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**Race to the bottom: how workers and safety are the  
real losers in the war for profits in aviation**

**Submission to the Productivity Commission's Inquiry into the  
Economic Regulation of Airports**

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**The Transport Workers' Union of Australia**

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## **TWU Background**

The Transport Workers' Union of Australia (TWU) represents tens of thousands of men and women in Australia's aviation, oil, waste management, gas, road transport, passenger vehicles and freight logistics industries.

With over one hundred years' experience, the TWU has been proactive in establishing industry standards that improve the lives and safety of transport workers, their families and the community.

## **Introduction**

There is currently a race to the bottom taking place at airports around Australia. While revenues and profits continue to rise significantly for both airports and airlines, the quality of jobs has gone down. This impacts both on the livelihoods of workers and the safety of the travelling public.

Despite employing relatively few workers directly, airports have the ability - and ought to have the obligation - to ensure decent standards and conditions for all aviation workers, thereby increasing the overall safety of the travelling public.

Airlines are increasingly outsourcing their operations which means they are hiring fewer employees directly, yet they still command control over the supply chain by choosing to engage certain contractors and labour hire firms.

Any examination of 'aeronautical services' must start with the welfare and safety of aviation workers. An assessment of the current situation clearly indicates that the oversight of airports is not 'in line with community expectations'.

This is a damning state of affairs that must change.

## **The role of airports**

Airports sit at the top of aviation supply chains and exercise a great deal of direct and indirect influence and control over the entire industry.

Airports around Australia have been built using public money and now run highly profitable operations. These profits are plain to see. The latest airport monitoring report by the Australian Competition & Consumer Commission shows that the profits of the four main airports - Sydney, Melbourne, Brisbane and Perth - for 2016-17 exceeded \$2 billion.<sup>1</sup> Sydney Airport alone had revenues of over \$1.4 billion and EBITA profits of over \$850 million.<sup>2</sup>

The majority of airport functions are outsourced, which transfers most of the economic and financial risk to suppliers. This leads to airports often remaining profitable throughout

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<sup>1</sup> ACCC Airport Monitoring Report 2016-17, April 2018:  
<https://www.accc.gov.au/system/files/Airport%20Monitoring%20Report%202016-17.pdf>.

<sup>2</sup> ACCC Airport Monitoring Report 2016-17, April 2018, p.172:  
<https://www.accc.gov.au/system/files/Airport%20Monitoring%20Report%202016-17.pdf>.

economic downturns while air-transport businesses (and their workers) are exposed to market volatility. This makes airports an attractive investment and also provides them with significant market power when negotiating with service providers. The result is that suppliers compete with one another to gain access to airports' captive markets, at the expense of working conditions, the safety and security of airports and profit margins.

Any examination of the effectiveness of price and quality of service - particularly in terms of airport operations - must include an examination of labour standards. Service providers such as companies employing ground handlers, caterers, cleaners, security and check-in staff pay exorbitant amounts in rent and have to adhere to numerous 'conditions of use', rules and regulations in order to operate at the airport, which have a direct impact on the working conditions of their workforce. Yet airports don't have any accountability or responsibility for the conditions these workers operate under, despite having the capacity to do so through their contracts with service providers.

The public is reliant on the essential services that airports provide and rightfully should demand the highest levels of service and safety. But service and safety are being undermined by poor labour standards at our airports.

### **The role of airlines**

Airlines also have a major role to play in exerting control over the aviation industry. Airlines operating in Australia are also highly profitable.

This year, profits for some of the major airlines operating in Australia include: Qantas Group profits of \$1.6 billion; Emirates Group profits of \$AUS1.5 billion profit; Air New Zealand profits of almost \$AUS500 million; Air China profits of \$AUS2.3 billion.

Both domestic and international airlines operating in Australia outsource much of their operations, with service providers competing in an intense market environment for contracts. Similar to airports, airlines do not require labour standards as part of their tendering process. This has led to providers competing on price, rather than service or safety standards.

This has in turn led to a significant drop in safety and service standards.

While airlines operating domestically function in an effective duopoly, the international sector is competitive. Despite the very different nature of the domestic and international markets, both are marked by the absence of labour standards when it comes to the outsourcing of contracted work.

### **State of the aviation workforce**

Australian Bureau of Statistics data shows 126,500 people are employed in the aviation industry.<sup>3</sup>

Australian air transport service workers are highly productive, generating \$205,212 per employee in gross value-added per annum, approximately 1.8 times the Australian average.<sup>4</sup> Yet standards and conditions across the aviation industry are in dangerous and rapid decline. A race to the bottom is well under way. Insecure work is rife.

Forced part-time and casual work has proliferated the industry, replacing once full-time jobs. Workers are increasingly forced to take on a second job, unable to rely on decent conditions of work now or into the future.

The tables below illustrate the extent to which full-time jobs have been downgraded in aviation.<sup>5</sup>

### ***Types of employment – ground handling and cabin cleaning contractors with national enterprise agreements***

<b>Company</b>	<b>Total Employees</b>	<b>Part-time Employees</b>	<b>Casual Employees</b>	<b>% of Non Full Time Employees</b>
Dnata*	752	459	4	61.57
Aerocare (Swissport)	2036	1872	147	99.17%
Qantas Ground Services	1666	1436	206	98.56%
Jetstar Services	357	250	0	70.03%
Airline Cleaning Services (Cabin Services Australia)	936	75	841	97.86%
Total	5747	4092	1198	92.05%

\* Combined numbers for *dnata Ramp and Cargo Enterprise Agreement 2018* and *dnata Airport Services Pty Ltd Perth International (T1) Airport Enterprise Agreement 2016-2019*.

<sup>3</sup><http://www.abs.gov.au/ausstats/ABS@Archive.nsf/log?openagent&6291006.xls&6291.0.55.003&Time%20Series%20Spreadsheet&7BC15E4930DE007FCA2582B20018B5CA&0&May%202018&21.06.2018&Latest>.

<sup>4</sup> 2011, Oxford Economics, Economic Benefits from Air Transport in Australia, p.19.

<sup>5</sup> Numbers reported to FWC using F17 forms at most recent application for approval of enterprise agreements.

**Employment guarantees for part-time airport workers – ground handling and cabin cleaning contractors with national enterprise agreements**

Company	Minimum Hours Per Week	% Full Time Hours	Minimum Hours Per Month	% Full Time Hours
Dnata	24	63.16%	96	63.16%
Aerocare (Swissport)	0	0%	60	39.47%
Qantas Ground Services	20	52.63%	80	52.63%
Jetstar Services*	30/20	78.95%/52.63%	120/80	78.95%/52.63%
Airline Cleaning Services (Cabin Service Australia)	16	42.11%	64	42.11%

\* Different minimum hours per week apply based on whether an employee was working for the company prior to the enterprise agreement being finalised.

The part-time and casual nature of work is matched by low rates of pay across the industry. A survey of Australian aviation workers shows that 68% of respondents said their income did not meet living costs while 76% said they would not be able to afford to retire at 65.<sup>6</sup>

Further, a study released in 2017 showed the effect of low wages on specific groups of aviation workers, forecasting that workers’ dignity in retirement was under threat due to the compounding effects of the race to the bottom. A report by the Australia’s Institute’s Centre for Future Work illustrates the effect on superannuation outcomes of wage freezes and below award payments - both of which have become recent features of the aviation industry:

“When workers’ wages are unduly suppressed, then the normal flow of employer contributions into their superannuation accounts is also constrained. They will have smaller superannuation balances when they retire, and will consequently experience a lasting reduction in post-retirement income.”<sup>7</sup>

Staff employed directly by airlines are also subject to poor working conditions. The recent example of overseas Jetstar cabin crew employed to work domestic routes in Australia, while paid as little as \$100 base rate per week, is a case in point. In this example, regulatory

<sup>6</sup> <http://www.twu.com.au/the-qantas-effect>.

<sup>7</sup> Stanford, J., ‘The Consequences of Wage Suppression for Australia’s Superannuation System’ (2017) Centres for Future Work at the Australia Institute, p.4.

oversight by the Federal Government has failed abysmally, with the airline able to abuse migration and labour laws to exploit overseas workers.<sup>8</sup>

Neither airports nor airlines adequately monitor contracted service providers with regard to working conditions. This has led to destructive competition driving down pay and conditions for workers. Ground-handling company Aerocare provides a particularly good example of what can go wrong when airports and airlines focus on profit and refuse to take responsibility for workers in their supply chain.

### **Aerocare**

Aerocare, now owned by Swissport, operates a low-cost model to win contracts from airlines over competitors. The company has grown 300% over a four-year period, now employing 3,000 workers in ground-handling services. It is contracted by the major airlines operating in Australia to work in all major airports.

Aerocare predominantly employs staff on a 'permanent part-time' basis or as casuals. The company's downward pressure on the industry arises out of an enterprise agreement, approved in 2012 despite union objections. This agreement allows for:

- 60 hours guaranteed a month (no weekly guarantee)
- Shift lengths of just three hours
- Below award rates for weekends, Good Friday, Christmas, etc.
- Absence of payment for over-time, night work and the usual aviation allowances, as per the award
- Split shifts, which are precluded under the award

Examples of rosters and pay slips show split shifts at Aerocare can lead to grueling work patterns, forcing workers to be at the airport for up to 15 hours a day while getting paid for a little as six hours.<sup>9</sup>

Media exposed the effects of low pay and split shifts at Aerocare, including video and images of staff forced to sleep at airports.<sup>10</sup> Despite insistence by the airports that they bore no responsibility for conditions for Aerocare staff in letters to the TWU, the bedding area at Sydney airport shown in media footage was cleaned up the following day by airport staff.<sup>11</sup> In addition, Sydney airport asked one of the Aerocare casual employees interviewed by media about the conditions to hand back his security clearance badge after the interview was broadcast.<sup>12</sup>

When Aerocare began negotiations on a new enterprise agreement in 2017, it refused to change its rates and conditions. An analysis of Aerocare's 2017 enterprise agreement showed

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<sup>8</sup> <http://www.abc.net.au/news/2018-08-14/jetstar-under-fire-over-foreign-cabin-crews-pay-domestic-flights/10107814>.

<sup>9</sup> [http://www.twu.com.au/aerocare\\_shifts/](http://www.twu.com.au/aerocare_shifts/).

<sup>10</sup> <http://www.abc.net.au/7.30/airport-workers-speak-out-about-poor-work/8371230>.  
<https://www.smh.com.au/business/workplace/airport-staff-sleeping-in-third-world-conditions-inside-sydney-airport-20170320-qv20nd.html>.

<sup>11</sup> <http://www.twu.com.au/home/campaigns/home-campaigns-aero-care-/aerocare-attempts-cover-up-on-working-conditions/>.

<sup>12</sup> <https://www.twu.com.au/CMSPages/GetFile.aspx?nodeguid=c01aa6b6-6ae8-4a73-8489-698bc760ed33>.

that rates and allowances based on actual employee rosters and wage slips were up to \$1,100 below the relevant award.<sup>13</sup>

The Fair Work Commission rejected the 2017 Aerocare enterprise agreement based on its poor rates, split shifts and the fact that casual employees were precluded from voting.<sup>14</sup> A full bench of the Fair Work Commission upheld the rejection in a subsequent appeal by Aerocare.<sup>15</sup> Aerocare, despite losing multiple court cases, is seeking approval in the Federal Court for its split shifts regime.

Poor conditions for workers are not the only issue with Aerocare. Chronic fatigue and deliberate under-staffing have also led to serious safety and security breaches.

Records at Sydney airport shows there were 132 injuries reported over a one-year period among an Aerocare staff of 324 workers. Meanwhile, a baggage handler in Perth airport was disciplined after allowing passengers on to a secure airside area to collect their baggage, after he was left alone to unload an aircraft.

### **The implications for safety**

Lack of responsibility by airports and airlines for labour standards in their supply chains is impacting on safety and security of the travelling public.

High turnover rates of workers, with people forced to leave employment due to low pay and poor conditions, is leading to significant security problems across the industry. Large numbers of workers do not have full security clearance to operate in secure areas of airports when they commence employment. Despite regulations that they must be accompanied by personnel with full security clearance at all times, this is not happening. Those without appropriate security clearance are working in a number of roles, from maintenance to ground crew and, alarmingly, security.

The above example of Jetstar overseas cabin crew operating domestic routes in Australia also illustrates the impact on safety. None of these overseas crew are trained to board passengers on domestic aircraft in what is an important safety and security role for domestic crew. In some cases, this means other ground staff are forced to step in to perform this role. In other cases, full checks and procedures are simply not carried out.

### **Conclusion**

Airports and airlines are currently engaged in a public war of words over which side is winning the most profits in the aviation industry and who is “gouging” from who.<sup>16</sup>

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<sup>13</sup> <https://www.twu.com.au/Home/Campaigns/home-campaigns-aero-care-/ASSESSMENT-OF-AEROCARE-EA-2017---Case-1/>.

<https://www.twu.com.au/Home/Campaigns/home-campaigns-aero-care-/ASSESSMENT-OF-AEROCARE-EA-2017---Case-2/>.

<sup>14</sup> <https://www.fwc.gov.au/documents/decisionssigned/html/2017fwc4311.htm>.

<sup>15</sup> <https://www.fwc.gov.au/documents/decisionssigned/html/2018fwcfb59.htm>.

<sup>16</sup> <https://www.smh.com.au/business/companies/blatant-profiteering-qantas-accuses-airports-of-fee-gouging-20180911-p5032w.html>.

But behind the shiny facades of our airports and outside the slick frequent-flyer lounges, the reality is that the people working at our airports are the real losers. They have seen job security, full-time work, pay rates and decent conditions plummet in recent years. Along with this, safety and services have been downgraded. This is occurring while profits are on the rise.

Airports must be held accountable for the working conditions of aviation workers and the safety of the travelling public. Airports will happily take on some responsibility over airport workers, such as cleaning up the sleeping area of Aerocare workers and revoking an Aerocare worker's security clearance when he spoke out in the media about conditions. But they refuse to hold companies to account that exploit their workers. Similarly, airlines refuse to hold contractors to account over labour practices in their supply chain.

Good labour standards at our airports are important for the entire community. Fair labour standards ensure excellent service by experienced, well-trained staff. They ensure quality jobs where workers are not forced to struggle to pay full-time bills on part-time hours. They ensure an economic knock-on for the local and broader economy where wages are kept in line with company profits and spending is distributed throughout the community. They ensure safety and security at our airports, not cost-cutting, are the main priorities in aviation.

We are calling for the Federal Government to force airports take responsibility for labour conditions in aviation and to ensure that the airlines and other service providers are meeting standards in this area. The Government should mandate this for all existing airports and also ensure that the authority which takes on the role of operating any new developments, such as the planned airport for Western Sydney, bears this responsibility under strict terms and conditions.

We as a community can no longer countenance public money being poured into building airports whose profits end up lining the pockets of the few in aviation. Airport workers are important stakeholders in the future of the aviation industry. The industry can only be strong and sustainable if the people it employs have job security, full-time work, fair conditions and regular training. This can be achieved while keeping the industry healthy and profitable.