

INDUSTRIAL RELATIONS UPDATE
ALAN JOYCE, QANTAS CEO
13 October 2011

APOLOGY TO CUSTOMERS

Thanks for coming.

The first thing I want to do is apologise to our customers once again.

Today, union strike action has already targeted our customers travelling on the morning peak.

Further stoppages will affect travellers this afternoon and tonight.

We anticipate a total of 6,800 passengers will be affected.

This is part of a coordinated campaign by three unions representing the long-haul pilots, the licensed engineers, and ramp and baggage handlers and catering staff.

We are doing our best to minimise the impact on our customers by notifying them of revised schedules, putting on bigger aircraft where possible, and mobilising our contingency workforce to keep Qantas flying.

We will continue to do all we can to absorb the pressure and keep on delivering for our customers.

Tomorrow the licensed engineers aim to disrupt the travel plans of a further 7,600 domestic and international customers out of Sydney airport at its Friday peak, including those trying to get to the rugby in New Zealand.

To mitigate this action, we have just issued a new schedule for tomorrow.

As you know, the unions have used the cynical tactic of announcing strike action and then calling it off at the last minute.

But airlines are complex operations that can't just be turned on and off.

And our customers' travel plans can't be turned on and off either.

Our aim is to maintain operational reliability, and provide certainty for our customers, despite the union attempts to cause chaos.

WEEKS OF DAMAGING ACTION

We have now faced many weeks of industrial action:

- Numerous strikes - both actual and threatened - by ground handlers and licensed engineers have caused mass disruption to our customers and our business.
- Our on-time performance has fallen sharply from 87% four weeks ago to 77% today.
- Long-haul pilots have been using their cockpit power to make political statements to our customers.

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- One union leader is even warning customers not to fly Qantas before Christmas, trying to destroy the business that employs his members.

This industrial action is clearly hurting Qantas and our brand.

It is having an impact on our costs and on forward bookings.

But it is not just Qantas and our customers that are affected.

The broader Australian community is hurting as well:

- This strike action affects families on holidays.
- It affects Australian business people who are trying to be productive in a challenging global economy.
- It affects the freight industry transporting Australian goods to the world.
- It affects the taxi-drivers and small businesses that service the airline industry.
- And it batters our tourism sector at a time when it is trying to generate confidence and secure jobs.

IMPACT ON FLEET

Today I regret to announce that 'go slows' and overtime bans by the maintenance engineers are now making it difficult to clear maintenance tasks in a timely fashion.

Our Line Maintenance area needs about 15,000 hours per week to maintain our operating fleet in Australia.

We are seeing a shortfall in maintenance capacity of over 1,200 hours per week, or about eight per cent.

This is resulting in a number of aircraft not available for service each day and a general decline in schedule reliability.

This is not a safety concern as problems are addressed before planes fly.

But it is causing ongoing and unplanned disruption to our customers.

Therefore from Monday we will take the step of reducing five lines of flying to reduce the workload in engineering and make the remaining operation more reliable.

That means grounding four narrow-body 737s (out of a fleet of 54) and one wide-body 767 (out of 25) that we use for domestic flying. We will do this for at least one month.

There will be no impact on QantasLink, Jetconnect, and Jetstar.

This will result in a reduction of 97 flights per week, most of this affecting the ports of Adelaide, Sydney, Brisbane and Melbourne.

QANTAS WORKS WELL WITH UNIONS

I understand that people are wondering why Qantas management can't just sit down and do a deal with these unions.

Well, that's exactly what we'd like to do.

We have 15 unions in Qantas and a track record of being positive and flexible in our approach to union negotiations.

Over the past 15 months we've reached agreements with unions large and small.

- That includes 7,500 staff members represented by the Australian Services Union.
- An agreement with the Professional Engineers.
- An agreement with the 360 storeworkers represented by the National Union of Workers.
- An in-principle agreement with the Flight Attendants Association of Australia covering more than 2,000 short haul cabin crew.

So in 15 months Qantas has reached agreement with more than 10,000 employees represented by four unions on five Enterprise Agreements - or one-third of the Qantas workforce.

We are a generous employer and we have always been ready to negotiate a fair agreement.

Our TWU staff are the best paid in the country – 12% higher than their equivalents in Virgin Australia.

Our pilots and licensed engineers are among the best compensated in the world with outstanding pay and conditions – with our long-haul pilots, for example, earning 50% more than their peers at Virgin.

BUT THESE THREE UNIONS WANT TO RUN THE COMPANY

So what makes things different with these three unions?

Not only are they seeking pay and conditions that would put us even further beyond our competitors, they want the right to control key elements of how we run the company.

Quite simply these three unions are not representative of the broader union movement.

- They want to be paid to do work that no longer exists due to the advent of new aircraft.
- They want to retain outdated work practices.
- They want to tell us what we can and can't change.

Effectively they are trying to dictate how we run Qantas – whether it is the pilots' union demanding the right to dictate pilot pay rates in Jetstar, or the licensed engineers demanding a veto on the modernisation of work practices, or the TWU wanting to limit our use of contractors.

I have made it clear that we urgently need to build a stronger Qantas, one that is stronger for shareholders, better for customers, and gives more secure jobs for our employees.

The unions' mantra is "no offshoring" and "guarantees" of job security.

Qantas is an international business, expanding into Asia. Not one Australian job will go as a result of these plans. In fact, success in Asian markets will help protect jobs in Australia.

Contrary to union statements, 90% of Qantas aircraft maintenance is done in Australia.

In the modern world, no company can promise a job for life. The best way to deliver job security is to have a strong and viable business.

We've developed the right five year plan that will provide a platform for this great company to succeed into the future.

To give in to these union demands would guarantee a weaker Qantas, with a real risk to our long term future and all our jobs.

WE ARE READY TO KEEP NEGOTIATING AND DO A DEAL

Make no mistake, we are ready to do fair deals but they must be reasonable.

And they will not involve me handing over ultimate power to three unions.

Yesterday we had discussions with the Transport Workers Union.

We were in conciliation with the pilots' union before Fair Work Australia on Monday and Tuesday.

With the ALAEA we have tried to set more dates before Fair Work Australia.

So our efforts continue, but instead of calling off their destructive industrial campaign to negotiate, these unions are doing all they can to hurt our business and our brand.

By the end of this week around 60,000 customers will have been affected, with hundreds of flights delayed or cancelled.

And the union leaders have boasted that they intend to keep on ramping up the action and the damage to our company and our brand for the next 12 months.

This is clearly not sustainable.

We urge the unions to drop this industrial campaign and come back with realistic claims for the sake of all Qantas employees, our shareholders and the travelling Australian public.

A couple of final things.

As you know, nothing is more important to us than safety.

The safety of our workforce and our customers, safety on the ground, and safety in the air.

It is our first priority and our guiding principle.

We are always conservative in our approach.

This is a volatile environment and again I urge calm.

We will keep monitoring the situation and take whatever action we think is necessary.

I want to say thank you to our customers for their loyalty.

I've been amazed by the messages of support that I've personally received.

I appreciate it very much, because I know that is a vote of support for Australia's Qantas.

And my message to customers is this: keep up your support for Qantas.

We will do all we can to ensure you can rely on your travel plans.

We will move heaven and earth to get you where you want to go, at the time you want to get there, despite the current uncertainty.

I also want to pay tribute to our staff.

They are under a lot of pressure in the current environment - from call centres to cabin crew to airport staff to our operations people – it has been tough on them.

And many of our people have worked in baggage handling and aircraft cleaning to support the company as a contingency workforce during strike action.

They have been magnificent and I thank them for their support for our customers and for Qantas.

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