

Senate Rural Affairs and Transport Legislation Committee

**Questions on Notice – Friday, 4 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 Friday, 4 November 2011

Questions Taken on Notice – Qantas Group

1. HANSARD, PG 5

Senator XENOPHON: Can I just go to issues of crewing. Mr Buchanan, we had a conversation a few months ago after *Lateline* ran a story about Thai based flight crew. One of those flight crew has since not had his contract renewed. Your company says that it is due to other factors. If I were to say to you that he was told by the company Tour East Asia that, if he spoke out, his entitlements would be withheld from him, is that something that would concern you?

Mr Buchanan: That is something that would concern me and I would be happy to take that on notice and investigate further. As we investigated that particular incident, I was comfortable in terms of the four cabin crew that were part of the original claim. Three of the contracts have been renewed. I know one of them has not, and that is in relation to performance issues. I would be happy to take any further information you have on notice and investigate it further.

Jetstar has been advised by Tour East that the crew member in question completed his contract on 12 October 2011 and received all monies owed to him by Tour East on this date. Jetstar has been advised that at no time did Tour East convey that entitlements would be withheld.

2. HANSARD, PG 5

Senator XENOPHON: Is Jetstar subject to an investigation by Fair Work Australia in relation to overseas based cabin crew that work within Australia?

Mr Buchanan: There are two investigations going on by the Fair Work Ombudsman at the moment, yes.

Senator XENOPHON: I was told that there was a night in July when there were 37 Thai and Singapore based cabin crew staying at a Darwin hotel to be deployed on flights within Australia. Would that sound about right to you?

Mr Buchanan: I have no idea. I can take it on notice, though, if you want me to investigate a specific date.

The largest number of international based crew staying in Darwin on any one night in July was 12.

3. HANSARD, PG 5

Senator XENOPHON: Could provide on notice details of what an average overseas based flight attendant would be earning?

An indicative salary range for a Thailand-based crew member is in the range of AUD\$22,500-\$25,000. Thai based cabin crew earn a minimum base pay, plus numerous additional payments including flying duty hour payments, performance bonus, retention bonus, allowances and annual leave. Figures from the Thai Board of Investment (Ministry on Industry) show the average pay of Thai-based Jetstar cabin crew (approximately between 705,000 and 795,000 Thai baht per annum) is significantly higher than the median wage for skilled labour and on par with senior management positions.

4. HANSARD, PG 6

Senator XENOPHON: Could I ask you to provide, without breaching any confidentiality, the roster for your overseas based crew for flights in and out of Australia for October and this month?

Mr Buchanan: I can give you all the average stats. For instance, I look at the average hours of each roster and the average hours at each base. The average hours range between 27 and 30 total hours per week, and for flying hours it is around 20 hours. It is very similar across each of the bases. The average duty length for someone in Bangkok or Melbourne—or any of our other bases when they are flying internationally—is almost identical. They all come in at about 10.5 hours.

Senator XENOPHON: Does average hours include time people have off work? Does that figure include flight attendants who are office based and who do not fly?

Mr Buchanan: No, I am just talking about the active average duty time for people flying, and the base times are almost identical.

Senator XENOPHON: I would be grateful if you could provide that roster.

Jetstar is compiling information to address this question however additional time is required.

5. HANSARD, PG 9

Senator GALLACHER: Your CEO address raises a number of points. I have some quite specific questions on those points, so I will refer briefly to them. You said:

We have invested heavily in the Qantas premium domestic business ... it has the best network, frequencies, lounges, and the world's leading loyalty program. We are proudly 'best for business'.

How many new aircraft have you put into the Qantas domestic premium business this year?

Mr Joyce: I'd have to take that on notice. I do know, I think I said in that speech, or in the transcript, that during my three years as CEO of Qantas we have taken delivery of 80 aircraft, and over 60 of them have gone to the Qantas brands. But let me take that on notice and we'll confirm it.

[This question was answered at the Hearing on 4 November 2011. Please refer to page 11 of the transcript.](#)

6. HANSARD, PG 11

Senator GALLACHER: This inquiry is now really looking at the survival of the Qantas brand, in my view, particularly in its domestic and international business. You have important and exciting initiatives in Asia, but once again my question goes to the core business. You are going to put 24 new planes into Jetstar Japan. That new premium airline in Asia not called Qantas is going to get another eight new aircraft. What happens to the travelling public in Australia on your existing domestic fleet, which I know from personal experience, would have a reasonably high average age? If you combine Jetstar and Qantas you get 8.6. What happens if you take Jetstar out of that equation? What is the average age of the fleet that the travelling public who know and love Qantas travel on?

Mr Joyce: I would have to take that on notice.

[The average age of the Qantas domestic fleet is 11.9 years.](#)

7. HANSARD, PG 11-12

Senator GALLACHER: Could I just put one question on notice and then I will go to a matter you just referred to. Could you provide to this inquiry the instruction, order, whatever you may call it, to courier to every one of your employees the notice, so that we can once and for all put these conspiracy theories to rest in seeing that that order or whatever you did—with TNT or whoever it was—was clearly after the decision you made. I will give you that on notice.

[Formal instructions were given at 5.15pm on Saturday 29 October 2011.](#)

8. HANSARD, PG 13-14

CHAIR: Before I go to Senator Abetz, I would like to clarify something in the questions from Senator Gallacher. Firstly, I think Senator Gallacher said 2000 rooms were booked in LA and there was a number mentioned in Singapore of 600 or 800. I just missed the answer. You said you continually book rooms all around the world.

Mr Joyce: We do. I am told on that rumour that we have not booked any additional hotel accommodation to what we would normally do in those periods. We can take it on notice, come back to you and show that is the case, but there was not any forward planning for this by us booking excessive hotel rooms.

CHAIR: Is it normal Qantas practice to book 2,000 rooms in LA every Friday and Saturday night?

Mr Joyce: I do not know the details of that, but I have been told in relation to it that there were no additional rooms booked than would have been otherwise.

CHAIR: So it must be common practice for Qantas to book 2,000 rooms every Saturday night in Los Angeles. You are going to take that on notice for us.

Mr Joyce: We will take it on notice.

CHAIR: I would ask you to do the same for Singapore too please.

...

Mr Joyce: Can I answer some of the questions you had on that one? I have them coming through.

CHAIR: Yes, if you could please.

Mr Joyce: Printers and couriers: as I said, we did do some planning for a potential lockout and they had been retained for some time. But, the printers were only contacted on Saturday and not authorised for distribution until after the 5 pm announcement. They were confirmed as a final go at 8 pm on Saturday.

In relation to rooms booked: there were 2,000 rooms booked, but they were booked after the announcement.

CHAIR: Okay. And you can table information that shows that?

Mr Joyce: We can certainly get that information to you, yes.

[This question was answered at the Hearing on 4 November 2011. Please refer to page 11 of the transcript.](#)

[Qantas' international hotel broker was contacted at 5.20pm on Saturday 29 October and advised that accommodation would be required. At 5.30pm Qantas' domestic hotel broker was contacted and advised that domestic hotel support would be required.](#)

9. HANSARD, PG 14

Mr Joyce: Printers and couriers: as I said, we did do some planning for a potential lockout and they had been retained for some time. But, the printers were only contacted on Saturday and not authorised for distribution until after the 5 pm announcement. They were confirmed as a final go at 8 pm on Saturday.

CHAIR: They were printed Saturday morning, Mr Joyce? You said you printed Saturday morning? And finished at 8 pm?

Mr Joyce: The printing commenced on Saturday and was not authorised for distribution until after 3 pm.

CHAIR: And the time that the printing was authorised?

Mr Joyce: It was 11.30 am, after the board meeting.

CHAIR: Okay. And you will take that on notice for us, for written proof of the rooms being booked and in Singapore and—

Mr Joyce: After the announcement. Yes.

CHAIR: You will come back to us?

Mr Joyce: We will come back, yes.

Please refer to the answer provided for Question 8. Rooms were booked via a verbal request.

10. HANSARD, PG 15

CHAIR: Rather than take up other senators' time, we will probably have varying differences of opinion but I would ask you to take on notice how many tickets were sold and how many people were affected. I would also ask that you could provide to the committee what measures you will take to remedy that? I have read pieces in the paper but we would rather hear it directly from the company.

Qantas acknowledges that ticket sales should have been stopped at the time the Lockout and Grounding was announced (i.e. 5:00pm on Saturday 29 October 2011). Qantas became aware that the sale function in Qantas.com was still operating at approximately 8:00pm on 29 October 2011. This was urgently escalated to executive management who immediately instructed that sales cease, which occurred at approximately 8:30pm on 29 October 2011.

The Senate must appreciate that the amount of work required to implement an immediate safe grounding of an airline the size of Qantas is immense. The only reason ticket sales did not cease was that the Lockout and Grounding decisions were made only on Saturday and all focus was on the safe grounding of the airline and minimising disruption of the affected passengers.

In the period from 5.00pm to 8.30pm, we estimate 152 passenger segments (or the equivalent of 76 return flights) (out of a total of 1,920 segments) were sold through Qantas.com for travel between 5pm 29 October 2011 and 2pm 31 October 2011, when Qantas resumed flying.

Qantas is offering compensation including rebooking and refunds without penalty and reimbursement for reasonable out of pocket expenses incurred as a direct result of the Grounding for all customers who were directly affected by the Grounding. This includes customers who booked flights between 5pm and 8.30pm on 29 October 2011.

11. HANSARD, PG 16

Senator ABETZ: Can you take on notice for us the more recent years—let us say the last five years—of investment in Qantas international?

Mr Joyce: We will do that.

The Qantas segment operates international and domestic routes using shared aircraft, crew, facilities and support. Qantas International represents the financial performance of the Qantas segment's international routes. Consequently, the figures provided below relate to investment in the international routes of the Qantas segment.

The capital expenditure attributable to the Qantas International network from June 2008 to the end of this financial year is \$4.3bn, the most significant component relating to the acquisition of 12 A380 aircraft. This represents an investment in excess of \$1bn per annum.

12. HANSARD, PG 16

Senator ABETZ: So forward bookings collapsing, on those figures, I think, would be a fair description. Can I come back to the capital investment in Qantas international. What percentage of your turnover or gross income is represented by Qantas international?

Mr Joyce: Again, I will take that on notice.

The Qantas International routes represent 38% of reported Group revenue in the year ended 30 June 2011.

13. HANSARD, PG 16

Senator ABETZ: Yes, take that on notice. Whilst we are taking things on notice, one of the good things about these Senate inquiries is that you get submissions from a whole lot of different parties, but they often conflict and it is hard to know exactly where the truth may lie. I would invite Qantas to have a look at the Transport Workers Union submission [No. 7] and at the Australian Licensed Aircraft Engineers Association submission [No. 12]. Take on notice any aspects that you might wish to respond to, of course, but for my purposes, on page 4 of the TWU submission, it says:

Taken together, it is difficult to see how Qantas – as a company – can effectively control JetConnect, Jetstar, plus the two foreshadowed Asian-domiciled airlines and still comply with the Qantas Sale Act, in spirit or otherwise. These entities may not use the ‘Qantas’ name, but Qantas will set the strategic direction and make operational decisions on a day-to-day basis.

What is Qantas's response to that allegation? There is a further allegation in the very last paragraph of page 4 and the third last paragraph of page 5, another one on page 14 and on page 10 of the licensed engineers submission. Unfortunately we will not have time to go through all of them now, but if you could give us written responses that would be very helpful.

Mr Joyce: I might send it to my general counsel. He has been involved with the Qantas Sale Act for some time. The last time this was debated, back in 2007, he actually testified to the Senate committee on it.

Senator ABETZ: I then have some questions specifically—

Mr Johnson: We will give you written responses—that is definite ...

Qantas readily accepts the national interest safeguards included in Part 3 of the QSA are "important to maintain the basic Australian character of Qantas, as well as to ensure that Qantas' operating rights under Australia's various bilateral air service agreements...are not put under threat".

However, it is clear that Part 3 of the act only applies to "Qantas" as defined, that is "Qantas Airways Limited as the company exists from time to time (even if its name is later changed)". Part 3 does not and cannot apply to Qantas subsidiaries – it requires certain provisions to be included in Qantas' Articles of Association.

All other Australian designated international carriers must comply with s11A of the Air Navigation Act which imposes a 49% foreign ownership limitation and s50 of the Civil Aviation Act.

In addition, prior to being granted an International Airline Licence, an Australian company must be able to demonstrate to the Government that it meets the following requirements (see: <http://www.infrastructure.gov.au/aviation/international/ial/intro.aspx>.)

Ownership provisions require that:

Foreign shareholdings be limited to no more than 49 per cent of the total value of the issued share capital of the Australian airline.

Control criteria require that:

- At least two-thirds of the Board members are Australian citizens;
- The Chairperson of the Board is an Australian citizen;
- The airline's head office is in Australia; and
- The airline's operational base is in Australia.

These requirements mirror the principal requirements in Part 3 of the QSA and apply to Jetstar.

JetConnect and Jetstar are wholly owned subsidiaries of Qantas. Both operate independent airline operations. JetConnect is a New Zealand incorporated airline company in full compliance with New Zealand regulatory requirements. It wetleases its aircraft to Qantas and operates under the Qantas livery.

Jetstar is an Australian incorporated company operating both domestic and international services under the "Jetstar" brand. It is independently managed by its executive team headed by CEO Bruce Buchanan.

While Jetstar is controlled by Qantas – that is it is a wholly owned subsidiary, it conducts its own independent airline operations in full compliance with Australian regulations and nothing it does breaches the QSA.

In relation to the Qantas Group's investment in airlines outside Australia, it is critical to note that Qantas has entered and proposes to enter joint ventures in Asia which will operate local airlines. Each of those joint ventures must be substantially owned and effectively controlled by nationals of the country in which the airline is based. If this is not done, those airlines will not be able to be designated to operate as carriers of the relevant country.

As those airlines are substantially owned and effectively controlled by nationals of the country in which the airline is based, Qantas cannot and does not "control" these joint ventures. It will be the board and management of the relevant minority owned joint venture, not Qantas, which will be conducting the relevant airline services.

Qantas and Jetstar propose to codeshare with these airlines as they currently do with many other foreign carriers.

In these circumstances, the QSA is not relevant.

Qantas has no intention of "substituting its current Australian operations" in "destinations outside Australia". The Qantas Group does intend to make minority investments in strategic non-Australian joint ventures in Asia where these will permit the growth of its business in the fastest growing economies in the world. It is not possible to operate these proposed airlines from Australia.

Private Equity: Qantas categorically confirms that no formal or informal takeover bid has been made to the company and that it is not seeking such a bid. Nevertheless, it must be noted that should an approach be made, the Board will comply fully with their legal obligations.

14. HANSARD, PG 31

Senator EGGLESTON: I haven't got a lot of questions at all. First of all, Mr Buchanan, Senator Xenophon asked you about how much a Thai based Jetstar crew member is paid. You said it was 17 times the minimum Thai wage and 10 times the average wage. Would you take on notice how much a cabin crew member working for Air Asia is paid in relation to the average or minimum salary of their place of residence. I don't expect you to have that information available, so would you take that on notice?

Mr Buchanan: I'm happy to take that on notice.

Air Asia is a competitor airline and we do not have access to this information.

15. HANSARD, PG 33

CHAIR: Before I go to Senator Xenophon, during the industrial action time that you have talked about, could you tell us how many Qantas flights were grounded or affected as opposed to how many Jetstar flights were grounded? During the industrial action, the time that you have talked about leading up to last Saturday—

Mr Joyce: I will have to take that on notice.

CHAIR: Okay, take that on notice.

Mr Joyce: Can I clarify the question. Is it the amount of flights that were cancelled?

CHAIR: Yes, cancelled, delayed, affected—Qantas versus Jetstar.

Mr Joyce: We will get that.

The industrial action resulted in 129 cancelled Qantas flights and 387 delayed Qantas flights. A further 500 flights were cancelled as a result of the grounding of seven aircraft due to concerns about reliability of the fleet and a backlog of maintenance due to union action.

No Jetstar flights were impacted as a result of this industrial action.

16. HANSARD, PG 33

Senator LUDLAM: I understand that you have undertaken to come back. I would like to give you one last question to think about before you go. You have told us that you were concerned about distractions, which was the reason you grounded your fleet. Could you take questions on notice for us. How many aircraft did you have in the air at the time you made the decision to ground the fleet?

Sixty six.

17. HANSARD, PG 33

Senator LUDLAM: We have taken a call from one of your pilots during this hearing who said they found it extraordinarily distracting as air crew operating an aircraft mid-flight to not be given the reasons their airline had been closed down.

Mr Joyce: We will come back on that. That was part of the risk assessment and what our chief pilot and management were managing through the period of time. I will come back to you.

Under the circumstances we assessed it was inappropriate to proactively contact aircraft in the air and notify them of the grounding due to the distraction this may cause.

However we knew that there was some exposure that operating crews might hear of the lockout and grounding whilst still in flight. For example, pilots on longer flights can/do often tune into ABC Radio Australia and have air to air communications with aircraft from other airlines.

This was factored into the selection of a weekend announcement when the least number of services were in the air. Also, in spite of our efforts, after hearing the announcement, some decentralised operation centres did notify operating crews of the grounding.

If pilots heard and enquired about the news while in the air, a prepared statement was read to them which confirmed the airline had been grounded but did not pose a safety concern for their flight. They were told to continue on to their destination where they would be met on arrival and all would be explained.

18. HANSARD, PG 34

Senator GALLACHER: Could I get some further and better particulars about the actual time that you booked printing and courier services in order to effect the legal notification for the lockout of all of your employees.

Mr Joyce: Let me come back on that. I do not know that offhand.

Printing was undertaken by Focus Press and commenced on the morning of Saturday 29 October on the proviso that the job may be withdrawn at any time. Printing did not commence until 11.00am-11.30am after advice that a decision had been made by the Qantas CEO.

19. HANSARD, PG 34

CHAIR: Thank you for coming today. We will set a date between the secretariat and you as to when we can continue talking about the bill, because there is a heap that I want to talk about in terms of outsourcing and keeping Australian jobs here in Australia and if there are any further or have been any further redundancies on top of the 1,000 that were announced. If you can answer it now that is fine. Have there been any further redundancies within the Qantas group?

Mr Joyce: Apart from the 1,000 we have announced, no. None that I know of.

CHAIR: Everyone is saying no. Nothing in Freight, Catering—

Mr Joyce: We will take it on notice.

CHAIR: Take it on notice and come back to us.

There have been an additional 75 redundancies primarily related to the closure of retail stores. In addition there have been 10 in Sunstate Engineering.

20. HANSARD, PG 69

Senator CAMERON: I am sure Qantas will be listening in so I will put a question on notice to Qantas to give us a comparative analysis of the various terms and conditions that apply across this range.

Jetstar is compiling information to address this question and additional time is required.

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 Friday, 4 November 2011

Written Questions on Notice – Qantas Group

21. QUESTIONS FROM SENATOR STERLE

Timing of the Decision

1. When did management first discuss the possibility of locking out the workforce?

See evidence given to public Hearing on 4 November 2011 (See evidence).

2. When did the Board decide to lockout the workforce and effectively ground the airline?

The Board did not decide. It was the decision of the CEO. See evidence.

3. Why did the Board or management not inform shareholders at the AGM on 28 October of the possibility of locking out the workforce and the shutting down of the airline?

No such decision had been taken.

4. Given FWA found that the parties were close to agreement; what changed between Friday the 28th and Saturday the 29th that made the Board lock out the workforce and ground the airline?

We would dispute the basis of that question. Otherwise, see evidence.

5. How did Qantas print and distribute the letters notify employees of the lock out?

6. When did you contract couriers to deliver the letters notify employees of the lock out?

7. When were the letters delivered to couriers for distribution?

See response to Questions on Notice provided to the Committee on 21 November 2011.

8. Can you provide the number of hotels you booked in the 3 months, by week, leading up to and including Saturday 29 October 2011 in the following cities: London, Singapore and LA.

9. How many hotel rooms are book in those same cities for the next month?

This information is considered to be commercial in confidence. As with the previous questions, Qantas has a range of standing arrangements for accommodation that needs to be organised at short notice. Qantas' International hotel broker was contacted at 5.20pm on Saturday 29 October and advised that accommodation would be required.

At 5.30pm Qantas' domestic hotel broker was contacted and advised that domestic hotel support would be required.

10. Only one of the unions you sought to lock out was taking industrial action on the weekend; the pilots were wearing red ties and making announcements over the PA. So, where was the threat to the economic viability of Qantas?

See evidence.

11. Did Qantas pre-position any managers or supervisors in the week leading up to and including 29 October 2011?

a. If so, how many and to which ports?

In line with comments published on the ABC Lateline program the unions had indicated they were planning on ramping up industrial action around our AGM as such four members of cabin crew management were sent to Singapore and Los Angeles. These managers were subsequently on hand to brief cabin crew when the announcement of the lockout and grounding was made.

Safety Concerns

12. What was nature and content of the safety warning you received that lead to your decision to lock out your workforce and ground the fleet?

See evidence and the Safety Case submitted as evidence to the FWA hearing.

Safety concerns or a 'safety warning' did not directly lead to a decision to lock out and ground the fleet.

We remained satisfied with safety levels pre-lockout.

The decision to lock out employees was the factor that increased the risk profile of the business. It introduced new human factor risks.

13. Did you liaise with CASA on these concerns?

Qantas had discussions with CASA about the impact of engineering and maintenance bans.

14. Did CASA agree with your assessment?

Yes.

15. Was there an increase in safety incidents that lead you to believe your airline was becoming unsafe?

No.

16. Prior to your decision to lock out the workforce and ground the fleet how many aircraft had your grounded due to maintenance issues?

Qantas was forced to ground seven aircraft and cancel 500 flights due to a backlog of maintenance caused by months of industrial action by the ALAEA.

17. Over how many weeks was this done?

Five.

18. How many of those aircraft have been returned to service since your decision to ground the fleet?

All of the aircraft that were grounded have now returned to service.

The Workforce

19. Qantas grounded its fleet because it had decided to lock out its workforce and was, in its words, concerned about how its employees would react. Yet, on Sunday, Qantas licensed engineers were hard at work doing maintenance work on the grounded fleet;

one assumes in order to ensure the fleet could return to the skies as soon as possible. How does Qantas reconcile this?

The Risk Assessment clearly showed there was a manageable risk in relation to the level of distraction of ground engineers.

Cost of the Decision

20. Presumably the board considered the financial cost of the lock out and shut down of the airline?
- What was that estimated to be? [note Credit Suisse assumes \$40m]
 - What due diligence was applied to this question? Over what period?
 - What dollar value was placed on loss of reputation/brand value?
 - Did the members of the board consider the long term loss to the airline in using the Australian and International travelling public as collateral damage?

This was not a decision of the Board. Management considered a range of financial scenarios, none of which are appropriate for public exposition. As the evidence to the Public Hearing clearly articulated, any such loss was made miniscule against the cost that the ongoing industrial disputes were having on the business.

Passengers

21. How many passengers were affected by the decision to lockout the workforce and ground the airline?

98,000.

22. Why did Qantas continue to sell tickets on Saturday 29 October after management and the Board had determined to lockout staff and ground the airline?

This was acknowledged as an oversight, due to the rapidity of events on the day. As soon as the mistake was identified, tickets were removed from sale.

See response to Questions on Notice provided to the Committee on 21 November 2011.

Alternative Courses of Action

23. Could Qantas have taken action under s421 of the Fair Work Act to terminate the bargaining period? Why didn't you?

Section 421 pertains to contravening orders of Fair Work Australia and is therefore not applicable.

24. Why didn't you decide to continue to negotiate in good faith?

Qantas had negotiated in good faith until the day of the decision to lock out the striking workers in reaction to their industrial campaign. See evidence.

25. Why didn't you seek your own orders to terminate action under s423?

See evidence. Our view was that this application would not have succeeded.

26. Why didn't you make an application under s424?

See evidence. Our view was that this application would not have succeeded.

27. Why didn't you seek arbitration by consent?

The unions with whom we were in negotiation were refusing to remove the unreasonable and unacceptable elements of their claims.

28. Why didn't you use a third party to help mediate the dispute?

We were committed to the principles and processes of the Fair Work Act. Qantas sought conciliation before Fair Work Australia with the AIPA and the ALAEA. Months of conciliation failed to result in an agreement.

What You Told the Government

29. In all of your discussions with the Government, did Qantas at any stage ask for the Government to intervene? Why not?

See evidence and answers above. Our view was that such an application would not have succeeded.

30. Prior to your announcement on Saturday 29 October, did Qantas advise the government of your intention to lock out the workforce?

No. See evidence.

What You Told the Opposition

31. Did Qantas advise any coalition members, or their staff, prior to October 29 of your intention to lock out the workforce and ground the fleet?

No. See evidence.

a. If so, who and when?

32. Did any coalition members, or their staff, prior to October 29 suggest or raise the idea of Qantas lock out its workforce and grounding its fleet?

No. See Evidence.

Qantas had consistently outlined the impact the disputes were having to the health of the fleet, forward bookings and the business in general. In relation to the deterioration of the fleet, Qantas was providing frequent briefings and communications to all sides and levels of Government as to the unsustainability of the grounding of aircraft due to the bans being imposed by the engineers' union. Qantas believed the long-term consequences of this deterioration should have been clear to anyone who received these briefings and communications.

a. If so, who and when?

33. Did Qantas advise any State Premiers or their staff, prior to October 29 of your intention to lock out the workforce and ground the fleet?

No. See evidence.

Qantas had consistently outlined the impact the disputes were having to the health of the fleet, forward bookings and the business in general. In relation to the deterioration of the fleet, Qantas was providing frequent briefings and communications to all sides and levels of Government as to the unsustainability of the grounding of aircraft due to the bans being imposed by the engineers' union. Qantas believed the long-term consequences of this

deterioration should have been clear to anyone who received these briefings and communications.

a. If so, who and when?

34. Did Qantas ask TTF or any other industry body or association to make public statements calling on the Government to intervene in the workplace dispute?

No.

a. If so, who and when?

35. Did Qantas advise any industry body, or their staff, prior to October 29 of your intention to lock out the workforce and ground the fleet?

No.

a. If so, who and when?

Other Matters

36. How many Qantas flights were cancelled compared to Jetstar flights in the 2 weeks leading up to your decision to lock out the workforce and ground the fleet?

The industrial action resulted in 129 cancelled Qantas flights and 387 delayed Qantas flights. A further 500 flights were cancelled as a result of the grounding of seven aircraft due to concerns about the reliability of the fleet and a backlog of maintenance due to union action. No Jetstar flights were impacted as a result of this industrial action.

37. At what time on Saturday 29 October did Qantas start moving passengers from Qantas flights to Jetstar flights?

After the announcement to ground the fleet was made, airports crisis centre informed all airports to immediately use all available space on any Qantas Group or competitor airline.

22. QUESTION FROM SENATOR GALLACHER

1. I refer you to the Flight Safety Australia magazine, Issue 83, Nov-Dec 2011, pages 34-35. Of the 62 aircraft listed above 5700kg in the selected service difficulty reports how many of those aircraft are operated by Qantas?

Of the 62 service difficulty reports (SDRs) listed for aircraft above 5700kg, 38 relate to the Qantas Group with 29 of those relating to Qantas Airlines aircraft. This result is driven by the relatively large size of Qantas within the Australian industry, combined with a strong reporting culture in Qantas.

23. QUESTIONS FROM SENATOR EGGLESTON

Qantas:

1. Mr Stephen Purvinas from the Australian Licensed Aircraft Engineers' Association spoke about 'cost shifting'. As an example he said that Jetstar and Qantaslink passengers are, where eligible, entitled to access the Qantas First and Business lounges and Qantas Clubs.

However, he alleged Qantas does not pass the cost of the passenger access onto Qantas. Is this correct?

Qantas does not engage in cost-shifting. Where passengers qualify through membership of a Qantas Lounge but are flying on Jetstar or QantasLink, they are given the access that this membership affords. The cost of this is not met by the ticket price; it is met by the membership.

2. It's understood that part of Qantas's international restructure will see a greater use of code shares. Does Qantas receive a bill from American Airlines and British Airways when Qantas Club members (not passengers who receive lounge access through oneworld status) access one of their lounges?
 - a. Can you advise what options Qantas Club members at Heathrow (both Terminal 3 and Terminal 5) have available to them when flying on Qantas or British Airways services?
 - b. Has anything changed in this regard in recent weeks?
 - c. How does the joint services agreement (JSA) between Qantas and British Airways operate at the moment?
 - d. How will it change under the 'Building a stronger Qantas' proposal announced in August?
 - e. What does the JSA mean for Qantas Club members, giving that you're withdrawing your Bangkok to London and Hong Kong to London services in favour of code shares with British Airways and the majority of BA's flights ex-LHR depart from Terminal 5?

Commercial in confidence.

The Qantas-British Airways JSA was established in 1995. From 2012 the strengthened JSA will improve profitability on London routes and allow the early retirement of four Boeing 747 aircraft. Valuable landing rights at Heathrow will be retained for future requirements.

3. We've heard a lot about the percentage of travellers who do and do not fly Qantas. Could you please break this down definitively?

Is there a standard document that breaks this down?

Data is sourced from The Bureau of Transport, Infrastructure and Regional Economics (BITRE) and is publicly available via their website.

BITRE releases a monthly report presenting statistical information on the scheduled operations of international airlines operating into/out of Australia. This data is supplied to BITRE by the individual airlines based on uplift/discharge country and details include revenue passengers, scheduled seats and number of services. The most recent data available at the time of writing is August 2011. The answers below are for the 12 months up to August 2011.

1. What percentage of international travellers from Australia fly Qantas? 18.5%.
2. What percentage of international travellers from Australia fly Jetstar? 8.2%.

3. What percentage of international travellers from Australia fly a Qantas Group airline?
26.7%.
4. How have these numbers changed over the past 10 years? 7.5 points (pts).
5. What is the percentage of Qantas's share of international travellers from Australia in relation to the number of seats it offers?

Market share of 18.5% on a capacity share of 18.2% and therefore Qantas holds a market share premium of 0.3pts.

6. How has this number changed over the past 10 years? Is it not fair to say that one reason for the decline in Qantas's share of traffic over the years is the shift of routes to Jetstar? (For example, Qantas previously operated PER-DPS; today that route is exclusively operated by Jetstar. Similarly, Jetstar now services SIN from a number of cities, in direct competition with Qantas mainline.)

Qantas capacity share has declined 15.3pts and Qantas Group has declined 7.2pts with market share premium decline of 0.5pts and 0.4pts respectively. Qantas capacity share has declined 15.3 pts and this is driven by:

- Increase in competitor capacity to/from Australia. Competitor average capacity growth of 7% pa over the last 10 years compared to Qantas Group average capacity growth of 2%pa.
- Transfer of non-profitable leisure routes to Jetstar is attributing to 3.5pts of the 15.3 pts share decline.

Jetstar:

1. We've heard reports that some Jetstar cabin crew are being subjected to 'the third degree' when they call in sick. What can you tell us about that?

We reject this characterisation. Jetstar has policies and processes in place that require cabin crew to notify the Jetstar Operations Centre if they are unfit for duty. This enables operational contingency to re-crew a flight.

2. Is it correct that some Jetstar cabin crew are required to provide a doctor's certificate or statutory declaration for every day they are sick in any given year, with the exception of the first two days? If so, what award or agreement do these crew fall under?

Medical certificates or statutory declarations are generally required for most sick leave.

3. The committee is also informed that, for the purposes of calculating 'off' or 'rest' time, Jetstar cabin crew are deemed to have ended their shift 15 minutes after a flight has arrived. Is this correct? If so, is it realistic? Are cabin crew even off the plane 15 minutes after arrival, let alone, for international flights, through customs and immigration?

Jetstar's domestic operations have a 15 minute sign off. Most sign-offs take less than 15 minutes and this is considered realistic. Jetstar's international operations have a 30 minute

sign off. Should Customs/immigration process delay crew beyond this period, we ask they contact the Jetstar Operations Centre to advise of an extended sign off time beyond 30 minutes.

4. What is the rate of travel allowance paid to Australian-based crew when they are in Australia?

When a cabin crew member overnights in a port away from home Jetstar covers the costs of accommodation and transport. In addition cabin crew members receive an allowance to cover the cost of food and incidentals. These amounts vary between different employment agreements, are determined by a range of factors and form part of the cabin crew members' overall remuneration package.

5. What is the rate of travel allowance paid to Thai or Singapore-based crew when they are in Australia?

Refer to answer to question four above.

6. Are Thai or Singapore-based crew required to twin share accommodation when in Australia? Is this different from Australian-based crew?

Cabin crew sometimes share accommodation.

24. QUESTIONS FROM SENATOR XENOPHON

Standing booking of hotel rooms

1. What are the criteria to trigger multiple standing bookings for thousands of hotel rooms regularly across the Qantas mainline international and domestic networks?

Refer to answers to earlier questions on hotel bookings.

2. How often does this occur?

Often.

3. How much does it cost in each port?

Commercial in confidence.

4. Which segment of the company reports this cost?

Qantas Domestic and International.

5. If this is standard company practice is it Group practice, eg Jetstar/JetConnect/QantasLink (including the contractor, Cobram Air Services)?

In all cases, the cost would be borne by the business that is affected.

6. Which hotels does Qantas group maintain commercial arrangements with in each of the affected ports, to maintain the regular standing reservations for stranded passengers?

Commercial in confidence.

7. How many rooms on average per night are reserved for Qantas Airways for stranded passengers across the expanse of the network

Rooms are booked on an as-need basis. No one night is ever the same anywhere in the network.

8. When were the rooms booked for accommodation for the nights of 29 and 30 October 2011?
9. How do the number of rooms compare to the 22 and 23 October 2011?

See previous answers.

10. Is Qantas aware of other airlines maintaining a standing hotel booking for contingency purposes? Does Qantas have reciprocal arrangements with such airlines – if so, which ones?

Qantas does not have “standing hotel bookings”. We have systems in place to enable rapid bookings in cases of fast moving operational impacts that require large numbers of hotel rooms at short notice.

Yes, it is standard practice to cooperate with other airlines. Qantas has good relationships with other airlines, and is often required to uplift passengers stranded as a result of these other airlines’ own difficulties. It is the nature of the global aviation industry.

11. When was this policy of standing bookings of hotel rooms instituted?

See above.

Overflow parking of grounded aircraft?

12. When were these arrangements for the Qantas aircraft grounded by the announcement on 29 October 2011 put in place?

Qantas has standard contingencies in place for regular events such as airport closures due to fog and weather, diversions and other challenges to the schedule. Airports also have such contingencies.

13. How were they instituted?

Through liaison with each relevant airport authority, who manage airside parking of aircraft.

14. For what period was the overflow parking booked for?

“Parking” at airports is invoiced after the fact, and is not “booked” as such. Permission to park was sought where this was required, and was granted, with no fixed period requested.

15. To which business segment have these costs been allocated?

Qantas Domestic and Qantas International were the only two businesses impacted.

16. Does the non-use of the landing slot and gate access over a 24-hour period carry with it penalty or jeopardise the continued allocation of the said slot?

No.

Staffing logistics

17. How many Qantas staff were rostered to be on duty at airports on 22 October 2011 at 1600 AEST? In addition, how many Qantas staff were required to be available for duty on 22 October 2011 at 1600 AEST?

Normal staffing levels applied on the date in question.

18. How many Qantas staff were rostered to be on duty at airports on 29 October 2011 at 1600 AEST? In addition, how many Qantas staff were required to be available for duty on 29 October 2011 at 1600 AEST?

Normal staffing levels applied on the date in question.

The Qantas Board

19. Which members of the Qantas board were present (both in person and by phone) at the meeting convened by Mr Joyce on 29 October 2011?

Did any of the Board members present or express any reservation of the CEOs decision to ground the entire airline?

The Qantas Board unanimously endorsed the decision to lock out employees in response to industrial action from three unions and subsequent grounding of the airline. Qantas will not disclose details of the meeting.

20. If there were reservations expressed, what were they and were they minuted?

21. If a Board member was absent from the said meeting, have any subsequently expressed a concern about this decision?

See question 19.

What time did the Board meeting commence and at what time did it conclude?

See question 19.

22. Given the AGM was the previous afternoon, did the CEO or any Board member present at the meeting on the morning of 29 October 2011 express any reservations regarding the proximity of the AGM to this decision to ground the airline as it related to the continuous disclosure requirements of the Corporations Act?

See question 19.

23. At the meeting 29 October 2011 did the CEO or any Board member present meeting specifically state the necessity, as required relevant consumer law legislation, to immediately cease selling tickets for the expected duration of the grounding?

See question 19.

24. Given the CEOs admission to the Senate Committee on 04 November that a mistake was made to continue selling tickets after the announcement of the grounding, what financial provision has the company made for any action by the ACCC of this acknowledged mistake?

This is currently under review by Qantas and the ACCC.

25. In the event that Qantas does incur fines from a successful ACCC prosecution, to which operating segment will the fines be allocated to?

This is a hypothetical question.

26. Were the members of the Board aware of the contingency plans which you said were in place to ground the airline and lock out the staff?

The Board of Directors has faith in the management of Qantas to cover all potential contingencies under a wide variety of scenarios.

Printing

27. When were the letters drafted for the over-27,000 employees of Qantas affected by the decision to ground the fleet and lock out staff?

28. When and where were those letters prepared, printed and put in envelopes?
29. When was the printing company booked for the production of these letters, or was it done in-house?
30. When were staff called to facilitate their production?
31. When and where were couriers booked for the distribution of the letters? When and where were these letters collected from? When did distribution begin?

See previous answers provided earlier in this document to variations of these questions.

Pilot stress

32. Given the statement that the airline was grounded for safety reasons, why were flight crews notified in flight en-route?

Under the circumstances it was inappropriate to proactively contact aircraft in the air and notify them of the grounding due to the distraction this may cause. However, there was some exposure that operating crews might hear of the lockout and grounding while still in flight. If pilots heard and enquired about the news while in the air, a prepared statement was read to them which confirmed the airline had been grounded but did not pose a safety concern for their flight. They were told to continue on to their destination where they would be met on arrival and all would be explained.

33. What advice did Qantas obtain from its Chief Pilot and Manager of Safety in relation to the grounding as to human factors and broader safety issues?

See evidence.

Financial

34. Given the fall in load factor for Qantas mainline international from 85% to 82.4% in the last financial year, has there been a significant increase in the cost base for this segment (non-reported) in the previous twelve months, which is the reason for the rapid reported decline in profitability from half year result, as reported 31 December 2010?

No.

35. Noting also the fall in Jetstar international load factors, has there been a large reduction in the cost base for that segment which is responsible for its improved reported performance?

No.

36. Comparing profitability of Qantas international to Jetstar international, is the basis for the cost calculation the same for both segments?

Do you mean airlines, rather than segments? If so, yes.

37. Do any former or current Qantas senior executive or management or related parties have any direct or indirect interest in any of your overseas operations? And if so, could you please disclose the exact nature of the interests.

Relevant shareholder information relating to any Qantas business or business in which Qantas has investments is on the public record.

RB211 failures

38. Given the closure of the engineering facility in Sydney which can modify the RB211 engine, has a risk assessment been made on the unmodified aircraft flying long over water sectors?

A risk assessment has been done on these engines flying long distances over water.

39. Are unmodified aircraft flying the long over-water sectors? If so, how many aircraft and over which sectors?

Yes, these are safe to fly.

40. How many RB211 engines subject to the modification requirement did Qantas have?

41. How many RB211 engines subject to the modification Qantas have on wing when it was issued?

42. How many aircraft had one of the subject RB211 engines on wing?

43. How many had two subject RB211 engines on wing?

44. In the event of both these unmodified engines RB211 failing mid flight, on a long over water sector, is the aircraft able to be safely flown to an alternate airport?

45. How many had three subject RB211 engines on wing?

46. In the event these three unmodified engines RB211 failing mid flight, on a long overwater sector, is the aircraft able to be safely flown to an alternate airport?

47. How many had four subject RB211 engines on wing?

48. How many failures per flight hours are Qantas experiencing per engine on unmodified RB211?

49. When did Qantas commence the modifications following Rolls Royce notification

50. When was the first engine completed and when will the last engine be completed?

Questions 40 – 50.

Our rate of engine shutdowns is extremely low. This is not an issue which requires immediate action and the manufacturer has advised all airlines to undertake a modification at the next major engine overhaul. Qantas has fast-tracked the program in recent months to bring the modification forward on our aircraft, ahead of the manufacturer's recommended timeframe. Qantas is fully compliant with all air worthiness directives relevant to the engine type and we take our responsibilities surrounding this very seriously.

51. How many engine failures per flight hour is the group experiencing overall?

Over the last 10 years, Qantas Airlines has accrued in excess of 1.5 million departures and 12 million engine flight hours on engine types currently in service. The average In-flight Shut-down (IFSD) Rate across all these Qantas engines is three per million engine flight hours which is world-class. Qantas has received awards from engine manufacturers for accruing in excess of 1 million engine hours without an IFSD on several engine types.

52. What engine failure rate per hour does Qantas accept is acceptable?

An IFSD of a twin-engine aircraft, especially flying over water, is obviously more serious than an IFSD on a four engine aircraft. For this reason, industry regulators have determined a maximum IFSD rate for over water operations (0.02 per 1000 flight hours) for twin-engine

aircraft. Qantas' twin-engine operation is well within this range, but even its four-engine operation on the RB211 equipped B747 is better than this.

53. How was this figure arrived at?

Refer to question 52.

Jetstar Basing

Mr Brett Stuart Johnson, General Counsel, Qantas Airways Ltd, told the Senate Standing Economics Committee in 2007:

"The second point we wish to highlight is that Jetstar was not established in 2004 with the intention of circumventing the provisions of the Qantas Sale Act... The vast bulk of Jetstar's employees and the facilities used to support its operations are based and will continue to be based in Australia."

54. Given the expansion of the Jetstar subsidiaries into Asia, does that 2007 statement still accurately describe your intentions?

Yes.

Jetstar Sale

Mr Brett Stuart Johnson, General Counsel, Qantas Airways Ltd, told the Senate Standing Economics Committee in 2007:

"... Against this background, the concerns expressed by Senator Fielding in his second reading debate speech about Jetstar being sold off to overseas buyers are unfounded. They run counter to the Qantas group's strategy of retaining and growing the complementary Qantas and Jetstar businesses..."

55. Can you confirm that Qantas is not preparing Jetstar for sale in the immediate future?

There are no plans to sell Jetstar.

56. Is that also true for the subsidiaries and joint ventures?

There are no plans to sell subsidiaries or joint ventures, although Qantas has been in talks with the Fiji Government about the sale of Qantas' share in Air Pacific Fiji.

Jetstar Competition with Qantas

Mr Brett Stuart Johnson, General Counsel, Qantas Airways Ltd, told the Senate Standing Economics Committee in 2007:

"...They run counter to the Qantas group's strategy of retaining and growing the complementary Qantas and Jetstar businesses. The prospect of the highly successful Jetstar lower cost operating model competing directly with Qantas in Australian domestic and international markets would clearly be an outcome that any owner of Qantas would be highly unlikely to pursue."

and Mr David Charles Hawes, Group General Manager, Government and International Relations, Qantas Airways Ltd, said:

"... The ability of Jetstar to compete on a number of routes—and I am talking internationally—where Qantas has either withdrawn from or is not operating on a strongly sustainable basis is a way in which Australian based airline operations have a capacity to grow internationally while,

at the same time, allowing Qantas, the premium airline, to invest and grow in routes and markets where it is capable of doing so against top-tier premium airlines...”

57. Can you advise when Qantas reversed this 2007 policy to allow Jetstar and Qantas to directly compete on various routes?

The market has evolved considerably, with new low-cost competition on these routes, creating greater scope to operate both Qantas and Jetstar services on these routes.

58. Do you envisage that the international market is sufficient to allow Jetstar and Qantas to provide a “no frills” and full service option on current routes?

This type of analysis is commercial in confidence. We do not recognise the concept of “no frills”, however we agree with the concept that it is feasible to offer two distinct Qantas Group brands on certain routes.

59. If not, are there any international routes on which you might envisage Qantas rather than Jetstar operating?

This type of analysis is commercial in confidence.

Qantas Facilities

Mr Brett Stuart Johnson, General Counsel, Qantas Airways Ltd, told the Senate Standing Economics Committee in 2007:

“... In relation to specific facilities it is unclear, under proposed section 9(5)(b) of the Act, whether the facilities operated in the provision of the scheduled international air services are to be aggregated across the Qantas group or whether each of Qantas and its associated entities are to be considered separately. Qantas does not believe it is appropriate to apply a ‘by subsidiary’ test to this requirement, as to do so runs the risk of distorting the intent of parliament that the principal operating base of Qantas be in Australia. If this approach is not considered appropriate then a test must be imposed on a Qantas group basis—that is, that Australia be the principal operating base when considered across the consolidated Qantas group, including Qantas and Jetstar. This permits maximum flexibility in how services are provided to consumers, while ensuring that the intent of parliament that the principal operating base of Qantas, in this case the Qantas group, be in Australia....’

and Mr David Charles Hawes, Group General Manager, Government and International Relations, Qantas Airways Ltd, said:

“... I think Qantas’s view on that is that the protections which exist in the Qantas Sale Act clearly already ensure that the majority of facilities, for example, used by the Qantas group in its international operations are in Australia...”

Mr Johnson continued to say:

"The deed of undertaking with APA has been specifically drafted so that the provision in the Qantas Sale Act which simply provided for Qantas international facilities has been extended to apply to Qantas and Jetstar. Qantas is quite comfortable with that."

60. Can you confirm that Qantas still holds the view that the facilities provision of the QSA 92 includes all of the subsidiaries?

Refer to evidence.

61. Is that the basis for the statement in your present submission that “Qantas always has, and will continue to, comply with the requirements of the Act”?

Yes.

62. If you have changed your view of 4 years ago, what triggered the change of mind?

NA.

63. If you have changed your view of 4 years ago, what do you see as meeting the compliance requirement of the Act?

NA.

Size of Jetstar

Mr David Charles Hawes, Group General Manager, Government and International Relations, Qantas Airways Ltd, told the Senate Standing Economics Committee in 2007:

“... Jetstar, whilst it is an important and growing part of the Qantas group business, will never be the same size as Qantas...”

64. Given Mr Hawes 2007 testimony and in light of the recent order for 110 new aircraft for Jetstar and its subsidiaries, when was the decision made to shrink Qantas in favour of Jetstar?

We dispute the basis of the question. No such decision has ever been made.

65. Given Mr Hawes 2007 testimony and in light of the recent order for 110 new aircraft for Jetstar and its subsidiaries, what are the current sizes of Qantas and Jetstar and what do you project the relative sizes will be in 3 years time?

Jetstar will have 86 aircraft by December 2011. By December 2014, Jetstar will have up to 131 aircraft.

Qantas has 198 aircraft. By 2014 Qantas will have up to 215 aircraft.

Fleet Plan

Mr David Charles Hawes, Group General Manager, Government and International Relations, Qantas Airways Ltd, told the Senate Standing Economics Committee in 2007:

“... Going back to the point about Jetstar and Qantas, the very significant fleet orders that have been placed for 65 Boeing 787 aircraft and 20 A320s shows the commitment to Qantas - because a lot of those aircraft will be utilised by Qantas, even though the first 10 or so 787s will be used by Jetstar. That is an investment clearly marked out for the two brand strategy...”

66. Of the 65 Boeing 787 aircraft on order, has the allocation between Qantas and Jetstar changed? What is that allocation?

All initial 787s will go to Jetstar. Our fleet strategy has evolved over the past five years, during which the establishment of new businesses has been determined and deliveries of new aircraft have been significantly delayed.

67. Of the 65 Boeing 787 aircraft on order, are any intended to be allocated to any overseas subsidiaries?

The only confirmed allocation of the B787 to date is the first 15 which will go to Jetstar.

68. Is the firm order still for 65 Boeing 787 aircraft or has there been a change? What about options?

The order remains as it was.

69. On 16 August 2011, you announced that the “delivery of Qantas’ final six A380 aircraft has been deferred by up to six years”. Are they still firm orders? Are they still intended to be delivered for operations by Qantas International?

Yes. Yes.

Qantas Brand Management

Qantas' submission to this Inquiry states (page 2):

“...Our brand strength and corporate identity are inexorably linked to Australia. Suggestions to the contrary, or suggestions that we do not value that privileged position, do not warrant serious discussion...”

70. I understand that you have publicly stated that your precipitous grounding of the Qantas fleet was necessary as a means to justify intervention under ss 424 or 431 of the Fair Work Act 2009. Do you believe that disrupting 70-80,000 people worldwide is “valuing” your privileged position?

We dispute the basis for this question. See evidence.

71. If you believe that your shareholders come first, how do you act in their best interest if you undermine the customer base that provides the revenue?

See previous answer.

72. Given the dominant position of Qantas as an Australian carrier, do you believe that you carry an essential service obligation to seek every avenue to avoid disrupting the continuity of air travel in Australia and under Australian bilateral agreements?

See evidence.

Staying Australian

Qantas' submission to this Inquiry states (page 2):

“...a clear distinction must be drawn between our absolute and continuing commitment to remain domiciled in the Australian economy...”

73. Your submission strongly asserts an “absolute and continuing commitment to remain domiciled in the Australian economy”. What elements of the Qantas Group does that refer to? Do you foresee a time when Qantas International might be the smallest of the operating airlines or indeed just a marketing airline?

No.

Remaining Competitive

Qantas' submission to this Inquiry states (page 2):

“...Denied the opportunity to compete in foreign markets on equal terms, the Qantas Group will not be able to effectively grow in the long term to the clear detriment of its employees, shareholders and the national economy...

74. Your submission asserts that the Qantas Group can only grow by competing “in foreign markets on equal terms”. Does that mean that you believe that neither Virgin Australia nor any other Australian International carrier can be profitable without having subsidiaries in Asia and employing Asian crewmembers?

Our point is that to compete in the fastest growing market, Asia, Qantas needs to establish businesses that give it the air rights and hub advantages that Asian carriers have. If the Qantas Group is to be successful, its International business must compete where there is growth and opportunity.

The Air Navigation and Civil Aviation Amendment Bill 2011

Qantas' submission to this Inquiry states (page 2):

“...The Bill has the potential to compromise international air services to important Australian regional destinations, leading to possible withdrawal from markets and impacting negatively on regional tourism and employment. Taken to its logical conclusion, the Bill has serious implications for any Australian business seeking to exercise the legitimate right to expand internationally and to compete on equal terms in foreign markets...”

75. Your submission asserts that the Bill has a number of negative consequences, however you provide no explanation for that view. What are your specific concerns with the Bill?

The “Aircraft Crew” Bill has implications for Australian airlines and other industries investing and operating in foreign markets.

The Bill appears to seek to use the Australian Parliament to determine the pay and conditions of citizens of another country who are employed in that country by a company registered in that country and under that country's labour laws.

The Bill seeks to overturn enterprise agreements not just in Australia, but in Europe and in Asia. It seeks to create an Australian law to overturn industrial agreements in foreign countries – a situation which an Australian Government would be unlikely to tolerate were the roles to be reversed.

Commercially, the Bill represents a cost burden on the Australian airlines to which it would apply, penalising these local airlines without requiring similar restrictions for foreign carriers competing on the same routes.

These foreign carriers would not be required by the Bill to apply the same terms and conditions as Australian airlines, delivering a competitive advantage to them, and inevitably leading to the loss of market share, a resultant decline in services and therefore many aviation jobs in Australia.

76. Your submission asserts that the Bill will have a negative consequence for regional employment. What do you believe are your obligations for “regional employment”? Do you think “regional employment” is more important than Australian employment?

Qantas has the same “obligations” to regional or Australian employment as any other company, in addition to its requirements under the Qantas Sale Act. Given Qantas’ strong regional networks, it is obviously important to regional economies that the major provider of air services is financially and operationally healthy.

77. Your submission asserts that the Bill will have serious implications for “the legitimate right to expand internationally”. What implications do you foresee and how do you see the Bill having that effect?

See answer to question 75. The Bill would single out Australian airlines, not foreign airlines, and would create a cost burden that would create significant competitive disadvantage.

78. Your submission asserts that the Bill will have serious implications for “any Australian business seeking to ... compete on equal terms in foreign markets”. What do you believe that you need to compete on equal terms in those markets? How do you see the Bill adversely that situation?

It is impossible to imagine the principles espoused in the Bill being applied to other Australian companies operating internationally, for example a mining company, a major bank or a shopping centre developer. It is hard to see how the Australian Government would seek to determine the pay and conditions of citizens of another country who are employed in that country by Westfield, Extrata or ANZ Bank subsidiaries, registered in that country and operating under that country’s labour laws.

Qantas Sale Amendment (Still Call Australia Home) Bill 2011

Qantas’ submission to this Inquiry states (page 2):

“The Bill proposes that the Australian Parliament determine the composition of the Board of a wholly publicly owned business trading on the Australian Stock Exchange, and dictate the manner and circumstances of key commercial decisions taken by the Board on behalf of shareholders. It proposes that investments made by the Group in enterprises established in foreign jurisdictions also be subject to the will of the Australian Parliament. This action is proposed exclusively for the Qantas Group and for no other airline operating within or into and out of Australia. As such, it would place the Qantas Group at a trading disadvantage relative to its major competitors; impact market share, and materially affect our ability to raise operating capital...”

and (page 3):

“Qantas always has, and will continue to, comply with the requirements of the Act...”

79. Your submission seems to indicate some mixed messages about the Qantas view of the appropriateness of being constrained by the Qantas Sale Act 1992. Do you believe that the Australian Parliament should not pass or amend legislation that imposes the will of the Australian public on a private company?

No.

80. Your submission seems to indicate some mixed messages about the Qantas view of the appropriateness of being constrained by the Qantas Sale Act 1992. Do you believe that the QSA 92 has no further relevance to Qantas and should be repealed?

No.

81. Your submission notes that the Bill is “proposed exclusively for the Qantas Group and for no other airline operating within or into and out of Australia.” How does the Bill differ in that regard from the Qantas Sale Act 1992, which enjoyed significant bipartisan support in this place?’

It differs significantly. The primary purpose of the Qantas Sale Act was to ensure there would be no foreign takeover of this great national asset.

The Government has acknowledged that nothing Qantas is doing is in contravention of the spirit or intent of the Act.

The Bill being proposed would not do more to protect Australia’s Qantas. It would not make us more Australian. It would not protect Australian jobs. It would have the opposite effect. It would put our business in jeopardy. It would threaten Australian jobs. The Bill contemplates locking Qantas inside Australian borders.

This is protectionism. No company can hide from the threats and opportunities of globalisation. Qantas operates in a global aviation industry and if we want to survive and succeed we must be free to pursue global opportunities.

Qantas always has and will continue to comply with the requirements of the Act. These requirements are that:

- ownership of the airline by foreign persons cannot exceed 49%;
- foreign airlines cannot own more than 35% of Qantas;
- an individual foreign person cannot own more than 25% of the airline;
- Qantas must always form part of the airline’s trading name;
- Qantas’ Head Office must be located in Australia;
- the principal operational centre for services that support air travel (e.g. catering, engineering) must be located in Australia;
- two thirds of the directors must be Australian citizens; and
- Qantas is prohibited from becoming incorporated outside Australia.

In announcing the creation of airlines based in Asia (in which, significantly, Qantas has only a minority investment), nothing Qantas is proposing in any way compromises the meaning, intent or spirit of the Qantas Sale Act.

82. Your submission notes that the Bill is “proposed exclusively for the Qantas Group and for no other airline operating within or into and out of Australia.” How many of those other airlines acquired their infrastructure, operational reputation, market share and brand strength in the same way as Qantas?

With respect, that is not the point. Many of these airlines are owned, operated and protected by their home governments. They pay significantly less to their employees and operate from a far lower cost base. They can offer significantly lower airfares, and through Australia’s open skies policies, they have captured a large segment of the Australian market. 82% of Australians choose these airlines over Qantas.

All their maintenance is done out of Australia, they are flown and crewed by foreign workers, and Australians are happy to fly them in record numbers.

How many of these airlines:

- Conduct 90% of their aircraft maintenance in Australia – or indeed any?
- Have 92% of a workforce of 35,000 people based here?
- Have the biggest regional airline in the country serving regional communities and supporting the resources boom?
- Has a fleet of 283 aircraft dedicated to servicing Australia?
- Has seven catering facilities around the country?
- Has 39 lounges, 11 maintenance ports and 16 hangars?

The weight of Qantas' business is and will always remain in Australia. But Australia is a small home market, and is not a major global destination. We have no global hub ports.

83. Your submission asserts that the Bill “would place the Qantas Group at a trading disadvantage relative to its major competitors” but offer no analysis. How do you see the Bill creating that result?

Please refer to previous answers. It is widely recognised that Qantas operates at among the highest operational cost of any airline in the world, with among the highest paid pilots, crew and ground staff. Any tightening of the factors that prohibit Qantas's competitiveness against much leaner, more efficient airlines with demonstrably lower cost bases, will further damage this competitiveness.

84. Your submission asserts that the Bill would “impact market share” but offer no analysis. How do you see the Bill creating that result?

This is a variation on the same questions above.

85. Your submission asserts that the Bill would “materially affect our ability to raise operating capital” but offer no analysis. How do you see the Bill creating that result?

See above. It goes without saying that an encumbered, inefficient, unproductive and uncompetitive business would be disadvantaged in the pursuit of investment capital.

Qantas Sale Act 1992

Qantas' submission to this Inquiry states (page 3):

“The Qantas Sale Act was passed in 1992 simply to put in place a legislative and administrative framework to enable the Commonwealth Government to sell Qantas Airways Limited. All other Australian carriers remain subject to the Air Navigation Act 1947. Proposals in the Bill to impose additional enforcement measures ignore the fact that Qantas already must comply with the provisions of the Qantas Sale Act...”

86. Your submission asserts that the QSA 92 was passed “simply to put in place a legislative and administrative framework to enable the Commonwealth Government to sell Qantas Airways Limited”. Did the person who wrote the submission consider the significance of Part 3, the national interest provisions? Did they read the 1992 Hansard and review the 2007 Senate Economics Committee Inquiry?

Yes. Yes.

87. Your submission asserts that the QSA 92 was passed “simply to put in place a legislative and administrative framework to enable the Commonwealth Government to sell Qantas Airways Limited”. Does that rather dismissive statement reflect the Qantas Board and Executive management view of the national interest provisions in the Act? Do you believe that the role of Qantas in the national interest is insignificant?

No. No.

88. Your submission asserts that the proposals in the Bill “ignore the fact that Qantas already must comply with the provisions of the Qantas Sale Act.” Do you really believe that the legislators in this place proposing an amendment to an Act would be unconscious of the effect of the law that is being considered for change?

Yes, with respect we do not believe the sponsor of this Bill has fully considered the consequences of its passage.

89. Your submission asserts that the proposals in the Bill “ignore the fact that Qantas already must comply with the provisions of the Qantas Sale Act.” Do you believe that it is inappropriate for the legislators in this place to consider an amendment to an Act if there was a belief that the original provisions were no longer achieving their intended purpose?

No, we respect the legislator’s right to this belief; however we reserve the right to oppose it.

Facilities

Qantas’ submission to this Inquiry states (page 3):

“Over 90% of Qantas’ heavy maintenance is undertaken at our facilities in Australia. Qantas outsources only a minority of work that either cannot be accommodated within the physical capability of our existing facilities or on new aircraft types where work volumes are very low...It would be highly inappropriate to require the Qantas Group to maintain surplus facilities and staffing levels that exceed the available maintenance workload...The Qantas Group remains the only airline to do any heavy maintenance in Australia.”

90. Your submission states on one hand that “Over 90% of Qantas’ heavy maintenance is undertaken at our facilities in Australia” yet on the other hand asserts that “It would be highly inappropriate to require the Qantas Group to maintain surplus facilities and staffing levels that exceed the available maintenance workload”. It would appear that there is a logical disconnect between the two statements – which is correct?

There is no logical disconnect. We are stating the fact that right now we are the only airline that does this level of maintenance in Australia. But any prudent, modern business must be able to adapt to temporary, seasonal or transformational changes in its operations, rather than be expected to remain static and unresponsive to emerging demands. It would be illogical to expect a business to maintain a large and expensive part of its operations when there is no temporary or long term need for them.

91. Your submission notes that “Qantas outsources only a minority of work... on new aircraft types where work volumes are very low.” Where does Qantas intend to conduct the maintenance on the 110 new A320 aircraft? The B787? Who will gain the expertise from the eventual heavy maintenance of the B787?

No decisions have been made on the maintenance of these new aircraft. However, it is logical to assume that the servicing of any new aircraft operating as part of the fleet of a subsidiary

business will be undertaken where that business is located. An aircraft operated by Jetstar Japan, for example, is likely to be maintained in Japan.

92. Your submission asserts that “the Qantas Group remains the only airline to do any heavy maintenance in Australia.” Where is the heavy maintenance for the Cobham Boeing 717, British Aerospace 146 and Dash 8 aircraft conducted?

In Australia.

Divestiture of Associated Entities

Qantas' submission to this Inquiry states (page 3):

“...The Bill, if enacted, would require Qantas to dispose of these shareholdings...”

93. Your submission asserts that “the Bill, if enacted, would require Qantas to dispose of these shareholdings...”, however you provide no explanation for that view. Why would the Bill “require” such divestitures?

Because the Bill, if passed, would cause Qantas to fail to meet its obligations under the significantly narrower terms of a Qantas Sale Act of having sufficient portions of its operations in Australia. These forced sales would significantly shrink the Qantas Group in size, but would meet the requirements of the Act.

Right and Entitlement

Qantas's submission to this Inquiry states (page 4):

“Qantas did not establish Jetstar, nor has it invested in new enterprises formed outside Australia, to circumvent the provisions of the Qantas Sale Act. In this respect we are acting in a manner totally consistent with decisions taken by many other prominent Australian businesses. This is our right and our entitlement.”

94. Your submission asserts that none of the subsidiary or joint venture activities were undertaken to circumvent the QSA 92. Were there any discussions undertaken with the Department of Transport (or the Minister) after Australia-Asia Airlines ceased operating in 1996 and before the first of the new subsidiaries was created to ensure that there was no doubt about compliance with both the letter and the intent of the QSA 92? If so, could you place any confirmatory correspondence on the public record as part of this Inquiry? If not, have there been any specific discussions on that subject?

No. NA. No.

95. Your submission asserts that your actions have been “in a manner totally consistent with decisions taken by many other prominent Australian businesses.” How many of those other businesses were constrained in their activities by specific Acts of Parliament intended to protect certain national interests?

Our point is that like any other business with obligations to its shareholders, we have identified and sought opportunities for growth and expansion in new markets. Qantas has always operated within the Qantas Sale Act, and nothing it has proposed stands in contravention of it. The Bill to amend it would, however, ensure that this expansion is halted, that current investments would be abandoned, and proposed investments would not proceed.

96. Your submission asserts that your actions (past and presumably very recent) have been justified because: "This is our right and our entitlement." Could you expand a little on this corporate sense of entitlement and privilege that you so clearly feel?

These are the widely understood rights and entitlements of a publicly listed company operating within and under the protection of Australian laws.

Allocation of Revenue and Costs

97. If I buy a ticket from a place that involves a Qantaslink, a Jetstar and a Qantas International leg, how are the costs and revenue allocated?

Revenue is recognised in accordance with industry standard commercial agreements through proration. Costs are recognised as they are incurred in the respective businesses and routes.

98. If I buy a ticket from a place that involves a Qantaslink, a Qantas domestic and a Jetstar International leg, how are the costs and revenue allocated? If I buy the flight with Frequent Flyer points, how does the cost and revenue allocation change?

Refer to question 97. The Qantas Frequent Flyer segment pays the operating carrier for Frequent Flyer redemption flights in accordance with commercial agreements. Costs are recognised as they are incurred in the respective businesses and routes.

99. Are the true costs of the Qantas intellectual and physical infrastructure utilised by Jetstar attributed to Jetstar?

Yes, down to a very low level of materiality.

100. Are the costs of aircraft ownership equitably allocated, either directly or by commercial rate internal attribution?

Yes – absolutely.

101. Are the costs of all single use facilities such as A320 simulators attributed to Jetstar?

Yes. Qantas Airlines segment does not operate any A320 simulators. Jetstar sources A320 simulator services from the external market.

102. How are the costs and revenues allocated for multi-sector flights including Qantas and Jetstar international sectors?

Refer to question 97.

103. How are the costs and revenues allocated for multi-sector international flights involving Qantas and Jetstar code-share sectors?

Refer to question 97.

104. How do the direct operating costs of Qantas and Jetstar A330 flights compare?

Qantas Airline segment costs are higher due to its premium service operating model and higher labour costs.

105. What are the differentials for the input costs of Qantas and Jetstar A330 flights?

Refer to question 104. Differentials are predominately driven by labour costs and service level differences which are commercially sensitive.

106. For each route and in aggregate, is the revenue over the last two years, based on load factors, average ticket price, ancillary revenue and Frequent Flyer contributions in combination, insufficient to offset the costs specifically associated with the conduct of International air transport operations by Qantas Airways?

Yes in aggregate. No for certain routes.

107. Is it more profitable to code-share on subsidiaries rather than operate flights?

The Qantas Group uses codeshare agreements to enhance the network and distribution proposition for its customers. The profitability levels of flights, whether codeshare or directly operated, is dependent on market conditions, the competitive environment and the cost base of the carrier.

108. Are regional fares a true reflection of costs or are they being used to subsidise the international subsidiaries?

Regional fares are determined by market conditions in the regional aviation market and have no linkage whatsoever to international subsidiaries.

Other

109. When a Qantaslink or Jetstar passenger uses the Qantas Club or Chairman's lounge facilities, what processes ensure that the cost is re-couped from those parts of the business?

Lounges are operated by Qantas, QantasLink and Jetstar. All revenue and costs are borne by the airline segment which operates the lounge, with the exception of Jetstar International passengers on business class fares accessing Qantas lounges which are recharged to the Jetstar segment on a per visitation basis.

See previous answer to earlier question.

Note: Questions 110 through to 130 from Senator Xenophon seem to have been copied word for word from letters written by the Australian and International Pilots Association (AIPA) and the Australian Licenced Engineers Association (ALAEA) to Qantas. In these letters, the unions referenced their disbelief that Qantas had lost in excess of \$216 million on its International operations in 2010/11. Qantas has a legal, commercial and moral obligation to provide accurate financial accounts to the Qantas board, shareholders and the Australian Stock Exchange. These accounts are independently audited and signed off by KPMG.

Any suggestions that this loss has been fabricated or that there is cost shifting between Qantas and Jetstar are incorrect. The Qantas Group has a user pays system where the part of the business which uses the good/service pays the cost.

110. At outstations where any Qantas Group A330 aircraft flew, who have the spare A330 parts used been billed to?

Jetstar pays standard commercial fees for all parts.

A330 aircraft are common to both flying segments. Spares are managed by Qantas Airlines segment (the largest A330 operator) and recharged to the Jetstar segment under a commercial service level agreement. This includes an amount for holding, managing and maintaining the pool of spares.

111. Who is paying (ie. which operating segment of the Qantas Group) for the \$21 million refurbishment of Hangar 245 that will predominantly house 787's?

Maintenance plans for Jetstar's B 787 are yet to be determined, but hangar 245 will not be part of those plans.

The \$21 million is inaccurate. Qantas Airlines Segment is paying for the refurbishment. Hangar 245 is a multiple aircraft hangar managed by Qantas Airlines. The Qantas Group has not taken delivery of a 787.

112. Why were LAMEs told not to fill out form 2350's (customer billing sheets) when additional work or equipment is required on non- Qantas mainline aircraft? How much was charged to Jetstar through this process in FY2011?

Qantas Engineering standard operating procedures require LAMEs to fill out 2350s to ensure third party activity can be captured and to invoice other carriers. Jetstar A330 services provided by Qantas Engineering are captured through service level agreement charges. The Jetstar segment is billed a commercial rate for all engineering services provided by Qantas Airlines segment. The sum is commercial in confidence.

113. Has Jetstar used the Qantas Maintenance Watch for their A330? How much were they charged for this use in FY2011?

Yes, captured through service level agreement charges.

114. Is Jetstar charged for the compilation and distribution of work packages by Qantas planners for the Jetstar A330 transits and overnight work in domestic and international ports?

Yes through the service level agreement charges.

115. Has any Qantas tooling been sold or transferred to Jetstar. How much paid to Qantas or what cost was allocated to Jetstar for the tooling?

No tooling has been sold to Jetstar. Tooling when loaned to any airline (including Jetstar) is charged at commercial rates.

116. How much did each segment of the Group pay and what amount was allocated to each segment, for the cost of QF AKE baggage containers, including upkeep, in FY2011? What amount was paid by or allocated to the Qantas International business?

The Qantas Group has a separate segment called Qantas Freight. This segment has commercial arrangements with each airline segment. Qantas Freight provides a managed service to Qantas Airlines and charge a fee as a percentage of revenue for all Qantas International belly space carried. Under these arrangements Qantas Freight bear the cost of provisioning and maintaining AKE baggage containers. The amounts paid are commercial in confidence.

117. Have there been times where the Group has been required to hire containers from other operators due to shortages? If so, what part of the business bears the expense or hire charge?

Yes. Qantas Freight.

118. How much did each segment of the Group pay and what amount was allocated to each segment for the legal fees, fines and associated costs of the freight cartel issue from FYs 2006-11? What amount was paid by or allocated to the Qantas International business?

These costs were borne by the Corporate segment and no costs were allocated to the Qantas Airlines segment and as such the Qantas International routes.

119. Do Qantas pay a fixed price for Cargo space on any Jetstar service? If so, how much revenue did they earn from the cargo and how much did they pay for the space?

The commercial agreements for Jetstar cargo space are between the Jetstar segment and Qantas Freight segment. These in-confidence commercial arrangements do not impact the Qantas airlines segment.

120. If Qantas pay a fixed price for Cargo space on Jetstar services, when that space is not used, do they get revenue back from Jetstar?

Refer to question 119.

121. How much did each segment of the Group pay and what amount was allocated to each segment, for the cost of Freight Sales and Reservations Department and staff in FY2011? What amount was paid by or allocated to the Qantas International business?

Refer to question 116. The Qantas Freight segment does not directly charge for these costs to the Qantas Airlines segment. These costs are held in the Qantas Freight business.

122. Did Qantas pay a fixed price to Jetstar to carry freight on flights to Japan and other areas that saw those flights cancelled due to natural disasters? If so was the money paid back?

Refer to question 119.

123. Did Qantas buy a fixed number of seats on Jetstar/Qantas codeshare flights operated by Jetstar in FY2011? If so how many did they buy and what price was charged? What load factor did Qantas have on these purchased seats? If Qantas didn't sell the seats, could Jetstar then sell them? If Jetstar sold the seats how was the revenue dealt with?

All seats on codeshare flights are sold under a free sale arrangement at commercial rates. Any sums are commercial in confidence.

124. For cancelled Jetstar flights, was this revenue refunded to Qantas?

Refund procedures are agreed for codeshare flights and are on commercial terms.

125. Did Jetstar buy a fixed number of seats on Jetstar/Qantas codeshare flights operated by Qantas in FY2011? If so how many did they buy and what price was charged? What load factor did Jetstar have on these purchased seats? If Jetstar didn't sell the seats, could Qantas then sell them? If Qantas sold the seats how was the revenue dealt with?

All seats on codeshare flights are sold under a free sale arrangement at commercial rates. Any sums are commercial in confidence.

126. When Jetstar took over the Cairns-Darwin-Singapore route replacing the QF 61/62, was an agreement struck which saw Qantas pay a fixed sum in revenue for use of that service annually?

Yes. Codeshare arrangements between Qantas and Jetstar are commercial in confidence.

127. When a delay on a QF aircraft is incurred whilst waiting for passengers from other parts of the business, who pays this cost?

In line with general industry practice, all carriers who choose to delay a flight in order to wait for connecting passengers bear any costs of the delay.

128. What amount was paid to Qantas each time they were chartered to fly services to recover stranded Jetstar passengers?

The Qantas Airlines segment recovers the full costs (including ownership costs) for any charter activities for the Jetstar segment.

129. Does Qantas have an agreement between the various parts of the Group dealing with Disruption Handling including, but not limited to, the cost to be paid or allocated for carrying disrupted passengers?

Reciprocal agreements are in place between the flying segments, as they are with other airlines, to handle disrupted passengers.

130. When a passenger purchases a Qantas ticket but flies on Jetstar, how is the revenue from ancillary charges paid or allocated between Qantas?

For services provided outside ticket conditions the ancillary revenue collected will be for the account of Jetstar as they have provided such services.

Board Safety Sub-committee

Proof Senate Committee Hansard, Senate Standing Committee on Rural affairs and Transport Inquiry into the Qantas Sale Amendment (Still Call Australia Home) Bill 2011, 04 November 2011, page 21:

"Senator ABETZ: ... How often are professional flight operations or engineering issues discussed at Qantas board meetings?

Mr Joyce: Very rarely. At Qantas safety committee meetings we would get into some of the issues. But we are well represented by our chief pilot, our chief engineer and our head of operations, who attend those Qantas board safety committee meetings for both airlines. It covers off all of the airlines within the group."

131. Could you explain the hierarchy of safety committees within Qantas?

Each AOC holder has a defined management and governance structure designed to ensure its airline operations are performed safely and in compliance with legislative requirements. The management structure includes a Safety Committee that is chaired by the Accountable Manager and reports on safety issues relating to the operations conducted pursuant to the relevant AOC. Each Airline Safety Committee appoints sub-committees which report and advise on specific safety issues relating to the AOC holder's operations. Each Airline Safety Committee provides reports to the Group Executive Committee and to the Qantas Board Committee for Safety, Health Environment and Security.

132. Could you provide the Attendance Lists for the Qantas Board Safety Committee meetings for the last 2 years?

In the FY 2009/10 and 2010/11 the members of the Committee included Mr John Schubert, Mr Alan Joyce, Mr Peter Cosgrove, Mr Richard Goodman, Mr Paul Rayner and Ms Barbara Ward.

Aircraft Grounded pre-lockout

Qantas grounded some aircraft well before the lock-out grounding on the reported basis of a shortfall of some 60,000 hours of maintenance time due to actions by the ALAEA.

133. Were any of those aircraft reinstated to flight operations during the schedule recovery operations?

Yes.

134. If so, how was the maintenance shortfall that led to their initial grounding overcome? The union was forced to drop its bans, which enabled the health of the fleet to be recovered.

The grounding reduced the maintenance demand these aircraft were generating if they were flying. The unions ceased their stoppages, overtime bans and work to rule protected industrial action. Some customer airlines have redirected their work away from Qantas Engineering as a result of the ongoing industrial action.

135. How many of those aircraft are grounded today?

None.

136. What scheduled maintenance on those aircraft is still outstanding due to the shortfall in maintenance man-hours?

This is to be determined.

Foreign Cabin Crew

In relation to the foreign cabin crew employed on Jetstar flights to and from Darwin, it has been suggested that many spend days domiciled in Australia flying on domestic routes.

137. Do foreign cabin crew fly only on domestic sectors that are part of international flights?

Refer to Hansard Senate Inquiry transcripts (Bruce Buchanan 21 March 2011 and 4 November 2011) where similar questions were answered in detail.

Jetstar aircraft operating international tag flights between two domestic ports, with an international flight number and connecting to/from an international destination are crewed with some international crew.

138. Do foreign cabin crew fly the complete flight that consists of a domestic sector followed without interruption by an international sector?

Jetstar aircraft operating international tag flights between two domestic ports, with an international flight number and connecting to/from an international destination are crewed with some international crew, except in the rare event of illness or exceeding hours.

139. Do foreign cabin crew remain in Australia flying domestic legs for a number of days before departing for their country of origin?

Jetstar aircraft operating international tag flights between two domestic ports, with an international flight number and connecting to/from an international destination are crewed with some international crew. This relates to a small number of services. Jetstar does not have a practice of using international crew on domestic flights with domestic flight numbers.

ACARS Message to Crews

ACARS is a system that is most often specifically addressed to an aircraft. During the lockout grounding, a broadcast message was sent to all Qantas aircraft.

This statement is incorrect. A broadcast message was not sent to all aircraft.

140. Can you confirm that the ACARS system is most commonly used to pass information to and from specific aircraft?

Short haul – ACARS or VHF are the commonly used means.

Long haul – ACARS, SAT phone or VHF are all used.

141. Given the safety considerations, why weren't individual messages sent to each aircraft after they had landed at their destinations?

The safety considerations were the very reason why the messages weren't sent to the aircraft.

Future Maintenance

Proof Senate Committee Hansard, Senate Standing Committee on Rural affairs and Transport Inquiry into the Qantas Sale Amendment (Still Call Australia Home) Bill 2011, 04 November 2011, pages 25-6:

“Senator LUDLAM: So in five years time, when those two new long-haul aircraft are fully embedded in the fleet, we would expect that figure to be significantly lower than 90 per cent, you are telling us, not for industrial reasons but for engineering and technology reasons.

Mr Joyce: We have always been clear. It will not be economic for us to do the A380 or the 787 maintenance in Australia, because it takes a long time for that to occur for them. There are very low levels of maintenance needed on those aircraft.

142. How many people does Qantas employ in Boeing 747 and Boeing 767 maintenance facilities in Australia?

Qantas Engineering employs more than 5,500 people at 11 maintenance locations across Australia maintaining all of Qantas Airlines' aircraft types, which includes B737, B767, B747, A330 and A380.

143. What is the plan for closing Boeing 747 and Boeing 767 maintenance activities in Australia as those fleets are removed from service?

There is no current plan.

How does Qantas foresee the means by which it will comply with the facilities protection clauses of the QSA 92 as currently enacte

This question is incomplete.

**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 Friday, 4 November 2011

Questions Taken on Notice – Transport Workers Union (TWU)

1. HANSARD, PG 38

Senator ABETZ: I understand all that. I will ask once again, Mr Sheldon, and then the record will speak for itself as to whether or not you are willing to give us a straight answer as to whether Senator Xenophon's bill requires Jetstar Japan to have the majority of its work done—

Senator XENOPHON: I have a point of order, Chair. The issue of statutory interpretation of the bill is a matter for this witness. If Mr Sheldon was a professor of law—and I am not sure whether he is in his spare time—and suitably qualified to give advice on statutory interpretation, then that would be a reasonable question. Senator Abetz, to his credit, has raised some legitimate concerns about the bill, concerns which are for the committee to consider, not necessarily for this witness.

Mr Sheldon: Senator, if it helps, what I might do is take your question on notice.

Senator ABETZ: Please do.

Mr Sheldon: And I will come back with a response.

2. HANSARD, PG 41

Senator ABETZ: With respect, after all of that you have not provided any evidence to counter that which Qantas has provided. The licensed engineers later on this afternoon might. Can I then move on to the other issue of fatigue—

Mr Sheldon: The evidence will be provided in this fashion, and I would ask the senator to assist us in this matter to get Qantas to agree to have an open, full and frank audit. We have requested that the audit be conducted by one of the big four accounting firms, to be discussed and agreed, who are not existing providers to Qantas. This would be at Qantas's expense, which they have agreed to. They just will not agree to anything else of substance. Step 1, if required, finalisation and execution of confidentiality agreements by relevant individuals involved. Step 2, presentation of how the report on performance of the international division was compiled to representatives of the union group and the forensic accountant engaged. The presentation shall incorporate what accounting systems within the Qantas group were relied on to compile these reports. We understand an alternative system to the general ledger is used to measure route profitability and this system was relied on to compile the results of the international division. Next point: how revenue was allocated to each route—

Senator ABETZ: If I may, time is short so can you provide us with that letter in due course. It would be fair to say you have a strong suspicion. That is why you are seeking the audit. But apart from that you have no firm evidence to place before us at this stage.

Mr Sheldon: I am more than happy to provide it.

Senator ABETZ: Would it be fair to say your position is that there is a strong suspicion but you do not have actual evidence? Can I say that it is not uncommon for these committees to deal with those sorts of issues on that basis. There is nothing wrong with telling us, 'We do not have firm evidence but we do have a strong suspicion and that is why we are seeking the audit.' I am just trying to clear it up in my own mind as to the state of the evidence.

Mr Sheldon: What I would be more than pleased to do is gather the evidence that has been provided by various parties to us, some of which we will provide to you today, and I will give you the evidence that I have been relying on for those assertions we have put forward.

**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 Friday, 4 November 2011

Questions Taken on Notice – Australian & International Pilots Association

1. HANSARD, PG 48

Capt. Woodward: The company has a communication reporting system called ACARS. It is an in-flight broadcasting system. It is a bit like a fax. It sends a message, which appears on a computer screen in the cockpit, and you can print it out. The aeroplanes that were airborne received those messages when they were some distance out from wherever they were going. One of the captains who landed that evening rang me and said, 'I got an ACARS message three hours out from landing to say that the airline was grounded when we landed.' Naturally that caused him great concern. He did not know what was happening. He was worried that his job was over et cetera. Our aeroplane coming from the Dallas/Fort Worth airport, which is the furthest distance out, received the message many, many hours out. That happened to be the secretary of our association. He was sitting on that message for some time. I am sure he has kept it, and I could probably supply that to the Senate if you need that.

CHAIR: We would appreciate that.

In response to Question 1 please find attached a sample ACARS message sent to one of the airborne aircraft. I have checked with the captain of the aircraft from Dallas Fort Worth and he informed me that he did not receive an ACARS message. However, he happened to be listening to the news on Radio Australia in the middle of the night his time and heard that the airline had been grounded. He checked with the Qantas Operations Control centre via satellite phone on what was happening and was apparently informed that they had no information to relay to him.

2. HANSARD, PG 49

CHAIR: Do you know how many flights were midair and received the ACARS announcement or message?

Capt. Woodward: No, we are not sure of that exact number.

CHAIR: If you could take that on notice it would be very helpful.

In response to Question 2 Qantas would be better placed to answer the question on the details of aircraft airborne and whether they received a message (see answer in part on Question 1). However, contemporary news reports have the number of aircraft airborne as 64 (Sydney Morning Herald November 5-6 News Review Page 4).

3. HANSARD, PG 52

Senator GALLACHER: Can I just get a point of clarification there? Would the notice that went to an active pilot and crew have given any reason for the grounding? Could they have then wondered whether it was a terrorist attack or a plane crash? Would they have had any indication of what the notice of grounding would have been about?

Senator EDWARDS: I'm flying home in a couple of hours. You're frightening me!

Capt. Woodward: I will have to take that on notice, and we will have to give you a copy of that ACARS message.

In response to Question 3 please see attached sample ACARS message.

ACARS-BEGIN - 250CT11 08:25:09
VH-OPH 07/08/01/29 VPMO/MS33

SIN AIRPORT
11/18/29 08:24:39 NEW

SIN AIRPORT
HI 07/01 08V C17 NOT OPT CANX X
CANX DEP FOR AL GAWING FLTS DET
INDUSTRIAL ACTION X
H-257/07/3977 094 2085L 03G
5A16/07/319 C13 2322L LHR
RICKS.....

ACARS END

**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 Friday, 4 November 2011

**Questions Taken on Notice – Australian Licensed Aircraft
Engineers Association (ALAEA)**

1. HANSARD, PG 56

Mr Purvinas: The ATSB investigated one of the engine failures—I think it was the San Francisco one—late last year. They put out advice at the time that the engines were to be continually monitored to make sure that the rate of failures was not above a set level that would allow them to immediately ground those aircraft. These engines are failing at four times the ordinary rate of similar engines in other aircraft fleets. I think it is probably time for someone to come out and say that those modifications should take place to prevent engine failure. Whether CASA are bold enough to say that that trigger has been met, I do not know—that is their business. All I know is that engines are failing at an alarming rate and Qantas have shut down their facility in Australia and do not have the capacity to carry out this modification.

Senator XENOPHON: Could I ask you to provide more details of that on notice, because when CASA does give evidence, I think it is a reasonable line of questioning. I presume CASA has checked all these issues and said there is no reason to be alarmed. But, given what you raised, I think the fair thing to do is to put that to CASA to find out what their thresholds and criteria are in relation to that.

2. HANSARD, PG 57

Senator XENOPHON: In what you have just said then—and you may want to put more of this on notice if that would help—what role do you think the safety regulator should have? We are talking about Australian VH-registered aircraft. What role do you think the safety regulator should have? What changes should there be in regulations to ensure absolute quality assurance of repairs? You may want to put that on notice or think about that, but how do we deal with that? It is sort of a known unknown, is it not?

Mr Purvinas: I have already thought about it. At the moment CASA goes and certifies overseas facilities based on whether they have adequate lighting and adequate tooling and then they give them a certificate that says they are an approved maintenance facility. That is the extent CASA goes to. CASA should be there checking that the tasks are being done properly. We have engineers who go overseas as coordinators of these checks who are sitting in the office making sure the card packages are coming in correctly. At times they have said: 'Wait a minute: you've carried out 15 hours of work that was assigned to you an hour ago. This can't be the case.' And they go out and check behind the panels where they were meant to have carried out inspections

and noted that the panels have not been removed. That is a practice that we in the industry know as 'pencil whipping'. It is something that CASA cannot monitor by saying: 'You've got a hangar. You've got some stands. We're going to approve your facility.' That does not allow them to ensure that the maintenance is carried out to the same level as it is in Australia.

Senator XENOPHON: I am really very alarmed by what you have said. The chair has been very patient with me. I would be grateful if you could provide to the committee specific details of that.

Mr Purvinas: Yes. We have some examples of that in the evidence. And there are countless other things that we could add to that.

3. HANSARD, PG 59

Mr Purvinas: I think they said initially that they were grounding five aircraft, and I think that was about a month ago. I got a call from some members of the press and they said, 'We have all been invited out to Avalon airport to have a look at the first two of these aircraft that are being grounded.' We got some information from our members on that day to find out whether these aircraft were actually being grounded because of industrial action or whether they were being grounded for other reasons. Sure enough, the heavy maintenance plan for those aircraft showed that two aircraft—I think they were TJ Oscar and maybe TJ Mike—were planned all along to be grounded by the airline for disposal. 'Disposal' is what was written on the heavy maintenance plan.

I told the press who were there, before they went in for the tour with management: 'Go and have a look at the aircraft that they're going to show you, which they'll tell you are grounded because of industrial action, and see if these two regos are the regos of the aircraft, because here is the heavy maintenance plan that says that they are being grounded for a different reason.' They came out about an hour and a half later and, sure enough, it was the very aircraft that had always been scheduled for sale. We did some quick research at the time and found press releases from Qantas and saying that they were going to sell these aircraft. The press release was from April of this year. We looked on an aviation website to check that the rego of the aircraft that were grounded and shown to the press that morning were for sale. Well, one of them was for sale. Actually, TJ Foxtrot was one of the ones that were shown. It was advertised on an aircraft sale website, ready for delivery in September 2011.

Senator XENOPHON: Can you provide that?

Mr Purvinas: I can provide that. I have copies of it in my office.

4. HANSARD, PG 59

CHAIR: So that is one of the five aircraft. What about the other two—TJ Oscar and Mike?

Mr Purvinas: There were four aircraft on that heavy maintenance plan that morning that were shown to be grounded for disposal. Qantas dispose of their aircraft in several ways. They park

them in the desert or they sell them. Either way, they are put down on our heavy maintenance plans as disposal. After this came out publicly in the press—we got a little bit of a run from some of the papers—they quickly changed their heavy maintenance plans and put different wording on it. I think they changed it to 'extended layover'. So they are very deceptive about what they do in their own internal paperwork, particularly when they realise that we have evidence to show that they are misleading the public, and that was the case on that morning.

CHAIR: Could you prove or provide evidence to this committee of the maintenance schedule for these planes that were going to be disposed of? Is it normal maintenance that would be conducted at the end of its service life with Qantas and then the planes would leave the country, or is it maintenance that could very well have been performed and then the planes would be kept in service for another month or two or five?

Mr Purvinas: There is some evidence I can provide and there is some that you would have to seek from Qantas. What generally happens when an aircraft is sold, disposed of or parked in the desert is that they would run it to the end of its allowed flying hours before it needs its next major overhaul. It is sort of like selling a car just before it hits 100,000 kilometres. They would have detail on how many hours were left in service for these aircraft and we have the details of what was written on the maintenance plan on the morning that they told the press these aircraft were being grounded because of industrial action, which we do not believe was the case.

Senator XENOPHON: Chair, perhaps the union could provide details not only of the documents that they have but also of what they say we should be looking for from Qantas so that we do not waste Qantas's time. We can find out exactly what specific documents to request.

5. HANSARD, PG 60

CHAIR: Mr Joyce told the committee this morning that, I think, 90 per cent of Qantas's maintenance is done here in Australia. Are you aware whether any of the 1,000 Australian jobs to go are in maintenance?

Mr Purvinas: I think Qantas has told us around 200.

CHAIR: Do you know where these job losses are—what sections and what states?

Mr Purvinas: I do. They gave us some details of where they would come from, but I don't have them with me today.

CHAIR: All right, take that on notice and come back to us.

Senator GALLACHER: Could I get a clarification on that last question? Can you identify whether there are aircraft maintenance apprenticeships involved in those job losses, because, if so, the job's lost today, but the future's lost as well, it isn't it?

