compared to the outsourcing?

**Mr Le Mare:** To give you the specifics I would have to take that on notice. For Brisbane, Sydney and Melbourne the overwhelming majority are engaged directly, which is in excess of 80 per cent. For the regional ports such as when you are getting into the more regional areas, we are more likely, where we do not have the in-and-out frequency, to engage a contractor.

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**2. HANSARD, PG 11**

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**CHAIR:** Broome is a classic example. I do understand that, and that is fine. If you wish to take on notice too, if it is possible, to see the comparison of pay rates of outsourcing compared to in-house for those functions that are performed?

**Mr Le Mare:** There is a difference, but as a principle you do not necessarily have the detail around what your contractor pays to its employees. What we know is that we pay rates that are in the ballpark of, obviously, the market, and so do the contracted parties that we engage. We all have different employment arrangements and different collective agreements, but they are all measured against the same underlying award and subject to the same regulatory system. So, yes, there are differences, but it is not particularly material.

**CHAIR:** It probably is for this bill, because it would be interesting to see if there is a vast difference. I am not trying to snooker you into a major public slap-down where you might not be telling me the truth; I do not know that. I am not suggesting that for one minute, but it would be very helpful if you could supply that information, because the experience—certainly my experience—is that in outsourcing genuine labour peak and trough periods you need casuals and you need that flexibility. We fully understand that. The fear I have for Australian jobs is one thing but, if the unions are negotiating for and on behalf of your full-time employees who are their members for wonderful terms and conditions of employment, it is all very well to have those negotiations, but if no-one is going to be employed under that agreement and we are out and the company starts outsourcing then we are wasting everyone's time. That is all I am suggesting. I am not suggesting for one minute that Virgin are doing that, but you did make it very clear in your submission that you do employ people and negotiate terms and conditions with the employees under the collective agreement, so it strengthens your argument. So could you take that on notice for us, please.

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**3. HANSARD, PG 13**

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**Senator GALLACHER:** Obviously this inquiry started out with the purpose of examining these two bills and amendments, and unbelievable events overtook us and the whole inquiry has gathered a lot of evidence with respect to other matters. I just have a couple of questions which I am happy for you to take on notice, or if you can answer them that is fine. Basically, do you know what the age of your fleet is?

**Ms McKeon:** Yes. It is currently 4.9 years. By June next year, I think, it will be 4.1; but I can let you know.

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**Senator GALLACHER:** Now, this is the curly question: in the event of a serious safety event or issue, what procedure or protocol would be taken should the CEO decide to shut down the operation of Virgin in Australia as well as its international flights?

**Ms McKeon:** We would have to take that question on notice.

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**5. HANSARD, PG 14**

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**Senator EGGLESTON:** Are there differences in standard wages between Australia and New Zealand?

**Ms McKeon:** There are differentials. I might ask Mr Le Mare to comment on that.

**Mr Le Mare:** There certainly are. Obviously it ranges across the groups, but there is a material difference between the take-home pay of somebody based in New Zealand and somebody based in Australia.

**CHAIR:** Could you provide the committee with that information? I think that would assist Senator Eggleston.

**Mr Le Mare:** Yes, we can do so.

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**6. HANSARD, PG 15**

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**Senator EGGLESTON:** Where I am going with this is: are you crewing or managing the flight with people paid New Zealand wages to come to Australia and then move on to other destinations so that in fact you have a lower cost base but are charging Australian level fares?

**Ms McKeon:** With the fares we are charging on some of those services we are competing with airlines based in south-west Pacific countries who have cost bases that are much lower than for Australian operators. Again, that is something that we are doing on competitive grounds. However, I would say that those services are quite limited.

**Senator EGGLESTON:** Would you like to give us some examples, either directly now or on notice, of those kinds of services?

**Ms McKeon:** I would be very happy to provide some examples on notice.

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**Senator XENOPHON:** But what about hours? One of the allegations put to me about the Jetstar crew based in Bangkok is that they could technically be on duty for 24 hours compared to an Australian based crew.

**Mr Fulton:** I can give you on notice the differential between what applies in Australia and what applies in Pacific Blue.

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**8. HANSARD, PG 16**

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**Senator XENOPHON:** What difference is there between the maximum hours your cabin crew work, between Australian based and New Zealand based crew?

**Mr Fulton:** I do not have the specific details. Do you want the exact numbers for Australian based crew?

**Senator XENOPHON:** If you could.

**Mr Fulton:** Our cabin crew based in Australia with Virgin Australia can be rostered for nine hours and 45 minutes. They may also be rostered up to 12 hours if those 12 hours include a PAX in flight. On the day, in the event of a disruption, a crew member may exceed 12 hours and they go beyond that only with their approval.

**Senator XENOPHON:** But is there an upper limit?

**Mr Fulton:** No, the crew member must approve going beyond 12 hours.

**Senator XENOPHON:** Even with the person's approval, how long can it go?

**Mr Fulton:** There is no direct upper limit. However, there is an upper limit within the flight crew rules and the crew as a whole would not be able to go beyond the flight crew limit.

**Senator XENOPHON:** What would that be?

**Mr Fulton:** There is a matrix depending on the amount of time you can sign on for, how many flights you can do. Off the top of my head I think it is about 13 hours. I will take that on notice.

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**Senator XENOPHON:** So it is not as though they can do 18 or 19 hours?

**Mr Fulton:** No. In the long-haul environment it is different, but in the domestic environment no—you are correct.

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**Senator EDWARDS:** On that point, I do not know whether you heard the evidence from the ASU earlier—I noticed you were in the room. The wage for people who operate as telesales agents in Qantas was between \$40,245 and \$45,673. Do you have an equivalent figure in your company for telesales operators in Australia or, indeed, offshore to make a comparison so we can get some benchmarking?

**Ms McKeon:** We would certainly be happy to provide that on notice.

**Senator EDWARDS:** You will be able to make the comparison in that context. Thank you.

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**11. HANSARD, PG 17**

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**Senator GALLACHER:** I would like to put it to you to return to the specifics of the amendments. Could you double-check that there are no other unintended consequences on your operation and make sure they are covered off in your submission so that they can arrive at a position in regard to Virgin?

**Ms McKeon:** We are certainly happy to do that.

# **VIRGIN AUSTRALIA – ANSWERS TO QUESTIONS TAKEN ON NOTICE**

**Public Hearing Thursday, 24 November 2011**

## **SENATE RURAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**

**Inquiry into Air Navigation & Civil Aviation Amendment (Aircraft Crew) Bill  
2011; Qantas Sale Amendment (Still Call Australia Home) Bill 2011**

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<p><b>Virgin Australia wishes to claim the answer below as commercial-in-confidence given the commercial sensitivity and confidential nature of some of the information. We request that this information is not placed on the public register.</b></p>
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**Answer:** The employment of Virgin Australia ground crew (i.e. crew employed directly by Virgin Australia) is regulated, among other things, by a collective agreement negotiated with the Transport Workers Union and the Australian Services Union (*Virgin Blue Ground Crew Agreement 2010*). As an example, Virgin Australia baggage handlers are currently paid a base salary of between AUD 34,000 and 47,000 under this collective agreement.

Although Virgin Australia is not privy to the employment arrangements applicable to the ground crew engaged by its outsourced ground handling providers, all employers of ground crew in Australia are regulated by the same industrial system (*Fair Work Act 2009*) and underlying award (*Airline Operations Ground Staff Award 2010*). Like the other Modern Awards applicable to the Australian aviation industry (i.e. those applicable to cabin crew, pilots, engineers etc), the *Airline Operations Ground Staff Award 2010* was put in place by Fair Work Australia's predecessor, the Australian Industrial Relations Commission, in January 2010 as part of the Award Modernisation process. All relevant unions (and major employers such as Qantas and Virgin Australia) participated in that process.



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**Ms McKeon:** Yes. It is currently 4.9 years. By June next year, I think, it will be 4.1; but I can let you know.

**Answer:** The Virgin Australia group of airlines 2011 Annual Report discloses that as at 30 June 2011, the average age of the Virgin Australia fleet was 4.9 years and that by 30 June 2012, the average age will drop to 4.1 years.

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#### 4. HANSARD, PG 13

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**Senator GALLACHER:** Now, this is the curly question: in the event of a serious safety event or issue, what procedure or protocol would be taken should the CEO decide to shut down the operation of Virgin in Australia as well as its international flights?

**Ms McKeon:** We would have to take that question on notice.

**Answer:** One element of the Virgin Australia Safety Management System is Risk Management, which is used to identify various threats and hazards to the airline and determine the level of risk that such threats and hazards present.

In recent times, there have been two events which have led to the airline temporarily suspending operations for various parts of the group. Specifically, this was the earthquake in Christchurch, New Zealand in February 2011 where operations in New Zealand were affected and the volcanic eruption in Chile in June 2011 where domestic and international operations were similarly impacted.

In both of these instances, a risk-based approach was used to manage decision-making, communication and business activities. This approach is applied at all levels of the organisation including the Executive Committee, Chief Executive Officer (CEO) and the Board of Directors.

Events which represent a threat to the continuity of our operations are considered on a case-by-case basis. Risk assessment and analysis guide the level of response and this applies to both the actions undertaken in direct response to the particular event as well as the resumption of normal business operations. Which member(s) of Virgin Australia's executive management team, including the CEO and the AOC holder, is/are appropriate to make the decision regarding the suspension of some or all of Virgin Australia's services, is also assessed on a case-by-case basis.

External engagement with stakeholders and regulatory bodies is incorporated into this program. This engagement comprises initial and ongoing communications regarding the impact of the event on our operations, customers and staff as well as proposed subsequent action.

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**CHAIR:** Could you provide the committee with that information? I think that would assist Senator Eggleston.

**Mr Le Mare:** Yes, we can do so.

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**Senator EGGLESTON:** Where I am going with this is: are you crewing or managing the flight with people paid New Zealand wages to come to Australia and then move on to other destinations so that in fact you have a lower cost base but are charging Australian level fares?

**Ms McKeon:** With the fares we are charging on some of those services we are competing with airlines based in south-west Pacific countries who have cost bases that are much lower than for Australian operators. Again, that is something that we are doing on competitive grounds. However, I would say that those services are quite limited.

**Senator EGGLESTON:** Would you like to give us some examples, either directly now or on notice, of those kinds of services?

**Ms McKeon:** I would be very happy to provide some examples on notice.

**Answer:** Details of our Pacific Blue operations, and the potential effect that the Air Navigation and Civil Aviation (Aircraft Crew) Bill, if enacted, would have on these operations, are found in pages 4-7 of our submission. Please note that the entities formerly known as Pacific Blue Airlines (Aust) Pty Ltd and Pacific Blue Airlines (NZ) Ltd changed their names to Virgin Australia Airlines (SE Asia) Pty Ltd and Virgin Australia Airlines (NZ) Ltd respectively on 7 December 2011. These airlines are now trading under the name of Virgin Australia.

Examples of services operated by Virgin Australia to countries in the South West Pacific include flights operated to Vanuatu and the Solomon Islands.

During the current IATA Northern Winter 2011-12 scheduling season, Virgin Australia is operating four services per week between Brisbane and Port Vila with B737 aircraft configured with an economy class product. These services are marketed by Virgin Australia Airlines (SE Asia) Pty Ltd and operated by Virgin Australia Airlines (NZ) Ltd.

During the current IATA Northern Winter 2011-12 scheduling season, Virgin Australia is operating two services per week between Brisbane and Honiara with B737 aircraft. These services are marketed by Virgin Australia Airlines (SE Asia) Pty Ltd and operated by Virgin Australia Airlines Pty Ltd. These services were previously operated by Virgin Australia Airlines (NZ) Ltd. The decision to change the airline which operates these services was made based on a commercial preference to service the route with aircraft configured with business class product, and the aircraft of Virgin Australia Airlines Pty Ltd have such a configuration, whereas Virgin Australia Airlines (NZ) Ltd aircraft do not.

For all Virgin Australia services where the operating airline and marketing airline are different, Virgin Australia informs its guests in writing at the point of sale as to which airline will operate the particular service, and with which airline guests are entering into a contractual relationship.

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**Answer:**

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**Senator XENOPHON:** But is there an upper limit?

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**Answer:** Please refer to the answer provided in response to question 7.

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**10. HANSARD, PG 16**

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**Senator EDWARDS:** On that point, I do not know whether you heard the evidence from the ASU earlier—I noticed you were in the room. The wage for people who operate as telesales agents in Qantas was between \$40,245 and \$45,673. Do you have an equivalent figure in your company for telesales operators in Australia or, indeed, offshore to make a comparison so we can get some benchmarking?

**Ms McKeon:** We would certainly be happy to provide that on notice.

**Senator EDWARDS:** You will be able to make the comparison in that context. Thank you.

**Answer:** The employment of Guest Contact Centre employees at Virgin Australia (i.e. the employees who perform, among other things, telephone sales) is regulated, among other things, by the *Virgin Blue Ground Crew Agreement 2010*. Consistent with this collective agreement, these employees are paid a base salary of between AUD 35,020 and 43,552.

Virgin Australia also uses third party service providers for the provision of some Guest Contact Centre services. Those providers include Mindpearl AG, which is an outsourced contact centre provider which offers multilingual calling services to more than 30 countries. Mindpearl AG has a collective agreement applicable to relevant employees in Australia (*Mindpearl AG Union Enterprise Agreement 2011*). Consistent with that collective agreement, Mindpearl AG employees in Australia are currently paid a base salary of between AUD 32,320 and 36,816.

As noted in our submission, Virgin Australia is in the process of bringing in-house up to 100 Guest Contact Centre jobs. For Australian-based Mindpearl AG employees who accept ongoing employment with Virgin Australia as part of that process, that will involve net increases in their terms and conditions of employment, consistent with the above.



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**11. HANSARD, PG 17**

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**Senator GALLACHER:** I would like to put it to you to return to the specifics of the amendments. Could you double-check that there are no other unintended consequences on your operation and make sure they are covered off in your submission so that they can arrive at a position in regard to Virgin?

**Ms McKeon:** We are certainly happy to do that.

**Answer:** Each of the potential impacts that the Air Navigation and Civil Aviation (Aircraft Crew) Bill 2011, if enacted, could have on our business are detailed in our submission.



**SENATE RURAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE**

**Inquiry into Air Navigation & Civil Aviation Amendment (Aircraft Crew) Bill  
2011; Qantas Sale Amendment (Still Call Australia Home) Bill 2011**

**Public Hearing Thursday, 24 November 2011**

**Questions Taken on Notice – Department of Education, Employment &  
Workplace Relations**

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**1. HANSARD, PG 19**

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**Senator GALLACHER:** On that particular point, we heard evidence from some flight attendants at the last hearing. Cairns and Darwin are hubs for Asia for a particular operator and they go to Vietnam or wherever. The allegation was that the international segment ended. The flying time for the crew did not end; they then operated a domestic flight to Sydney and back to Cairns or they continued on in their duty time, albeit on a domestic flight. So my particular question is: have you had any complaints from international crew or Darwin or Cairns based crew about that type of situation?

**Mr Kovacic:** In terms of any complaints, they would have been directed to the Fair Work Ombudsman. I am aware of two investigations that the Fair Work Ombudsman currently has in play. One was the one that Senator Xenophon alluded to previously in respect of crews of foreign aircraft. There is another one in terms of Qantas cadet pilots who are based in New Zealand. Those investigations are the only ones I am aware of. Whether the Fair Work Ombudsman has received any other complaints, I would have to take that on notice and ask the Fair Work Ombudsman.



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**Answer**

The Fair Work Ombudsman advises that it has not received any complaints from international cabin crew or Darwin or Cairns-based cabin crew about the use of foreign cabin crew by airlines for domestic flights.

The Fair Work Ombudsman further advises that it currently has two active investigations into Jetstar and related entities. One investigation relates to cadet pilots based in New Zealand. The other investigation relates to foreign cabin crew working in Australia.

These investigations are currently active and the Fair Work Ombudsman has advised that it is not appropriate to comment on the matter further at this time.



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**Questions Taken on Notice – Civil Aviation Safety Authority**

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**1. HANSARD, PG 26–27**

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**Senator XENOPHON:** My final line of questioning relates to the issue of aircraft maintenance. We heard from Mr Purvinas from the Licenced Aircraft Engineers Association. I put some questions on notice, of Qantas, in terms of the RB211 engines and issues about maintenance. I note that Mr Sandilands on Plane Talking just today did not quite draft questions for the committee but raised matters that he thought could be properly considered by the committee. The concerns that the aircraft engineers raise about the RB211 engines are in terms of the speed at which the modifications have been done and the relevant oversight not just in relation to RB211 engines but where there is overseas maintenance of Australian aircraft. What role does CASA have? Is there any overview can give us about the RB211 engines? It has been put to me that there has been a high rate of failures, of engine problems, in recent years which some parties say is due to the outsourcing. I do not have evidence for that but that is one of the assertions that has been made.

**Mr McCormick:** If I could go backwards through those, I will give you a few figures. The maintenance that has to be carried out on the engines is done to a certain standard and to a schedule. The schedule of maintenance generally on repair intervals, component overhaul times and replacement times is something that is produced by the manufacturer. In the case of the RB211 524 engine series that we are talking about, that is Rolls-Royce plc in the UK. When Rolls-Royce produce that document and say, 'This is how you overhaul this engine, this is what you do at this number of hours et cetera et cetera,' that document goes to the world. There is no specific document in Australia outside of that as far as the type of overhaul we are talking about is concerned. The fact that it is done overseas versus done in Australia, if it is done to the Rolls-Royce requirements there is no difference whatsoever. Questions have been raised about maintenance that has been done overseas that has been done to perhaps not the same standard as required in Australia, but we also have quite a number of instances in Australia where the maintenance done in Australia is very poor and certainly substandard and there are investigations ongoing at the moment, not to do with Qantas but about substandard maintenance. So I think it is one of those issues where people in glass houses must be very careful if they start to throw stones.

Back to the in-flight shutdown rate of the IFSD for the RB211, in the period March 2010 to November 2011 our analysis—and I will stress it is our analysis—says that the in-flight shutdown rate was between 0.012 and 0.018 for each 1,000 engine hours. With the world fleet, and that will predominantly be Cathay Pacific Airways and British Airways added into that, South African Airways if they are still flying their 400 and of course the 767s are fitted with that

engine, the world fleet in-flight shutdown rate for the same period was between 0.004 and 0.009 for 1,000 engine hours. Clearly the Qantas in-flight shutdown rate is higher and not lower than the world fleet average. Despite a slight variation in Qantas figures, propulsion system monitoring under what would be extended diversion time operations—this is under twin-engine aeroplanes as opposed to the four-engine aeroplane that we are talking about here—there is no requirement for Qantas to work to those rules. There is no requirement for anybody who has a four-engine aircraft to work to the rules for two engine aircraft as the two-engine rules naturally are much more stretched. If you lose one engine, you have lost 50 per cent of the thrust and it is an emergency situation of quite serious import. So the 12-month rolling average, we would be concerned if it exceeded 0.02 per 1,000 hours for an EDT operation. Qantas is at 0.012 to 0.018. If it was a twin-engine aeroplane, provided it was below 0.02, which it is, then we would say that it is high and there must be remedial action, which Qantas is taking, but it is still within the acceptable boundaries. I do have a bit more technical information on the number of engines et cetera.

**Senator XENOPHON:** I would be grateful if you could perhaps table that.

**Mr McCormick:** I can table of figures to you. I will take that on notice if I could.

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## 2. HANSARD, PG 27

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**Senator XENOPHON:** If you could. Just to wrap up on this, where maintenance has been done overseas does CASA have a role in conjunction with the airlines to ensure, for instance, that you are satisfied with the maintenance standards overseas, or do you just see the final—

**Mr McCormick:** The first one, Senator. We actually go overseas and inspect the organisation on a regular basis and approve the maintenance facility. If there happens to be maintenance being carried out at the time on an Australian aircraft, we observe that maintenance commensurate with the work that my inspectors have to do. If they have somewhere else to go they may not be able to do that. If there is not necessarily an Australian registered aircraft there, we conduct the audit and if the facility is still up to requirements then it gets approval.

**Senator XENOPHON:** If you were able to give details of the regularity of it on notice, I think that would assure many—

**Mr McCormick:** The regularity of the audits et cetera? Certainly.

**Senator XENOPHON:** The audits and the locations—that would be useful.

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## 3. HANSARD, PG 29

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#### **6. HANSARD, PG 35**

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**Senator XENOPHON:** I would be grateful if you could perhaps take this on notice so there can be a considered approach to this. Some people involved in maintenance, and Mr Sandilands today in his 'Plane Talking' column, have been quite critical of CASA, saying that you should have used your discretion for Qantas not to operate unmodified RB211 engines on 747s across remote routes. Could you just outline, perhaps on notice, what the protocols are, to give assurance that safety standards are paramount in terms of dealing with this. I think Mr Sandilands was critical of international standards being adopted which, he says, are not as good as the standards that Qantas used to have. I think that is a fair summary of his complaint.

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**SENATE RURAL AFFAIRS AND TRANSPORT  
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**Inquiry into Air Navigation & Civil Aviation Amendment (Aircraft Crew) Bill  
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**Public Hearing Thursday, 24 November 2011**

**Questions Taken on Notice – Civil Aviation Safety Authority**

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**1. HANSARD, PG 26-27**

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**Senator XENOPHON:** My final line of questioning relates to the issue of aircraft maintenance. We heard from Mr Purvinas from the Licenced Aircraft Engineers Association. I put some questions on notice, of Qantas, in terms of the RB211 engines and issues about maintenance. I note that Mr Sandilands on Plane Talking just today did not quite draft questions for the committee but raised matters that he thought could be properly considered by the committee. The concerns that the aircraft engineers raise about the RB211 engines are in terms of the speed at which the modifications have been done and the relevant oversight not just in relation to RB211 engines but where there is overseas maintenance of Australian aircraft. What role does CASA have? Is there any overview can give us about the RB211 engines? It has been put to me that there has been a high rate of failures, of engine problems, in recent years which some parties say is due to the outsourcing. I do not have evidence for that but that is one of the assertions that has been made.

**Mr McCormick:** If I could go backwards through those, I will give you a few figures. The maintenance that has to be carried out on the engines is done to a certain standard and to a schedule. The schedule of maintenance generally on repair intervals, component overhaul times and replacement times is something that is produced by the manufacturer. In the case of the RB211 524 engine series that we are talking about, that is Rolls-Royce plc in the UK. When Rolls-Royce produce that document and say, 'This is how you overhaul this engine, this is what you do at this number of hours et cetera et cetera,' that document goes to the world. There is no specific document in Australia outside of that as far as the type of overhaul we are talking about is concerned. The fact that it is done overseas versus done in Australia, if it is done to the Rolls-Royce requirements there is no difference whatsoever. Questions have been raised about maintenance that has been done overseas that has been done to perhaps not the same standard as required in Australia, but we also have quite a number of instances in Australia where the maintenance done in Australia is very poor and certainly substandard and there are investigations ongoing at the moment, not to do with Qantas but about substandard maintenance. So I think it is one of those issues where people in glass houses must be very careful if they start to throw stones.

Back to the in-flight shutdown rate of the IFSD for the RB211, in the period March 2010 to November 2011 our analysis—and I will stress it is our analysis—says that the in-flight shutdown rate was between 0.012 and 0.018 for each 1,000 engine hours. With the world fleet, and that will predominantly be Cathay Pacific Airways and British Airways added into that, South African Airways if they are still flying their 400 and of course the 767s are fitted with that engine, the world fleet in-flight shutdown rate for the same period was between 0.004 and 0.009 for 1,000 engine hours. Clearly the Qantas in-flight shutdown rate is higher and not lower than the world fleet average. Despite a slight variation in Qantas figures, propulsion system monitoring under what would be extended diversion time operations—this is under

twin-engine aeroplanes as opposed to the four-engine aeroplane that we are talking about here—there is no requirement for Qantas to work to those rules. There is no requirement for anybody who has a four-engine aircraft to work to the rules for two engine aircraft as the two-engine rules naturally are much more stretched. If you lose one engine, you have lost 50 per cent of the thrust and it is an emergency situation of quite serious import. So the 12-month rolling average, we would be concerned if it exceeded 0.02 per 1,000 hours for an EDT operation. Qantas is at 0.012 to 0.018. If it was a twin-engine aeroplane, provided it was below 0.02, which it is, then we would say that it is high and there must be remedial action, which Qantas is taking, but it is still within the acceptable boundaries. I do have a bit more technical information on the number of engines et cetera.

**Senator XENOPHON:** I would be grateful if you could perhaps table that.

**Mr McCormick:** I can table of figures to you. I will take that on notice if I could.

**Answer:**

Rolls Royce has issued service bulletins to address engine modifications required for the RB211 engine which include three different issues: blade root failure in the High Pressure Compressor, vane assembly failure in the Intermediate Pressure Compressor and bearing assembly failure in the Low Pressure Turbine.

These service bulletins are incorporated into the Qantas modification program for its B747 fleet. Qantas presently has 76 Rolls Royce RB211 engines fitted to 19 B747-400 aircraft. As at November 2011 Qantas had modified 22 High Pressure Compressors, 32 Intermediate Pressure Compressors and 25 Low Pressure Turbines. The modification program is continuing and is expected to be completed by the end of 2012.

For the period June 2010 to November 2011 the Qantas RB211 In Flight Shut Down rate was between 0.012 and 0.018 per 1000 engine hours. While the Qantas failure rate is higher than the world RB211 average, it remains below the 0.02/1000 hours threshold that would, of itself, trigger remedial action. CASA continues to monitor Qantas B747 operations including any engine-related issues.

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**2. HANSARD, PG 27**

**Senator XENOPHON:** If you could. Just to wrap up on this, where maintenance has been done overseas does CASA have a role in conjunction with the airlines to ensure, for instance, that you are satisfied with the maintenance standards overseas, or do you just see the final—

**Mr McCormick:** The first one, Senator. We actually go overseas and inspect the organisation on a regular basis and approve the maintenance facility. If there happens to be maintenance being carried out at the time on an Australian aircraft, we observe that maintenance commensurate with the work that my inspectors have to do. If they have somewhere else to go they may not be able to do that. If there is not necessarily an Australian registered aircraft there, we conduct the audit and if the facility is still up to requirements then it gets approval.

**Senator XENOPHON:** If you were able to give details of the regularity of it on notice, I think that would assure many—

**Mr McCormick:** The regularity of the audits et cetera? Certainly.

**Senator XENOPHON:** The audits and the locations—that would be useful.

**Answer**

The *Civil Aviation Regulations 1988* permit foreign maintenance organisations to conduct maintenance on Australian registered aircraft at an overseas location. The foreign maintenance organisation must either hold a Certificate of Approval, issued by CASA under Civil Aviation Regulation (CAR) 30, or be an organisation located in a contracting State to the International Civil Aviation Organization Chicago Convention and authorised by the relevant regulatory authority to carry out the maintenance involved.

Maintenance organisations holding a CAR 30 certificate are generally audited by CASA once every 12 months, subject to operational circumstances. Since July 2009 CASA has audited maintenance organisations in China, Germany, Hong Kong, Indonesia, Israel, Malaysia, Nauru, New Zealand, Philippines, Singapore, Switzerland, Thailand and the United States.

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**Senator FAWCETT:** If they have made that move, whether there has been an increase in the rate is what I am asking. Obviously there is a net system—some onshore and some off. I would like to know if there is a change in the rate from 10 years versus now.

**Mr McCormick:** Okay. We will have a look at that.

**Answer**

Prior to 1998 the Qantas load control process was performed at the departure port whether in Australia or overseas. In 1998 Qantas established five regional load control centres located at Narita (Japan), Singapore, Hong Kong (China), Melbourne and Sydney. These were rationalised in 2011 to three centres at Narita, Hong Kong and Sydney.

CASA is aware of only two weight and balance incidents in Qantas aircraft attributed to load control errors in the past three years: one in Sydney in March 2009 and another in Hong Kong in February 2011. CASA is not aware of any net change in the rate of incidents over the past 10 years.

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**CHAIR:** Was that last century?

**Senator GALLACHER:** It was a fair while ago. In that circumstance, was it CASA or a previous organisation that took the action to ground those planes?

**Mr McCormick:** I was not in Australia when this happened. We will take that on notice. I do not think any of us have that information.

**Answer**

CASA was the organisation at the time that took action to ground Ansett aircraft in 2000 and 2001.

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**Answer**

CASA expects the B767 to be maintained in accordance with the manufacturer's instructions, which include necessary inspections and maintenance associated with aircraft ageing. As explained at the time, as long as the aircraft is inspected and maintained in accordance with the manufacturer's requirements, its chronological age as such is not necessarily an issue for CASA.



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**Mr McCormick:** We will look at that. With all due respect to Mr Sandilands, it is pretty easy to make those sorts of statements—pull them out of the air.

**Answer:**

CASA is satisfied with Qantas' management of the reliability of the B747 RB211 engines. It is not clear what "world's best practice" or international standards Mr Sandilands refers to in his article of 24 November 2011. The effect of the loss of one or more engines on any route, including remote routes, is included in system assessments which are carried out by aircraft manufacturers as part of the aircraft certification process. Once the aircraft is certified by the State of Design, these assessments are adopted by most national airworthiness authorities, including Australia.