



A•S•U
Australian Services Union

Senate Standing Committees on Rural Affairs and Transport
Inquiry

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

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Submitted by: Linda White
ASU Assistant National Secretary

Address: ASU National Office
116 Queensberry Street
Carlton South, VIC 3053

Introduction

The Australian Services Union (ASU) is the biggest Australian union covering airline industry workers. Our members work for Qantas, Jetstar, Virgin Blue, Regional Express, Eastern Australia Airlines, Sunstate Airlines, Singapore Airlines, United Airlines, Malaysia Airlines and other overseas airlines, as well as contractors in the industry like Menzies Aviation Services or airfreight companies like Australian Air Express.

Our members working for the Qantas Group are employed in customer service (call centres, retail, reservations etc), airline freight, maintenance, engineering, stores, catering, finance and administration.

The Qantas Group includes the companies of Qantas Airways (Qantas), Jetstar Airways (Jetstar), Eastern Australia Airlines and Sunstate Airlines.

Air Navigation and Civil Aviation Amendment Bill 2011

The ASU broadly supports the amendments proposed in the Air Navigation and Civil Aviation Amendment Bill 2011. The Union has long been concerned with the Qantas Group's offshoring practices and the implications this has on Australian jobs and safety.

While we welcome the general tenor of the Bill we believe it could be improved. It is currently only concerned with cabin crew and flight crew. These classifications are just one part of an airline wide strategy to outsource and offshore Australian jobs, and engage foreign workers at lower wages. The ASU contends the Bill should require that all workers working in connection with the Australian international airline service be paid wages and conditions no less favourable than the airlines direct employees.

Qantas Sale Amendment (Still Call Australia Home) Bill 2011

The ASU supports the amendments that would require the Qantas Group, including its subsidiaries and associated entities to have their principal operations centre located in Australia.

The recent announcement that Qantas will cut 1000 jobs is the latest in a long list of job cut announcements made by Qantas in the past decade. History tells us those jobs will eventually end up offshore, where the company can employ workers at a fraction of the cost. The trend towards outsourcing and off shoring in the Qantas Group poses a risk to the safety and security of Australian aviation, and harms the Australian economy.

Qantas workers need the protection of effective legal regulation against outsourcing and off shoring. Only two groups of people at Qantas Airways are currently protected in legislation. The first group are the 7 directors who must be Australian citizens in accordance with Part 3, s 7(i) of the Qantas Sale Act 1992. Qantas Airways easily satisfies this requirement. The second group are those employed in the Head Office that Part 3, s 7 (g) provides must be located in Australia. 'Head Office' is defined to be 'the place of business of Qantas where central management and control are exercised.' This second section has proved ineffective in securing those jobs, already Head Office functions have been off shored. All other workers at Qantas Group are subject to the ongoing prospect that their job will likely be outsourced and offshored in the near future. Legislative action is needed to protect the employment, wages and conditions of the wider workforce in the Qantas Group.

Offshoring – an airline wide strategy.

Growth of the overseas workforce at the expense of Australian jobs

Over the last decade the Qantas Group has grown its direct overseas workforce at the expense of Australian jobs.

Qantas Airways once boasted a proud record of employing Australian workers. In 2004 Margaret Jackson, Chairman and Geoff Dixon, CEO wrote in the following in the Qantas Airways Annual Report;

'Qantas today is one of Australia's largest employers. Direct employment has grown by more than 10,000 over the past decade. Qantas now employs approximately 35,000 full-time equivalent employees...More than 33,000 Qantas employees are Australia-based, a high percentage for any Australian company that operates internationally and also high when compared with the "home grown" employment levels of other international airlines

*(Qantas' five major international competitors employ a total of around 1,000 people in Australia).*¹

Attitudes have since changed at Qantas Airways. The 2011 Annual Report barely mentions its employees, merely citing that it employs 36,000 people and 92% of them are based in Australia.² By our reckoning this means that the Australia staff numbers have remained at 33,000 or stable for 7 years and as the airline has grown as it has, the growth has occurred in offshored and outsourced employment in the airlines' operations.

Judging the situation on these figures alone, over the last 7 years Qantas Airways has increased its direct overseas employment by around 1000 plus employees. During the period Qantas cut thousands of Australian jobs in maintenance, cabin crew, Information Technology and customer service functions. These figures represent a conservative measure of the Qantas Group outsourcing efforts and offshoring as we have no direct information on all the offshored outsourced arrangements.

The strategy to grow the company's overseas operations at the expense of its domestic workforce is evident in telesales. Qantas Airways has had a small telesales call centre in New Zealand for a number of years. It undertakes the same functions as the Australian based telesales. The call centre is now growing. There are currently 900 workers employed in telesales in Australia and 120 employed in New Zealand. The ASU predicts this will increase. After all, the current minimum annual base rate for telesales agents employed on the Qantas collective agreement in Australia is between \$40,245³ and \$45,673⁴. In New Zealand, the minimum rate (which we understand is the standard rate) is between \$31,000 and \$34,000.

A similar approach is evident in Load control at Qantas Airways. Load control is an important safety operation for all airlines. In load control, workers manage the weight and balance of aircraft, controlling the ability to take off and land safely, through ensuring that freight, baggage and passengers are balanced on the plane. Workers are licensed and are subject to strict CASA controls. Just recently 40 load control have been targeted to be cut

¹ Qantas, Annual Report 2004, p3

² Qantas, Annual Report 2011, p14

³ Airline Officers Rates of Pay, Level 3, 1st increment in the Australian Services Union (Qantas Airways Limited) Agreement 9.

⁴ Airline Officers Rates of Pay, Level 4, 1st increment in the Australian Services Union (Qantas Airways Limited) Agreement 9.

at the Melbourne load control centre and the centre is to be closed. Yet the outsourced, offshored load control centre in Hong Kong was unaffected.

Offshoring and outsourcing Qantas jobs to third parties in developing countries

In addition to growing its direct overseas employment the Qantas Group has pursued offshore, outsourcing arrangements.

The most obvious case of this strategy of outsourcing and offshoring in ASU classifications is information technology. In the last decade over 1000 Australian based Qantas IT jobs have been cut and off shored.

In 2006 Qantas contracted with Indian companies Satyam and Tata consulting to undertake application and maintenance services. The contracts worth \$150 million USD resulted in 300 job cuts in Australia, and 200 new jobs in India.⁵ These jobs were high level skilled IT Jobs.

In 2009 Qantas jettisoned a further 178 workers in an outsourcing arrangement with IBM to deliver data centre and mainframe services.⁶ At the time both parties claimed the jobs would remain onshore at IBM. Just one year later IBM announced it was offshoring 800 jobs Australia wide to centres in Bangalore, India and China.

A similar arrangement was entered into by Jetstar with respect to load control. In 2006 they outsourced load control to Skystar in Perth and the call centres to Australian based Sales Force. Since this outsourcing, both functions have now been off shored to Manila based off shore operators. Other functions at Jetstar like crewing, rostering and payroll administration are also performed in Manila. These moves starkly illustrate the shift of high skilled valuable jobs offshore by the Qantas Group through its Jetstar subsidiary

⁵ *Satyam wins multi-million dollar Qantas deal* (2006) Mahindra Satyam <<http://www.mahindrasatyam.com/news/pr3nov06.asp>> at 18 September 2011
Qantas' \$55-m outsourcing contract now with Satyam (2006) Mahindra Satyam <http://www.mahindrasatyam.com/media/m_report155.asp> at 18 September 2011
Tata Consultancy Services Signs \$16 Million Deal with AGL Energy Ltd (2007) Tata Consulting Services <http://www.tcs.com/news_events/press_releases/Pages/TataConsultancyServicesigns16milliondealwithAGLEnergyLtd.aspx> at 18 September 2011

⁶ Fran Foo, 'IBM in \$200 m Qantas outsource' *The Australian* (10th September 2009)

Wage differential between Australia and offshore providers

The profit incentive for off shoring work is clear. The wages and working conditions in developing countries such as the Phillipines and Thailand, where the Qantas Group has employees, are significantly lower than Australian wages and working conditions.

The ASU does not have access to the wage rates offered to Qantas overseas employees, or by the third parties with whom it contracts but the data available from the International Labour Organisation provides some indication of the extent of the wage gap between Australian Aviaton workers and workers in the developed world.

The most recent information collected by the ILO is from 2006 and reveals the average wage paid to Flight Operations Officers in Indonesia and Thailand;

- In Indonesia average earnings for a Flight Operations Officer in 2006 was 2414310 rupiah per month. That converts to approximately \$338 Australian dollars per month.⁷
- In Thailand a male Airline Ground Receptionist received on average 14558 baht per month in 2006. A female Airline Ground Receptionist received on average 11603 baht per month. That is approximately \$490 per month for men and \$391 per month for women.⁸

Compared against the 2006 rates available under the Australian Services Union (Qantas Airways) Enterprise Agreement 7, on which comparable Flight Operations Officers are employed, the cost saving for Qantas is clear;

- The minimum rate an Australian Airline Officer was paid was a monthly base wage of \$2430.

Problems with off shoring in aviation

The outsourcing and off shoring of information technology, load control and telesales is particularly troubling. These are highly skilled jobs that are vital to the Australian economy and maintenance of a strong domestic Aviation industry. There are currently 200,000 call

⁷ Currency conversion rate at 1/1/2006

⁸ Ibid

centre jobs in Australia and is one of the fastest growing industries. It is an industry that needs to be supported and invested in, rather than off shored.

If the trend towards outsourcing and offshoring continues Australia will be left with virtual airlines - Australian shell companies that contract their core functions to third parties overseas. These companies are low cost, low care and high risk.

Load control is an example of an area of operations where Qantas has pursued an outsourcing offshoring strategy. Over the last few years Qantas Airways has moved load control operations to Hong Kong, and just recently flagged that it will close its Victorian load control centre.. The importance of provision in load control and loading of aircraft has been highlighted recently. Earlier this year it was revealed that in the last few years Qantas has had 28 freight load control incidents.⁹

Further, the off shored work often takes place in jurisdictions with low regulation and less resourced enforcement. For example, India only introduced data protection legislation this year. It is unclear to what extent these new laws apply to companies providing outsourcing services to Australian companies, or what information it protects. Qantas outsourced its IT services to India in 2006. For at least 5 years those companies have been handling sensitive passenger information without effective domestic regulation.

Conclusion

The significant wage disparity between Australian wages and overseas counterparts in the aviation industry provides a profit opportunity for unscrupulous companies to offshore their labour costs. The ASU does not have concrete information about the wages offered in outsourced, off shored companies with which Qantas contracts. However the ILO data about average industry salaries provides a good insight into what they might be paid. The information from New Zealand shows that where Qantas directly employs overseas workers it is a lower rate than their Australian counterparts.

Clearly Qantas is taking advantage of cheaper labour costs available elsewhere in the world. This is fundamentally unjust, and exploitative, and undermines the wages and conditions of the Australian workforce.

⁹ Andrew Heasley 'Qantas overloaded aircraft' The Age, (23 March, 2011)

In relation to New Zealand offshoring, given that Australia and New Zealand are committed to closer economic relations through the ANZCERT Agreement¹⁰, it seems particularly unjust that wage disparities exist between workers in industries with interchangeable workforces such as Aviation call centres.

Qantas gains all the benefits of being an Australian airline, but appears increasingly unwilling to uphold its responsibilities as an Australian employer.

The Air Navigation and Civil Aviation Amendment Bill 2011 has good measures to protect the wages and conditions of Australian based cabin crew and pilots. However the problem of off shoring and outsourcing is occurring across the business. Cabin Crew and Pilots, like maintenance, telesales and thousands of workers across the Qantas workforce are vulnerable to off shoring. Legislative measures are needed protect the Australian workforce. The ASU supports the bill but recommends it also address the wage discrepancies between the Australian and New Zealand workforces, and safety sensitive functions such as load control.

¹⁰ Australia New Zealand Closer Economic Relations Trade Agreement