

**SENATE RURAL AFFAIRS & TRANSPORT
LEGISLATION COMMITTEE**

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

THURSDAY, 24 NOVEMBER 2011

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Virgin Australia Opening Statement
Senate Standing Committee on Rural Affairs and Transport
Inquiry into the Air Navigation and Civil Aviation Amendment (Aircraft Crew) Bill 2011 and the
Qantas Sale Amendment (Still Call Australia Home) Bill 2011
Public Hearing, Canberra, 24 November 2011

Thank you Senator, yes we would like to make a brief opening statement.

The Virgin Australia Group of airlines employs over 7,400 people, approximately 93 percent of whom are based in Australia. As a business engaged in service delivery, we believe that our employees are our most important asset, and that their capabilities provide us with a significant advantage in the highly competitive aviation industry.

Virgin Australia is proud of its positive workplace culture and strong levels of staff engagement, developed through a collaborative approach to engaging with employees and unions. We strive to achieve industrial relations outcomes in which fair terms and conditions are balanced with productivity and operational flexibility. Our recent successful negotiations with unions representing long-haul international pilots and cabin crew, and the fact that the Virgin Australia Group has not experienced any industrial action to date, highlight the effectiveness of this approach.

In May, we announced that all of the airlines of the Virgin Blue Group would be rebranded as Virgin Australia by the end of this year. Virgin Australia's philosophy, as an Australian-based airline, is focused on the maintenance and creation of employment opportunities for Australians, by undertaking as many activities as possible locally. We are of the view that in many cases, provided there is sufficient scale, the additional costs associated with performing activities onshore will be offset by productivity gains and logistical efficiencies. Virgin Australia performs the majority of our maintenance in Australia, and contrary to views expressed by other submitters, this includes the heavy maintenance of some of our aircraft. With the establishment of a new Virgin Australia maintenance facility in Sydney by 2014, 300 new Australian jobs will be created, further increasing the proportion of our maintenance undertaken onshore. We have also announced that we will transfer to Australia up to 100 call centre roles currently performed overseas and establish a pilot cadetship program in partnership with Skywest. Yesterday we announced that we would establish up to a further 250 cabin crew jobs in Sydney by June next year. These initiatives contribute to the achievement of the goal noted in the National Aviation Policy White Paper, that employment in aviation should grow with more Australians training for and taking up jobs in the industry.

As outlined in our submission, we expect that the Air Navigation and Civil Aviation Amendment (Aircraft Crew) Bill 2011 could impact several areas of our operations, notwithstanding the approaches we adopt in relation to industrial relations and safety for our aircraft crew. We are concerned that the Bill appears to seek to achieve an industrial outcome through laws which are, with the exception of relevant safety issues, unrelated to industrial matters. In particular, the Bill, if enacted, would significantly limit our ability to remain competitive in the markets served by our Pacific Blue operations, could jeopardise core elements of Virgin Australia's strategy of developing a global network with our alliance partners such as Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines, and put at risk our objective of expanding operations to regional Australia in conjunction with Skywest.

In the area of safety, Virgin Australia incorporates Fatigue Risk Management Systems into our Group Safety Management System, although there is no legislative requirement for us to do so. Our Fatigue Risk Management Systems determine the duty limitations and rest requirements of both our flight and cabin crew and represent an important component of Virgin Australia's commitment to

the safety of our guests and employees. We lead the Australian aviation industry in this area, as the only Australian high-capacity regular public transport operator to have implemented a CASA-approved Fatigue Risk Management System.

In closing, we believe that Virgin Australia fulfils an important role in the Australian aviation industry as a strong second carrier, in a country for which safe and reliable air transport services are critical for economic prosperity and social cohesion. Our strategy is designed to capitalise on growth opportunities both in Australia and overseas, and our scope to do this in a competitive manner will directly support our ability to provide a high-quality experience for our guests, a stable and rewarding work environment for our employees and sustainable returns for our shareholders. Against this background, Virgin Australia welcomes the Committee's Inquiry into the Bill.

My colleagues and I would be happy to take any questions that the Committee may have.

Department of Infrastructure and Transport - Opening Statement

- Thank you for inviting the Department to the Committee today and we welcome the opportunity to make some brief opening remarks to complement our submission.
- The Department considers that Australian airlines continue to need to have the flexibility to adapt their business strategies to changing market circumstances in order to remain strong, viable businesses into the future.
- The international aviation market is particularly competitive and most of the growth in international aviation will take place in overseas markets such as Asia.
- We are fortunate to be part of the Asia-Pacific region.
- The International Air Transport Association (IATA) has highlighted the increasing significance of the Asia Pacific market for the global aviation industry.
- It has reported that the Asia Pacific region overtook North America as the largest single market in 2009. It represents 40 per cent of the global cargo industry.
- IATA predicts the region will produce 360 million more travellers by 2014 with 210 million from China alone.
- Boeing predicts that air travel in the Asia-Pacific region will grow at 6.7 per cent per annum for the next 20 years, with short-haul flying to nearly quadruple in this time. Currently the world's ten busiest air routes are all in the Asia-Pacific region.
- The challenge for Australia's aviation industry is how to best take advantage of these growth opportunities, given the inherent constraints of the international aviation regulatory system and our geographic location as an island continent.
- The bilateral system prevents Australian airlines from conducting stand-alone intra-Asian operations; and there are limits on 'fifth freedom' flights, where flights within Asia are conducted as part of a flight that starts or finishes in Australia.
- Despite our success in negotiating improved access for Australian carriers to markets, this situation will continue.
- It is in this context that investing in overseas airlines, including those based in Asia, is a means by which any Australian airline can seek to gain access to these key markets to complement their Australian-based operations.
- In our view, the two Bills being considered by the Committee raise significant issues for the operations of all Australian airlines and their ability to compete internationally.
- The regulatory framework proposed by the Aircraft Crew Bill would remove the flexibility which underpins many of the services operated by Australian airlines, such as the investments

in low cost carriers which service our domestic and international tourism markets, the partnerships with regional airlines which provide services to rural and regional Australia and the commercial arrangements (such as code share) with key airline alliance partners.

- The Still Call Australia Home Bill would effectively prevent Qantas from investing in overseas companies based in key growth markets, with its international business effectively limited to the relatively small pool of passengers which travel to and from Australia.
- We note this would be a unique situation which we are not aware applies to any of Australia's other key industries.
- We also note both Bills seek to extend their application to "Australian international airlines, their subsidiaries and/or associated entities". This potentially covers a wide range of airlines and companies, not all of whom are Australian.
- The Department does not believe the proposed Bills will assist Australian airlines to grow into the future – indeed, we believe it may have the net effect of reducing employment opportunities within the Australian aviation industry by reducing international growth opportunities.
- We would be happy to answer any questions the Committee may have.