

Chapter 4

Related matters

4.1 This chapter considers other matters related to the inquiry's main terms of reference (term of reference (j)).

4.2 The issues considered in this chapter are:

- fatigue;
- issues relating to cabin crew;
- issues relating to flight crew; and
- cost pressures impacting on the Australian aviation industry.

Fatigue

4.3 A considerable amount of evidence was received in relation to the issue of fatigue affecting flight and cabin crew, and the extent to which fatigue levels may be adversely impacting on airline safety in Australia.

Fatigue management

4.4 The committee heard from a number of stakeholders that expressed significant concerns about the prevalence of fatigue affecting Australian airline flight and cabin crews.

Flight crew

4.5 In relation to flight crew fatigue levels, the AIPA submitted that, while it was difficult to accurately gauge the overall performance of fatigue management systems given the variety of operating schedules in use by airlines, 'the existing framework works more often than not'.¹

4.6 However, AIPA was concerned that, in some cases, specific rostering patterns were emphasising 'productivity over risk management'.² Further, it noted that 'fatigue management is not being adequately monitored by CASA and may be subject to abuse by commercial imperatives'.³

4.7 Mr Terry O'Connell, Executive Director, Australian Federation of Airline Pilots (AFAP), commented that the potential for fatigue had increased with the advent of low cost carriers (LCCs) into the Australian market. He explained:

1 *Submission 6, (Supplementary)*, p. 15.

2 *Submission 6, (Supplementary)*, p. 15.

3 *Submission 6, (Supplementary)*, p. 15.

One of the major changes that has come about as a result of low-cost carriers coming into Australia in particular is that aircraft are used much more. They are much more productive. How do they become more productive? They become more productive by flying more hours, and that is generally 'back of the clock'. That is why you see the Melbourne-Darwin and the Melbourne-Denpasar pairings. The aircraft are being used now much more than they used to be as a result of the nature of the low-cost carrier mentality. That is why we have to be far more vigilant in our roster pairing builds and other protection mechanisms.⁴

4.8 The committee was concerned by an email that was sent from the then senior Jetstar based pilot at Perth Airport to other pilots with regard to fatigue. The email, sent on 7 January 2011, read:

"Toughen up princesses!

You aren't fatigued, you are tired and can't be bothered going to work."

...

"In the last 4 weeks I have done 7 BOCs, 2 lots of back to back and 1 after JQ117. I personally found the back to back the hardest and after JQ117 no dramas. By trial and error I have worked out what works for me so I can manage the shift. I can say that I hate the shift and I definitely don't operate to my normal standard. I am tired throughout the shift, feel terrible, but would not call it fatigued."⁵

4.9 Whilst Qantas group senior management said they did not have knowledge of the document, the email raises serious questions about the corporate culture governing fatigue in flight operations.

4.10 Furthermore, the existence of 12 Duty One extensions in 21 consecutive Jetstar flights (on the Darwin-Singapore route) would seem to indicate a systemic problem in route planning at the very least.

4.11 The committee also received evidence of significant concern regarding the way fatigue was managed by some operators.

4.12 A CASA document titled 'Special Fatigue Audit: Jetstar' prepared on 10 May 2010 by Ben Cook of the Human Factors section highlighted concerns around Jetstar's handling of flight crew fatigue, including that the operator favoured operational benefits rather than focussing on safety risk management.⁶

4.13 The document also states that:

4 *Committee Hansard*, 25 February 2011, p. 68.

5 *Tabled Document*, 31 March 2011.

6 *Tabled Document*, 18 March 2011, p. 2.

- No evidence has been provided to date to demonstrate appropriate strategic assessment of fatigue risk;
- There was no evidence of pro-active fatigue risk assessment when the new Darwin based was established;
- Evidence from interview and review of documentation highlights a reactive system for managing fatigue with a heavy reliance on the CAO 48.0 exemption. The system is too reliant on incidents to occur and for reports from flight crew to determine whether there is an unacceptable fatigue risk;
- There remains significant operation pressure for flight crew to accept extensions of duty; and
- Based on feedback from operational personnel it is not considered Jetstar management has created a culture of open and honest reporting of fatigue risk. There remains reluctance from a number of flight crew to report fatigue risk and/or to say no to an extension of duty based on the perceived punitive nature of taking such actions. Open and honest feedback from operational personnel is one of the key processes required to identify and manage fatigue risk.⁷

4.14 The committee notes that this document as tabled was not provided to Jetstar; rather a modified version of the report was provided, which did not include the aforementioned concerns. However, it is noted that Jetstar has changed pilot rosters for the Darwin-Singapore route.

Cabin crew

4.15 AIPA observed that cabin crew fulfil important safety functions on commercial flight operations:

Cabin crew are part of the aircraft management team. More so now than ever prior to the enforced separation of the cockpit security door, cabin crew have to deal with many issues without the physical support of the flight crew. AIPA believes that it is axiomatic that proper fatigue management of cabin crew must be prescribed in legislation.⁸

4.16 In relation to cabin crew fatigue levels, Captain Klouth, who appeared before the committee in a private capacity, remarked that the issue of fatigue had been widely raised by cabin crew, and advised:

The consistent theme, particularly with cabin managers, is that they are being rostered with such onerous duties with a little time off in between that they are often coming to work very tired.⁹

7 *Tabled document*, 18 March 2011, p. 2.

8 *Submission 6, (Supplementary)*, p. 17.

9 *Committee Hansard*, 15 February 2011, p. 2.

4.17 Captain Klouth advised that cabin managers, who are in charge of the safety of the cabin section of aircraft, were reporting being under significant fatigue pressures due to certain rostering practices. He explained:

Cabin managers have told me of being rostered for 6 consecutive days of usually 10 hours duty followed by a single day off then rostered for another 5 days. The duties they are rostered for often consist of a series of early morning starts followed by late starts and back of clock operations which usually results in elevated levels of fatigue. Cabin managers have told me that on occasions they have felt momentarily disorientated in the cabin and have forgotten how to disarm an aircraft door...Cabin managers also say that if they take sick leave then they are questioned by their manager.¹⁰

4.18 Captain Klouth remarked that, on longer flights, certain carriers did not provide adequate cabin crew rest facilities. On a Jetstar Sydney-Honolulu flight, for example, cabin crew were not able to lie flat and rest.¹¹

4.19 In answer to a question on notice regarding the frequency of long shifts for cabin crew, Qantas and Jetstar advised:

Jetstar has two international flying shifts in [the range of 15 hours duty]...which are rostered in accordance with the relevant labour agreements. Crew receive a minimum planned rest period...equivalent to the duty time operated. Jetstar international cabin crew are rostered an average of up to two such duties a month, and as standard practice Jetstar rosters no more than three a month. If a shift is extended due to operational reasons, crew receive a minimum extended rest period...¹²

4.20 However, Ms Monique Neeteson-Lemkes, who appeared in a private capacity, argued that rostering practices needed to take more account of certain duty types and combinations carrying a higher fatigue risk. In answer to a question on notice, Ms Neeteson-Lemkes stated:

[There is a need to]...put parameters and limitations around types of duties rostered leading up to a back of the clock [shift] and after completion of back of the clock...[Currently a] flight attendant can be rostered a combination of earlies, standbys, lates and then a back of the clock. I've not met one flight attendant who hasn't said this not only plays havoc on their body but definitely affects the way they operate on flights as their bodies and sleeping are disturbed and their bodies aren't able to adjust. This has an adverse effect on safety whilst flying.¹³

10 *Submission 5, (Supplementary)*, p. 1.

11 *Committee Hansard*, 15 February 2011, p. 16.

12 *Answer to question on notice*, received 18 April 2011, p. 4.

13 *Answer to question on notice*, received 19 April 2011, p. 1.

Use of flight duty limit exemptions

4.21 AIPA was concerned that the limits set by the current standards could see crews operating that were 'seriously fatigued', and noted also that standard industry exemptions relating to flight time limitations, issued under Civil Aviation Order (CAO) 48, were outdated compared to the current understanding of fatigue management.¹⁴

4.22 The CASA website provides the following explanation of CAO 48:

A 'Standard Industry Exemption' is an exemption from the flight and duty time limitations set out under CAO Part 48. Under CAO 48 Paragraph 4.1, CASA is authorised to issue an instrument in writing to exempt a person from any of the requirements set out in Part 48. It is in effect a permission from CASA for an operator to work to a different set of flight and duty time limitations. CASA will only issue such an exemption to an operator who has applied in writing to operate to the exemption and satisfied CASA that they are operationally capable of working at an equivalent level of safety to CAO 48, when operating to the flight and duty time limitations set out in the exemption.¹⁵

4.23 A number of submitters and witnesses identified the extension of duty times as an increasingly common practice that could contribute to the fatigue of pilots and crews. Captain Woodward, noted that a CASA analysis of the worst-case night-flying scenarios under CAO 48 suggested that operating crews would be 'seriously fatigued'. Captain Woodward noted that the CAO 48 exemption suffered from a lack of clear definitions, particularly relating to what constituted 'duty' for the purposes of calculating duty times.

4.24 As a particular example, Captain Woodward noted that certain crews operating on a Darwin-Singapore-Darwin flight were commenting on the 'fatiguing nature' of regular extensions of duty under CAO 48.¹⁶ The committee heard that, while some airlines require crew to fly long-haul flights such as Darwin-Singapore-Darwin in one shift, others 'overnight' crew on such flights.¹⁷ Mr Bruce Buchanan, Chief Executive Officer of Jetstar, noted that, following ongoing incidents of exceeding duty time limits on a Darwin-Singapore-Darwin service the company had made a decision to overnight the crew in Singapore. Mr Buchanan observed that this was a case of 'fatigue risk management processes working well'.¹⁸ More broadly, Jetstar advised that it had 'processes in place to assess the rate of duty extensions' and

14 *Committee Hansard*, Wednesday 1 December 2010, p. 17.

15 Civil Aviation Safety Authority website, 'Standard Industry Exemptions', http://www.casa.gov.au/scripts/nc.dll?WCMS:STANDARD::pc=PC_90317, accessed 29 April 2011.

16 *Committee Hansard*, 18 March 2011, p. 43.

17 *Committee Hansard*, 18 March 2011, pp 4 and 44.

18 *Committee Hansard*, 31 March 2011, p. 14.

that 'repeated duty extensions are escalated to the Airline Safety Committee for resolution'.¹⁹

4.25 However, Mr Buchanan noted that extended duty periods were a relatively common feature of the aviation industry:

...the aviation business does work shift work and we are subject to earthquakes, volcanoes, weather and floods, so sometimes shifts do go longer than is expected and sometimes people do work longer hours. The average number of hours our cabin crew work a week is 27 hours, putting it in perspective, and that includes about 21 flying hours.²⁰

4.26 Mr McCormick, advised the committee that the CAO 48 prescribed minimum duty and rest periods and exemptions were 'written a long time ago in a different world and they never were contemplated as tools for managing fatigue risk as we understand it today'. In direct terms, Mr McCormick explained that:

...the issue is that the original CAO, when it was written, did not contemplate things like ultra long haul operations, multiple crews, multiple sector operations or relatively tight turnaround times. The reg is just not up to it...Those exemptions were put there to allow Australia's aviation industry to continue to operate.²¹

4.27 Mr McCormick noted that commercial imperatives had seen the prescribed minima approach taken in CAO 48 become outdated:

Up until [the pending ICAO fatigue risk management guidelines (discussed below)]...we have a system that...is prescriptive, whether it be a minimum standard of hours on...[or] a minimum standard of time off...But when it is a minimum it is there for a very good reason and that is the lowest that you can show acceptable safety and acceptable compliance. So the minimum is not necessarily dangerous, but in the commercial reality of these operations I think it is pretty self-evident that all these carriers these days look to go to the minimum, they look to go to where they get the most commercial advantage...The basis in reality is that the minimum is the acceptable. Whether it is best practice is another question.²²

4.28 Mr Peter Boyd, Executive Manager, Standards Division, CASA, noted that the 'prescriptive' nature of CAO 48 did 'not fit' a number of situations to which a number of standard exemptions had therefore been developed. CASA was 'eagerly awaiting' the ICAO fatigue risk management guidelines 'to move into the modern world on that fatigue issue'.²³

19 *Answer to question on notice*, received 31 March 2011, p. 20.

20 *Committee Hansard*, 25 February 2011, p. 29.

21 *Committee Hansard*, 18 March 2011, p. 68.

22 *Committee Hansard*, 18 March 2011, pp 61-62.

23 *Committee Hansard*, 18 March 2011, p. 65.

4.29 Notwithstanding the problems identified with the operation of CAO 48, Mr McCormick stressed that this was the current industry standard within which airlines were required to operate until such time as CAO 48 was replaced by the new ICAO fatigue risk management scheme. Mr McCormick noted that:

...the use of flight time limitations, extensions of duty periods and reductions in rest periods, rightly or wrongly, is industry standard.²⁴

4.30 Virgin advised that it had in-built restrictions in its rostering practices to limit the allocation of back-of-the-clock duties, which is where pilots or crew are required to work an overnight shift. Captain Rick Howell, General Manager of Flight Operations and Chief Pilot, explained that Virgin had:

...built restrictions into our rostering system...and we can absolutely demonstrate where the impact of those restrictions has dropped the fatigue reporting level significantly. We monitor the fatigue reports and we also monitor the removal of crew due to fatigue.²⁵

4.31 Mr Buchanan advised that there were multiple layers to the fatigue risk management process, which resulted in rostering practices that were not accurately described as going 'to the limit of the compliance envelope'. He explained:

The way the fatigue risk management process works is you have got a compliance structure you start with and then it is like an onion: you peel back the layers, and each layer adds a little more conservativeness to the rostering build.²⁶

4.32 Mr Buchanan observed that the factors influencing duty limits included industrial agreements, rostering practices based on knowledge of safety issues, fatigue analysis, safety forums and, ultimately, the shared responsibility of employees to notify their employer if they were unfit for duty. The combination of such multiple factors meant that Jetstar pilots were 'working on average 18 hours flying a week [against]...a compliance maximum of 25 hours a week'.²⁷

4.33 The committee considers that claims by airline operators that flight duty extensions are 'industry standard' are unacceptable and CASA's attitude to fatigue management supervision is woefully inadequate. CASA's answer to a question on notice in relation to more than half the number of Jetstar flights on a particular route in one month being subject to extensions, is concerning.

Senator Xenophon – Perhaps on notice you can provide details of: how did Jetstar respond to this and how were you satisfied that they have complied? I do not know whether Mr Hood can comment on this. How is it that, if it is the case that there were extensions in 12 out of the 21 – which I think you

24 *Committee Hansard*, 18 March 2011, p. 67.

25 *Committee Hansard*, 18 March 2011, p. 22.

26 *Committee Hansard*, 31 March 2011, p. 8.

27 *Committee Hansard*, 31 March 2011, p. 8.

have acknowledged seems quite high – and that you will be looking into that, is that something that CASA ought to monitor on a regular basis? You get all these undertakings, you give them the tick of approval, but if there are 12 out of 21 extensions out of more than half the flights in January alone, does that indicate there ought to be continual monitoring by CASA of this particular exemption?

Mr McCormick – We will take on notice, Senator, as you quite rightly said, the issue of the 12 out of the 21. I will go back to what I did say earlier on. We are auditing Jetstar's AOC SMS in May this year. That will be a more comprehensive look at the organisation rather than just looking at an individual piece of it. Perhaps you would care to request that document when we have finished that, to answer that question more fully rather than giving you pieces²⁸ –

Answer

CASA does not consider that these extensions require continual monitoring.

The duty extensions recorded in January 2011 by Jetstar were a result of flight crew agreeing to operate beyond the standard 12 hour initial limits as provided for within Civil Aviation Order 48 Exemption. No breaches of the 14 hour condition were recorded.

Jetstar have since advised that the January rate of extensions was considered at the January meeting of their Flight Standards and Safety Committee. It was identified that due to a number of factors associated with ground operations provision at Singapore, the schedule did not live up to planned expectations. The Flight Standards and Safety Committee again considered the matter in February, and while some improvement was noted in the duty extension rate for February, the Chief Pilot resolved to split the pairing and overnight flight crews in Singapore. This decision is being implemented.²⁹

4.34 It is the committee's view that flight duty extensions should not be considered common practice; rather, they should only be applied in unexpected or unforeseen circumstances. Furthermore, flight extensions and fatigue management should be carefully monitored by CASA.

Development of international fatigue standards

4.35 AIPA advised that committee that in 2010 the ICAO had introduced a requirement for the introduction of fatigue risk management systems, which would have to be implemented in Australia, and noted that AIPA was:

...optimistic about the ICAO Fatigue Risk Management Systems (FRMS) guidance scheduled for release this year. This is particularly so, given that ICAO is as much an economic as it is a safety regulatory advisor and it must consider the full range of social and economic development of the

28 *Committee Hansard*, 18 March 2011, p. 74.

29 *Answer to question on notice*, received 12 April 2011.

Contracting States to the Chicago Convention. Hopefully, implementation in Australia will follow closely thereafter.³⁰

4.36 CASA advised that it expected that the ICAO fatigue risk management system guidance, mentioned above, would contain guidance specifically in relation to cabin crews.³¹

4.37 Noting the existing disparities in the duty limits applying to Australian cabin crew, Captain Klouth called for CASA to regulate this area of airline operations, as it does in relation to flight crew:

Another recommendation I would like to make is that cabin crew duty hours be regulated by CASA regulations in the same way that flight crew duty hours are regulated. At the moment, some cabin crew are on an EBA and they have restrictions on the hours they can work; and then I think there are another two tiers of employment contracts that cabin crew are working to—all on the same aircraft—and they do not have the same restrictions on duty hours, which are hours spent in an aeroplane. They can operate for, I think, up to 16 hours, whereas the EBA cabin crew can only operate for up to 12. It seems to me that those duty hours are regulated only through the EBA process. I think cabin crew duty hours should be regulated through CASA because, at the end of the day, even though the passengers' lives are in our hands as flight crew, if for whatever reason the aircraft is on the ground and needs to be evacuated, their lives are then in the hands of the cabin crew.³²

4.38 Virgin advised that it would support a proposal for cabin crew fatigue risk management to be regulated by CASA.³³

4.39 AIPA also supported this proposal. Captain Woodward remarked:

...[AIPA] would like to see...regulatory standards being set for cabin crew, such as basic flight time limitations and things that are viewed by the regulator as the minimum that you can do, so that we do not have tired cabin crew operating an aeroplane. Arguably, their role is principally a safety role to ensure that in an evacuation everyone gets out alive; it is not to serve tea and biscuits to the passengers, even though that is what they spend most of their time doing.³⁴

4.40 Mr McCormick provided the following advice regarding the implementation of the ICAO fatigue risk management guidelines:

30 *Submission 6, (Supplementary)*, p. 15.

31 *Committee Hansard*, 25 February 2011, p. 119.

32 *Committee Hansard*, 15 February 2011, pp 10-11.

33 *Committee Hansard*, 18 March 2011, p. 21.

34 *Committee Hansard*, 18 March 2011, p. 45.

...[CASA is] awaiting the fatigue risk management guidelines from ICAO [which are] due to come out [April 2011]. The compliance date for what is called the SRP, the standard recommended practice, is expected to be November [2011]...We will implement those ICAO recommendations for flight crew by that date. We are anticipating the introduction of fatigue risk management for cabin crew to take slightly longer than that...[because CASA] have never regulated cabin crew times before, and we think we will have to do a lot of consultation with the industry and the cabin crew unions and other interested parties before we produce our first ever document. That is our intent.³⁵

4.41 Qantas advised that it had commenced the implementation of the new standards. Mr John Gissing, Executive Manager of Group Safety, advised:

...[Qantas is]working with the ICAO proposals at the moment. As recently as October last year, ICAO has tabled the implementation guiding draft form and across the group we are working on initiatives to improve our fatigue risk management systems in line with those recommendations that we expect at the end of this year to be tabled for consideration by member states. So a lot of work is continuing, and we will be in a very good position to be well ahead of any requirements that are brought in at that time.³⁶

4.42 Senior Jetstar flight attendant Monique Neeteson-Lemkes in her submission to the inquiry stated:

Flight Attendants are afraid to speak the truth about current practises within the workplace. They know it'd be seen as going against their employers. It's known as the culture at Jetstar that should you choose to speak up about truthful matters, you aren't exactly welcomed with open arms. Flight Attendants don't have the attractive salary level that comes with being a Captain so the cost to 'fight back' legally should our employment be terminated is extremely intimidating.

Whatever type of contract of employment we all share a common concern, fatigue. It is not only impacting our occupational health and safety but spilling over into our personal health and safety. The impact fatigue has to both the Flight Attendant and the safety of the airline's passengers whilst operating is of great significance and potentially dangerous.

My Flight Attendant peers regularly discuss the symptoms that manifest as a result of fatigue. These include disorientation, stinging dry eyes, involuntary nodding off whilst seated on our jump seats, short tempered dispositions, short term memory loss, ineffective decision making, involuntary yawning, anxiety and a higher error rate whilst performing duties. We tend to be much slower in reaction and workplace injuries are at a high rate but not often reported, as crew are too tired to fill out forms.³⁷

35 *Committee Hansard*, 18 March 2011, p. 61.

36 *Committee Hansard*, 31 March 2011, p. 7.

37 *Submission 52*, pp. 1 and 2.

4.43 Ms Neeteson-Lemkes also stated in her evidence to the committee:

... a couple of month's back-to-back running of flight attendants being expected to extend beyond rostered duties on a daily basis.³⁸

...

The biggest safety concerns to date, in my opinion, are fatigue and the training of the new flight attendants and the impact that the training they have had on the existing flight attendants.³⁹

4.44 Captain Klouth also makes reference to occupational stress and fatigue in his supplementary submission and also in evidence:

With fatigue your decision-making abilities are impaired in event of an emergency, and as I mentioned it does not have to be an accident. An example is, say, the QF5 incident at Sydney, where they evacuated the aircraft at the terminal. If you have cabin crew who are fatigued, their ability to respond to that emergency is much reduced because they are not able to think straight.⁴⁰

Issues relating to cabin crew

4.45 The committee received a significant amount of evidence relating to aspects of safety with regard to cabin crew.

Training and regulation

Training

4.46 A number of submitters and witnesses advised that Jetstar had reduced training of cabin crew.⁴¹

4.47 Captain Klouth submitted that training of cabin crew by Jetstar had been reduced from six weeks to three weeks.⁴² Captain Klouth stated that this was reflected in deficiencies in the knowledge of cabin crew staff:

The result has been that some new Flight Attendants have completed their training without having operated on the airline's A321 aircraft. They have been unable to 'arm' the doors. Arming the doors is necessary to allow for the automatic deployment of the emergency escape slide if the aircraft has to be evacuated. Some Captains have stood Flight Attendants down and not allowed them to operate on an aircraft because they have not been able to demonstrate that they have the required knowledge to perform their safety

38 *Committee Hansard*, 31 March 2011, p. 58.

39 *Committee Hansard*, 31 March 2011, p. 55.

40 *Committee Hansard*, 15 February 2011, p. 2.

41 See for example Captain Geoff Klouth, *Committee Hansard*, 15 February 2011.

42 *Committee Hansard*, 15 February 2011, p. 15.

function. This is not the fault of the F/A but rather a symptom of the reduction in resources and training that Jetstar allocated to F/A training.⁴³

4.48 However, Mr Buchanan advised the committee that this change had legitimately reflected a substantive change in the work of such cabin crew. He explained:

Our safety component training was reduced from 25 days to 18 days some time ago. Previously we used to train all of our cabin crew to do both wide bodied and narrow bodied work. So they would be trained for both aircraft types. When we reduced it to 18 days, we just trained them for the narrow bodied work, which has been the primary growth vehicle. They are dedicated to one aircraft type, so we do not need to train them for both.⁴⁴

4.49 Mr Buchanan noted that Jetstar had in fact 'put a significant investment into customer service training and safety training over the last 12 months, and...doubled the amount...[of] spending on cabin crew and pilot training'.⁴⁵

Current lack of regulation of cabin crew

4.50 The committee heard that cabin crew currently do not fall under the regulatory oversight of CASA. AIPA submitted that 'the lack of legislative certainty over the qualifications, training and checking of cabin crew is unacceptable'. The AIPA supplementary submission commented:

AIPA believes that Australian legislation must contain a formal requirement for the qualifications and training of cabin crew. The requirements should cover initial and recurrent training as well as a checking regime...While we note that the proposed new [CASA Part 121] rules may address some of these issues, we believe that this matter should be referred to the Minister for Infrastructure and Transport to be included in his current inquiry into cabin crew numbers.⁴⁶

Use of foreign cabin crew

4.51 The committee heard that there was an increasing use of foreign cabin crew on domestic legs of flights conducted by Australian carriers. Qantas and Jetstar, for example, confirmed that crew from different international bases were used on domestic Australian flights in order to achieve 'efficiencies at the bases'.⁴⁷

4.52 Captain Klouth advised:

43 *Submission 5*, p. 5.

44 *Committee Hansard*, 25 February 2011, p. 5.

45 *Committee Hansard*, 25 February 2011, pp 5-6.

46 *Submission 6*, (*Supplementary*), p. 16.

47 *Committee Hansard*, 25 February 2011, p. 5.

Jetstar is also employing more [flight attendants (F/As)] who are based in Singapore and Bangkok yet operate domestically in Australia on international 'tag' flights. These flights are considered to be extensions of international flights that arrive in Darwin but then continue to other Australian airports. The flights are available for domestic passengers to fly on but the cabin crew are often all foreign based F/As.⁴⁸

4.53 Captain Klouth suggested that the use of foreign crews could potentially impact on safety:

The foreign based crew all speak English but the ability to be understood in an emergency is an aspect of their training that is not effectively assessed.⁴⁹

4.54 Captain Klouth noted that foreign cabin crew operating on domestic legs of international tag flights [and pilots if such a practice were adopted] fly under the regulations of their home country. While Captain Klouth could not therefore comment on the specific restrictions, if any, governing pilot or cabin crew fatigue levels, he observed that such things as rostering practices applying to Singaporean cabin crew 'are [likely] very different from what we would normally consider acceptable here in Australia'.⁵⁰

4.55 Qantas and Jetstar acknowledged that crew from different international bases would be employed under different conditions. However, this was also the case with Australian crew employed on various domestic awards.⁵¹

4.56 AIPA also raised safety concerns in relation to the use of foreign crews, and expressed the view that 'international crewing models do not confer any public benefit on Australian travellers'. The association believed that the use of foreign crews:

...lead to a number of increased risks, particularly regarding safety standards for cabin crew. The risk will increase if there are inconsistencies in English language skills and training standards, simply due to the likelihood of confusion and loss of team coordination in an emergency. We believe that the problem is exacerbated by the lack of Australian standards for cabin crew.⁵²

4.57 AIPA commented that foreign crews would not enjoy 'many of the Australian employment and general workplace protections that we consider appropriate for

48 *Submission 5*, pp 5-6.

49 *Submission 5*, pp 5-6.

50 *Committee Hansard*, 15 February 2011, p. 11.

51 *Committee Hansard*, 25 February 2011, p. 5.

52 *Submission 6, (Supplementary)*, p. 13.

Australian employees and...workplaces'.⁵³ Further, AIPA identified a number of potential public revenue implications raised by foreign crewing models:

AIPA believes that one of the primary consequences of the crewing models pioneered by Qantas through Jetconnect and Jetstar Airways in New Zealand is the avoidance of Australian taxation and the mandatory superannuation requirements.

There may also be consequences for any HECS or FEE HELP debts. It has been suggested that employing Australian citizens on foreign contracts may serve to avoid the repayment of HECS or FEE-HELP debts because these are tied to Australian tax returns. Presumably, pilots employed on foreign contracts will not pay tax in Australia.⁵⁴

4.58 Mr Buchanan stressed to the committee that the use of foreign crews was driven by business demands. He advised:

The company strategy is driven by where the growth occurs. So when the growth occurs inside Australia, we employ people inside Australia; when the growth occurs from Ho Chi Minh to Guangzhou, we will be employing people in Vietnam and China. It is really about the market dynamics.⁵⁵

Issues relating to flight crew

Use of foreign pilots

4.59 Captain Klouth advised that, in relation to Jetstar, 'all pilots who fly for Jetstar in Australia [currently] have to meet the Australian licensing requirements'.

4.60 However, there was a suggestion that the company was considering moving flight crews between the various entities of the Jetstar group, including its operations in Vietnam and Singapore. Captain Klouth noted that there were potential cultural factors to be considered in relation to this proposal, to ensure that foreign crews met the historically high standards of Australian flight crews.⁵⁶

4.61 AIPA was also concerned at the potential for the use of foreign crews in Australia:

AIPA is also concerned that proposals to source pilots to fly Australian aircraft from overseas may further increase the risk of an aviation accident because there are many countries that are not as well regulated or as culturally aligned in terms of corporate governance as Australia.⁵⁷

53 *Submission 6, (Supplementary)*, p. 14.

54 *Submission 6, (Supplementary)*, p. 14.

55 *Committee Hansard*, 25 February 2011, p.21.

56 *Committee Hansard*, 15 February 2011, p. 9.

57 *Submission 6*, p. 3.

4.62 AIPA pointed to recent problems in India relating to the integrity of pilot licensing, and submitted that:

...CASA may need to introduce more stringent scrutiny for foreign applicants for Certificates of Validation for existing pilot licences as well as applications for Australian licences based on foreign qualifications.⁵⁸

4.63 Responding to concerns about Jetstar's use of New Zealand based cadet pilots, Mr Buchanan advised that this employment strategy was guided by the training needs of those pilots:

We do move around some cadets based on training needs into different jurisdictions. Cadets in New Zealand, cadets in Singapore and cadets in Australia are employed largely to fill the flying in those markets. They are not there to undercut and effectively move across into Australian flying, but there is some flying done around the network to make sure we get exposure to the best of our training captains and the best of our check and training captains, and make sure we are giving those young cadets exposure to the best and brightest of our pilots.⁵⁹

4.64 Mr Terry O'Connell, Executive Director, AFAP, indicated that there was likely a significant disparity between the wages of Australian and Singapore pilots:

Our rough reckoning is that the Jetstar New Zealand and probably Singapore are between 30 per cent to 40 per cent lower than the equivalent Australian Jetstar pilot. It is significant and it is a major industrial concern.⁶⁰

Cost pressures impacting on the Australian aviation industry

4.65 A number of submitters and witnesses responded to the inquiry's terms of reference within the broader context of commercial pressures impacting on the Australian aviation industry. Many of the in camera submissions provided by operating pilots addressed these broader commercial trends and, while this evidence was largely comprised of personal or anecdotal accounts, these submissions were largely reflected in the collective view as represented in the submissions of pilot unions.

Pressure to reduce costs and impacts on safety

4.66 A consistent theme of the submissions and evidence provided by AIPA was that competitive pressures in the Australian market, due to increased international competition and the advent of low cost carriers into the Australian market, was leading to significant pressure to reduce costs that is impacting on the safety related areas of airline operations.

58 *Submission 6, (Supplementary)*, p. 14.

59 *Committee Hansard*, 25 February 2011, p. 23.

60 *Committee Hansard*, 25 February 2011, p. 59.

4.67 AIPA noted that 'intensive' competition in international markets were impacting on the flight safety margins and practices of the Australian airline industry:

While we are most certainly not anti-competitive, it remains true that there have been insidious declines in operating standards as a consequence of intensive (if not excessive) competition in the US and European aviation markets.⁶¹

4.68 AIPA submitted that it believed there is:

...ample evidence that cost reduction strategies within the industry have led to the sacrifice of quality for lowest cost compliance. This can be seen in such examples as the reduction in the ratio of licensed to unlicensed maintenance personnel and the shifting of training costs from operator to employee.⁶²

4.69 Similarly, Captain Klouth, for example, explained that he saw the issues identified by the inquiry's terms of reference as part of an overall financial imperative to reduce costs

I was motivated to write to the committee through concern that the safety margins that were a normal part of the aviation industry, and which contributed to Australia's safety record, have been and are being eroded [due to cost pressures] to the point that airline safety can no longer be considered as a given. This erosion of margins has occurred in the areas of flight crew and cabin crew training; rostering practices that contribute to increased fatigue; experience levels of flight and cabin crew; and, reduction in resources allocated to operational areas.⁶³

4.70 Captain Klouth observed that many areas of airline operations were effectively fixed costs, and that safety functions were therefore an area targeted for cost reductions:

...in an airline the fuel cost is fixed and the maintenance costs are fixed. There is only one way you can go with reducing the costs and that is with people...[For example, at Jetstar] the safety department still has a similar number of investigators for an airline that is much bigger than when I was in the safety department.⁶⁴

4.71 Similarly, AIPA submitted:

AIPA is concerned that Safety Departments, like Training Departments, are often viewed as cost centres rather than quality assurers and come under commercial pressures to generate the appearance of activity rather than generate genuine quality improvements in airline processes. Investigation

61 *Submission 6*, p. 21.

62 *Submission 6, (Supplementary)*, p. 2.

63 *Committee Hansard*, 15 February 2011, pp 1 and 8.

64 *Committee Hansard*, 15 February 2011, p. 5.

of aircraft incidents and monitoring of fatigue inducing rostering practices are examples where inadequate resourcing of Safety Departments and inappropriate management expectations can give the lie to the safety first mantra.⁶⁵

4.72 AIPA was concerned that continued cost reductions in response to competitive pressures would ultimately translate to adverse safety outcomes:

AIPA believes that it is abundantly clear that operators will seek to cut costs until prevented by legislation or the public response to a serious incident or accident. Unregulated market forces will inevitably end up with operators taking calculated risks that technology can offset quality training and that a hull loss may not cause the demise of the business.⁶⁶

4.73 A number of submitters and witnesses argued that the cost pressures on the Australian industry were exemplified by the availability of increasingly cheap fares in the Australian market. Captain Klouth remarked:

[How] do you get the fares so low? You have to reduce your costs in some areas.⁶⁷

4.74 AIPA also discussed this issue:

The advent of very low air fares has increased the demographic pool of potential air travellers and created a significant demand for increased capacity that appears set to continue. However, the expectation of the public is generally that the cheap fares come without any reduction in safety. That expectation may not be matched by the industry performance if we do not address the issues raised [by AIPA in its submissions to the inquiry].⁶⁸

4.75 Given the risk that competitive pressures would lead to an underinvestment in operational and training systems, AIPA remarked that:

It may be necessary for additional agencies such as the Australian Competition and Consumer Commission (ACCC) or the Productivity Commission (PC) to become involved in looking at the financial and economic viability of fare levels to provide greater assurance of financial viability.⁶⁹

4.76 AIPA concluded that current trends in Australia and, indeed, worldwide, in the aviation industry present a number of latent threats to safety that must be addressed to ensure that Australia maintains its enviable aviation safety record:

65 *Submission 6, (Supplementary)*, p. 4.

66 *Submission 6, (Supplementary)*, p. 3.

67 *Committee Hansard*, 15 February 2011, p. 8.

68 *Submission 6*, p. 21.

69 *Submission 6, (Supplementary)*, p. 3.

Historically, the airline industry has been good at being reactive to threats and has slowly matured into an ultra-safe industry. But progress has slowed and may even have reached a nadir. To move forward, we now need to identify and mitigate latent threats and be more proactive. Low crew experience, inadequate training, cultural differences and poor job satisfaction are all latent threats, yet little response is apparent.⁷⁰

4.77 However, in response to concerns over the competitive pressures in the Australian market, Mr Alan Joyce, Qantas Chief Executive Officer, advised that discounted fares were a sustainable feature of the airline industry:

...there will always be opportunities for airlines to fill up aircraft seats at lower airfares. We have a large number of seats that go empty in the airline every year. We know that having aggressive pricing out there stimulates demand; it gets people to travel when they would have normally not wanted to. It fills up seats, and the economics for us are a lot better. So you will always have the need to have very discounted airfares.⁷¹

4.78 Further, Mr Joyce strongly rejected the suggestion that cheaper fares and LCC models inevitable involved a compromise on safety. He stated:

We have noted expressions of concerns about the long-term viability of aviation, given the rise of budget airlines and customer expectation of ever-reducing fares. I have had the experience of establishing Jetstar...so I am familiar with the budget airline model. The first thing to say is that low fares do not inevitably mean lower safety standards. The budget airline model is viable because of reduced service offering, with major savings on everything from catering to lounges to in-flight entertainment. Operating a new fleet and having fewer fleet types significantly cuts maintenance costs, and operating out of secondary airports and a focus on airport costs improves the overall economics. Let me make this clear: at Jetstar there is no compromise on safety. The budget airline model does not require it, and we would never accept it.⁷²

4.79 Mr Joyce also identified changes in aviation industry technology as a basis for airlines to continue to pursue efficiencies and reduce costs. Mr Joyce noted:

...new aircraft technology is changing the industry all the time, and costs and efficiencies can be generated by having new ways of doing things...[Qantas] have utilised technology and efficiency to provide economic air transportation to people over a long period of time. That will continue, because we are seeing major changes to technology coming from the manufacturers. We are seeing the use of technology in airport check-in and other areas, and they can continually help us be more efficient.⁷³

70 *Submission 6*, p. 22.

71 *Committee Hansard*, 25 February 2011, p. 4.

72 *Committee Hansard*, 25 February 2011, p. 3.

73 *Committee Hansard*, 25 February 2011, p. 4.

4.80 In relation to Jetstar, Mr Buchanan commented:

If you look at the history of Jetstar, a lot of that cost saving has come through technology. We started with the 717s, which were smaller aircraft. We then moved to the A320; we have now introduced the A321. We have also introduced the A330 and now we are investing in 787s as part of the group fleet order. All of those things are delivering significant cost savings which then flow through to the bottom line.⁷⁴

4.81 Mr Buchanan specifically rejected suggestions that pilot training had been reduced in pursuit of cost savings:

A fallacious view you hear is that that is coming about through cuts in pilot costs or pilot training. The opposite is true. Our costs in the pilot area alone have been up 7½ per cent every year since we started. Our costs in training, just in the last 12 months, have doubled. They are not areas that we are cutting back on at all. They are small areas in the overall cost base. Our primary focus, like all low-cost carriers, is to get creative in how we can unbundle the product and give people more choice. That includes things like taking out meals, taking out some of the other product attributes and then giving them back as choice to customers.⁷⁵

4.82 Mr John Borghetti, Virgin Chief Executive Officer, also defended the sustainability of cheaper fares and airlines' responses to competitive pressures. He commented:

I think sometimes people get misled by a \$50 airfare between Melbourne and Sydney or wherever it might be. The truth is that not many seats are sold at that price, and the truth also is that technology continually improves and it improves your cost structure if used correctly. So I think all that leads to competition, but it does not necessarily lead to the assumption that safe practices are compromised.⁷⁶

Committee view

4.83 An issue of significant interest to many stakeholders in the inquiry was the extent to which fatigue affecting flight and cabin crew may be adversely impacting on the safety of Australian airline operations.

4.84 The committee notes evidence suggesting that changes to flight operations arising from the internationalisation of the aviation industry, as well as the entry of low cost carriers into the Australian market, have resulted in generally increased levels of fatigue in relation to specific 'long-haul' flights and certain rostering practices.

74 *Committee Hansard*, 25 February 2011, pp 20-21.

75 *Committee Hansard*, 25 February 2011, p. 21.

76 *Committee Hansard*, 18 March 2011, p. 30.

4.85 The committee notes also that the discipline of fatigue prediction and management is a relatively uncertain exercise, particularly when applied to the physical make-up and broader environmental influences that can affect how a given individual may respond to extended periods of duty. Given this uncertainty, the committee could not confidently assess the extent to which increased fatigue levels may be adversely impacting on safety within the Australian airline industry.

4.86 However, the committee notes that the anticipated ICAO fatigue guidelines, which will require, and presumably establish criteria for, Australian airlines to institute fatigue risk management systems, should establish a credible benchmark for the duty limits which currently apply to Australian flight crew, and should also inform CASA's assessment of the extent to which current exemptions appropriately allow for duty limits to be exceeded.

4.87 Based on the evidence received, the committee is of the view that Australian cabin crew should be subject to regulation by CASA, and the committee understands that the ICAO fatigue guidelines will, by including reference to cabin crew duty limits, bring this issue into the regulator's purview. The committee agreed that, following the release of the ICAO fatigue guidelines, CASA should expedite necessary changes and/or additions to the regulations as a priority.

4.88 In the event that the ICAO guidelines did not extend to cabin crew duty limits and fatigue management more broadly, the committee agreed that the Government should amend the *Civil Aviation Act 1998* to include cabin crew under CASA's regulatory oversight.

Recommendation 20

4.89 The committee recommends that, following the release of the International Civil Aviation Organization (ICAO) fatigue guidelines, the Civil Aviation Safety Authority (CASA) should expedite necessary changes and/or additions to the regulations governing flight and cabin crew fatigue risk management as a priority

Recommendation 21

4.90 The committee recommends that, in the event that the International Civil Aviation Organization (ICAO) fatigue guidelines do not extend to cabin crew duty limits and fatigue risk management more broadly, the Government should amend the *Civil Aviation Act 1998* to include cabin crew fatigue risk management under the Civil Aviation Safety Authority's (CASA) regulatory oversight.

4.91 In relation to the broader issues raised in evidence to the inquiry regarding the broader competitive pressures in the Australian airline industry, the committee notes that many of the issues considered in the preceding chapters of this report discussed

the specific concerns relating to cost reduction as applied to pilot training and safety related functions.

Recommendation 22

4.92 The committee recommends that the Civil Aviation Safety Authority (CASA) specify the type of training and amount of training required for cabin crew, including mandatory English language standards.

Senator the Hon. Bill Heffernan

Chair

