

## **Qantas brand is doomed by union bid for management power**

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**THE grounding of all Qantas flights was a dramatic demonstration of an operating airline going through its death throes.**

This fate is predetermined because Qantas is captured by historically entrenched workforce arrangements recently bolstered by an aggressive new union push to control the airline.

A quick-moving Qantas management, however, has been ahead of the game for several years. Ultimately Qantas is likely to remain as a specialised airline marketing and management brand but not operating aircraft under its own name.

This process began years ago with the collapse of Ansett and the subsequent success of Virgin. Qantas couldn't attack Virgin directly because its operational structures were (and are) comparatively inefficient and locked in under labour arrangements.

Instead Qantas created Jetstar with new labour conditions matching those of Virgin.

Qantas is now under attack in its international markets.

Cashed-up carriers such as Emirates and low-(labour)-cost airlines such as Thai and many others simply out-compete Qantas on price. This includes Qantas's own Jetstar. Qantas is again responding by moving to establish a new airline, possibly headquartered in Singapore.

The key management issue is labour. Singapore is not a low-labour-cost country but it doesn't have Australia's industrial relations system. When out of Australian jurisdiction, Qantas is able to create a new airline with internationally competitive workforce arrangements.

What has been witnessed for some time is the shrinking of Qantas as a carrier of passengers. "Qantas" is becoming the owner and manager of other airlines carrying passengers. This development across an extended period should have been expected. But this dynamic has ramped up quickly through labour agitation made possible by the Gillard government.

Julia Gillard's Fair Work Act has had a long transition period. All of its provisions came into full practical effect only late last year. They're interfacing now with expired enterprise agreements requiring new negotiations.

But the act introduces triggers never before seen in Australia that have been designed to give unions powerful leverage in negotiations.

These come under the nice-sounding words of "good faith bargaining". But it's really a process that forces businesses into making agreements they don't wish to enter. This is the situation Qantas faces.

Qantas has limited choices under "good faith bargaining". It's capitulate to union demands or dig in to such an extent that it threatens the viability of the business itself. Qantas has chosen to dig in because on its estimate to capitulate would be to agree to a slow, cancerous death of the business anyway.

The narrow choices facing Qantas are understood in the detail of the union demands being made. They're not essentially about pay rates but rather about managerial capacity to manage.

Australian unions have initiated a co-ordinated campaign to gain control of the management of Australian companies through their new powers under the Fair Work Act. This is being seen in a wide range of demands under enterprise agreements in manufacturing, construction, mining, hospitality and so on.

Primarily, unions want companies to agree to not change rosters, hours and places of work and so on without union agreement. Clearly this effectively neuters the ability of managers to run their business. Perhaps surprisingly many companies are agreeing to this. Company chiefs are being told by their industrial relations advisers that the "good faith bargaining" provisions give no option but to agree.

Obviously the head of Qantas, Alan Joyce, has ignored any such advice. He needs to.

In his situation the unions not only want to control Qantas's domestic management but have demanded that they control the management of any airlines Qantas operates internationally including Jetstar and any that are planned. The unions want such clauses written into new agreements with Qantas.

The lead strategist at the union end seems to be Tony Sheldon, the national boss of the Transport Workers Union. Sheldon used to be the NSW TWU boss.

He has long experience with Qantas. During his reign in NSW, labour hire companies supplying staff to Qantas paid commissions to a TWU fund organised by Sheldon.

An internal TWU review found Sheldon did nothing wrong. He moved on to become national TWU boss. He is the lead candidate for national presidency of the Labor Party.

Sheldon knows Qantas well and how to conduct campaigns against the airline, including corporate activism at the

shareholder level using campaign techniques imported from US unions.

But Qantas is a different business from even just a few years ago. It's exposed to huge domestic competition from Virgin and even tougher competition globally. Union fantasies about "protecting" jobs through industrial relations agreements clash with the hard realities of airline operations.

However, the unions are persisting. It's no coincidence that this week Australian unions launched a massive public relations campaign demonising casual and contractor work.

For them the only moral form of work is permanent, full-time employment. It is this argument that lies at the heart of union campaigns against Qantas.

And it's for this reason that the death of Qantas as an actual carrier of passengers has gathered speed. In the future, passengers may book through Qantas but fly on any one of a number of other branded airlines owned or managed by Qantas.

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