A dangerous deterioration in air safety in Australia

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Last Friday Ansett Airlines, Australia's second largest domestic carrier, narrowly escaped being served with a 14-day notice by the government's Civil Aviation Safety Authority (CASA) to show cause why it should not have its Air Operating Certificate revoked. If the CASA action had gone ahead, the airline could have been have been put out of business altogether, a development unprecedented in Australian aviation history.

The threat against Ansett's operating license emerged after the grounding of its entire fleet of ten Boeing B767-200's on April 12 over safety issues. The shock grounding came on the eve of the Easter holiday season after Ansett informed CASA that it had located cracks several centimetres long in engine mounting spars or pylons on one of its B767-200s during a safety check ordered by Boeing. Subsequent inspections revealed the presence of cracks in the spars on four other planes.

Following CASA's decision to ground the aircraft, information emerged that Boeing had issued a safety bulletin on March 2, 2000 directing Ansett to check all B767s-200s for "high-frequency" cracks in the engine spars within 188 days of the notice. For unexplained reasons, Boeing subsequently allowed Ansett to put off the inspections until April this year.

When CASA was informed about the cracked engine spars, it was also told that an Ansett B767-200 had recently flown with an incorrectly fitted emergency exit slide. Eight sectors were completed before the problem was detected. CASA claimed the incident was the "final straw" in its tough move against the airline.

The Easter grounding was the second time in just over four months that Ansett's B767-200s have been ordered out of service for safety reasons. On December 22, just before the Christmas peak period, six of the planes were grounded when it was discovered they had not undergone scheduled ultrasound checks ordered by Boeing.

The checks are designed to detect fatigue cracks in the planes' tail fins after they have completed 25,000 take-offs and landings, known as cycles. One plane had exceeded the permitted cycles by 5,000 and there were unconfirmed reports that some had flown up to 12,000 cycles over the limit.

For Ansett, the grounding incidents, as well as the threat to its operating license, are a serious financial and public relations blow. The airline is already suffering a sharp drop in its profit margins and a substantial decline in its market share due to increased competition. The escalating cost of fuel has also eroded its bottom line. Over the last two years, Ansett's share of the domestic Australian market has fallen from 50 percent to 41.5 percent and it has lost more than 15 percent of its customer base.

The latest episode has seen the share values of Air New Zealand, the international carrier that bought out Ansett last year, plummet on the Australian market to an all time low. Even before the current crisis, a report in the *Australian Financial Review* claimed that financial market analysts were predicting Ansett's losses could blow out to more than $170 million by the end of the 2000-01 financial year.

CASA's action has only added to Ansett's financial woes. During the four-day Easter holiday, the airline had to pay out $500,000 to fly 145,000 ticketed passengers in hired planes or rival airlines. The first of the grounded B767-200s was only cleared for service on April 20.

But even as its planes are allowed back into service, Ansett's problems are far from over. CASA only dropped its "show cause" threat after the airline's chief executive Gary Toomey gave assurances that the carrier would overhaul its safety systems, make a substantial investment in its maintenance division— including hiring up to 200 new engineering staff—and begin to replace its aging Boeing 767-200 fleet.

Air New Zealand's present financial situation will make it difficult for the company to raise the $5 billion plus required to carry these measures through. Moreover, New Zealand government regulations limiting overseas ownership to 25 percent mean that Singapore Airlines—a 25 percent stakeholder—cannot commit further investment.

While there is no question that Ansett is responsible for the continuing safety breaches, the role of CASA, the government's aviation "watch dog," lies at the heart of the current debacle. Ansett's maintenance crisis is, in fact, the logical outcome of a ten-year process that has resulted in the curtailing of direct air safety monitoring in favor of a system of "self regulation" by the airlines themselves.

As part of a growing worldwide trend in the airline industry, the process of deregulation began in earnest in Australia under the Hawke Labor government. In 1991 millionaire businessman Dick Smith was appointed to head up the Civil Aviation Authority (CAA), CASA's predecessor. Smith advanced the concept of "affordable safety", arguing that the airlines themselves should regulate their own safety standards, in line with profit requirements. He made the absurd assertion that the airlines would reinvest their cost savings under the new system into improving safety, a claim that has been more than refuted by Ansett's present predicament.

The CAA's deregulatory direction was deepened after CASA was established in 1996. CASA increasingly moved away from the "hands-on" monitoring of safety, which involved government inspectors permanently on site at major airlines, in favor of the "auditing" of carriers' own safety systems. CASA merely viewed the airlines' paperwork in relation to the implementation of safety procedures.

Describing the benefits to the airlines of self regulation, an April 17 editorial in the *Financial Review* remarked: "Self regulation allows companies to find more efficient ways of meeting safety standards with the regulator monitoring their systems rather than doing the bulk of the inspecting or laying down overly prescriptive approaches."

Interviewed on ABC television, a former CASA inspector, Captain John Woods, made no bones about why air safety had declined and who was to blame. It had been the "victim of 10 years of cost cutting by governments of both persuasion," he declared.

"Obviously Ansett is at fault for not carrying out the recommended or required procedure, but where was the watchdog in all of this? It is

CASA's job to see that the industry complies with the requirements of the regulations, and that includes requiring it to carry out necessary maintenance."

Woods went on to condemn CASA's transformation "from a surveillance-based inspectorate to an audit- based one," commenting "had the industry been properly regulated we would never have come to this crisis. I believe this crisis [at Ansett] is a result of inadequate regulation and of allowing the industry to self regulate."

Even the *Financial Review* had to admit: "The festering problems at Ansett—which were allowed to persist month after month—reflect no credit on the management of CASA, or on the responsible minister, National Party leader John Anderson."

A former senior aviation engineer at CASA recently revealed that government budget cuts had resulted in a decline in staff numbers in the regulator's key compliance areas of over 40 percent, undermining its ability to undertake even minimal monitoring requirements. He explained that CASA staff had been under extreme pressure since the entry of two new domestic carriers—Impulse and Virgin Blue—last year. "You just couldn't do the amount of surveillance required with those staff numbers. During that period we had to concentrate on getting new operations up and running. We have never had such an expansion in such a short time."

A recently released 30-page report by Brian Castle, a CASA internal auditor, confirmed the sorry state of affairs inside the government regulator. Castle found that CASA was failing to comply with half its legislative requirements to check the safety of aircraft.

Rather than acting on what was clearly an issue of grave concern, Transport Minister John Anderson and CASA chief Mick Toller dismissed the report as an "unprofessional effort" that was "riddled with personal interpretations and unattributed statements". The report's findings were confirmed last week, however, by the government's own transport accident investigator, the Australian Transport Safety Bureau (ATSB), which leveled similar charges.

The government's claim that it supported CASA's tough action against Ansett in the interests of air safety was matched in cynicism by the strident demands for stricter measures emanating from Rupert Murdoch's media empire. An April 18 editorial in Murdoch's *Australian* declared: "The *Australian* has long argued that to reassure the travelling public CASA must show it is uncompromising when it comes to dealing with breaches of regulations."

The hypocrisy of this statement is breathtaking. It was while the Murdoch-owned News Corp held a 50 percent stake in Ansett that the airline undertook a $34 million cut to maintenance, including axing 70 jobs in 1999 from its aircraft maintenance section, under an enterprise work agreement struck with the unions. Rod Eddington, Ansett's chief executive, initiated the measure as part of a $435 million cost-cutting program to boost the airline's value in advance of the sale of News Corps' stake.

Ansett's crisis is symptomatic of the state of air safety throughout the aviation industry, with all the major airlines subject to the same competitive pressures and investor demands. Qantas, the country's largest carrier, has also been involved in a series of serious safety incidents.

Last Wednesday, the ATSB released a report of its investigation into a life-threatening accident in which a Qantas jet carrying 410 passengers overran a rain-soaked runway at Bangkok's Dom Muang Airport in September 1999, sustaining severe damage.

The 170-page report sheets home responsibility for the incident squarely to Qantas and CASA, attacking the company's inadequate pilot training program as well as the government regulator's poor surveillance of the airline. The report found that the crew "had not been provided with appropriate procedures and training to properly evaluate the potential effects of the weather conditions" and "were not sufficiently aware of the potential for aquaplaning and of the importance of reverse thrust as a stopping force on wet runways."

It pointed out that the accident could have been avoided had the crew used reverse thrust rather than relying solely on the plane's braking system, but added that the pilots were merely following company policy. The report disclosed that three years before the Bangkok incident, Qantas had introduced new landing and pilot training procedures to "cut costs." Reverse thrust was abandoned because of the amount of fuel involved and the extra noise level charges levied at Sydney airport when it was undertaken. Neither Qantas nor CASA bothered to investigate the impact of these procedural changes on safety.

The report also quoted a CASA internal review, which demonstrated that, in the year leading up to the accident, the regulator had fulfilled only 22 percent of its planned surveillance measures at Qantas and had not looked into the airline's cabin crew safety training for ten years. Faced with the damning report, Qantas's chief executive Geoff Dixon said the company accepted full responsibility for the Bangkok accident.

But future accidents at Qantas are on the cards as training and maintenance continue to decline. According to the Amalgamated Manufacturing Workers Union (AMWU), Qantas is short of well over 300 maintenance workers at its Sydney maintenance facility. "They have had no apprentices for three years now and only limited trainees," an AMWU spokesman said. He revealed that recent attempts by Qantas to recruit skilled staff overseas had failed because of the low wages paid in Australia.

Industrial officer for the Association of Licensed Aircraft Engineers Chris Ryan said that the cause of the problems at Qantas could be traced to the "curtailing of training expenditures" after the airline was privatised under the Labor government in 1992. "When Qantas was publicly owned it used to invest heavily in the training of licensed aircraft engineers. When Qantas was subject to commercial pressures, it turned off that tap and Ansett followed suit."

Regardless of CASA's recent "tough" stand on Ansett, safety standards in the airline industry will continue to deteriorate. Under conditions of increasingly ruthless competition, where market forces demand the removal of any restrictions on the ever-greater accumulation of profit, safety does—and always will—take a back seat. Sooner rather than later, the increasingly dangerous situation in Australian aviation will reveal itself in a bloody catastrophe, claiming the lives of many hundreds of people.