

Unions play key role in carve-up of Australian airline

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Ever since Ansett, Australia's second largest airline, folded three months ago, senior trade union leaders have worked hand-in-glove with Linfox transport boss Lindsay Fox, former Coles-Myer retail chief Solomon Lew and a firm of insolvency administrators to establish a cut-price airline. Former Australian Council of Trade Unions (ACTU) secretary Bill Kelty, now a director of Linfox, has played a linchpin role, working with his ACTU successors to cajole Ansett workers into accepting manning levels and conditions some 30 percent below the old Ansett standard.

With Kelty on his payroll, Fox is hoping to repeat, on a grander scale, the tactics that have earned him most of his considerable fortune. During the 1980s and 1990s, several major companies outsourced their trucking operations to Fox, sacking many of their drivers en masse. Fox then re-employed fewer drivers, slashing their conditions.

This week, the Fox-Lew group revealed that they intend to re-hire only 3,000 of the 16,000 Ansett staff, not even the 4,000 that union leaders previously promised.

Ansett workers were also told they would have to re-apply for their old jobs, via an Internet questionnaire that requires them to prove their willingness to work "flexibly" and boost the new airline's profitability. The questionnaire indicates that workers will be handpicked with the aid of psychological profiling. One question, for example, asks them to recount in 100 words a recent stressful incident in which they averted an unfavourable outcome.

Underscoring their role in Ansett's carve-up, top union officials invited Ansett's administrators, Mark Mentha and Mark Korda of accounting firm Andersen, to an ACTU executive dinner in Melbourne's Regent Theatre last week, where the pair were feted as heroes.

Officials and Ansett delegates cheered as the administrators went on stage while some, in a nauseating display of obsequiousness, genuflected on their hands and knees, chanting "we're not worthy".

The union bosses have sought to justify their support for the Fox-Lew takeover by arguing that they have been warding off an alternative bid by Lang Corporation boss Chris Corrigan and Richard Branson's Virgin Blue that would only employ 1,500 Ansett workers, on even lower wages and conditions. Corrigan unveiled a late bid for Ansett last week, based on investing \$300 million into an expanded Virgin Blue to acquire Ansett's terminals and landing rights.

Corrigan leapt to prominence in 1998 when he collaborated with the Howard government in an attempt to break the unions and slash workers' conditions on the waterfront. His Patrick Stevedoring sacked its workforce overnight and, in a military-style operation, brought in non-union scabs. The government backed Corrigan in a bid to radically restructure industrial relations, starting with the maritime industries. Following litigation in the courts, Corrigan ultimately struck a deal with the ACTU leaders, who agreed to deliver the manning cuts and speed-up that he demanded, in return for continued union coverage.

Corrigan again appears to have the government's backing. According to the *Australian Financial Review*, he phoned Prime Minister John Howard before releasing his Ansett plan. Several days later, Howard's cabinet rejected requests from Fox and Lew for government assistance to compete against Qantas, which has grabbed 90 percent of the domestic market since Ansett's collapse.

The cabinet decision prompted bitter outbursts from Fox and union leaders, who accused the government of seeking to kill off Ansett. "I think ultimately the

government might want Ansett to die,” Fox told the media. Australian Workers Union national secretary Bill Shorten said many in the union movement saw an “ideological conspiracy to liquidate Ansett” because the airline, under Lew and Fox, would retain a highly unionised workforce, compared with the less unionised Virgin Blue.

As Shorten’s comment indicates, the union leadership’s main concern is to salvage its position in the airline industry, not the jobs and conditions of workers. This was further highlighted by Transport Workers Union federal secretary John Allan, who told the *Financial Review* that the union leaders had been working with Ansett to cut labour costs by up to one-third before it collapsed; work that Fox and Lew were continuing.

With the global economy plunging into recession, Ansett’s restructuring has become a testing ground for a renewed government-employer offensive against jobs, wage levels and work practices.

The Howard government appears to be calculating that the Fox-Lew operation will fail, clearing the way for Corrigan and Branson to establish Virgin Blue as a low-cost, largely de-unionised competitor with Qantas.

According to a report in the *Australian*: “The Corrigan plan fits the government’s desires, which John Howard has outlined (in the words of Qantas chief executive Geoff Dixon) as like the Canadian model of one major airline and some no-frills others... And from the government’s point of view, the plan has another advantage—industrially, Virgin Blue is lightly unionised and has a low wages and conditions package—a package Qantas and the government believe is world-competitive, and would like to see replicated elsewhere.”

Media and transport analysts have predicted the rapid demise of Ansett Mark II. “We’d be surprised if Ansett Mark II was still in existence in 12 months’ time,” Jason Smith, an analyst at stockbroker Salomon Smith Barney, told the *Financial Review*. “Virgin has got a lower operating cost base, a much stronger brand franchise and better goodwill with the Australian public.”

Most Ansett workers remain unemployed, including 560 of the 800 pilots. Others are just scraping by; working vastly reduced hours with Ansett Mark II. About 600 have been hired by Qantas on less

favourable conditions, including 60 flight attendants on fixed-term contracts and 46 casual workers through a labour hire company run by former union official Maurice Alexander.

Smith said Ansett would find itself sandwiched between Virgin, a no-frills airline, and Qantas, which has tied up the lucrative business market and frequent flyer point schemes with the major credit card providers. Other reports indicate that up to 80 percent of Australia’s major corporate travel accounts have signed contracts with Qantas for between 12 months and five years.

Fox and Lew are attempting to capitalise on the global aviation crisis by buying new planes cheaply, but the pressures on Ansett are already obvious. Korda, one of the Ansett administrators, revealed this week that Ansett Mark II was currently losing up to \$1 million a week, flying its planes half-full.

This situation is unlikely to change in the foreseeable future. The airline and travel industry is continuing to unravel in Australia, as it is internationally. This week, Traveland, the former Ansett-owned package holiday firm, went bankrupt for a second time, sacking 550 staff, and Flight West, Queensland’s largest regional airline, was placed in voluntary liquidation.



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