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## **Qantas: flying in the face of commonsense or a wily strategy?**

**Greg Bamber**

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Opinion



If Qantas is to thrive as a world-class airline, they have to rebuild relations with its various stakeholders, not least its workforce. *Photo: Lee Besford*

**It is possible that it has been baiting the water with blood to attract the sharks.**

AT THE recent Qantas annual meeting, shareholders endorsed the current management strategies and huge pay increases for chief executive Alan Joyce. This is odd as Qantas's share price has fallen under his watch. Further, Qantas is in conflict with several of its key stakeholders: the government, passengers and important parts of its workforce.

The grounding of the Qantas network precipitated travel disruption and much discussion about the causes of the chaos. Now the chaos is past, what will be the outcomes of the current industrial relations process? In answering this question, we should keep in mind other questions about Qantas.

Fair Work Australia gave Qantas 21 days in which to negotiate settlements with the unions that represent its international pilots, licensed engineers and baggage handlers.

The claims of each of these unions are different, but a common aspect is that each has concerns about income and employment security. Therefore, they are all seeking agreements that include reassurance about such matters, while Qantas aims to cut costs by more outsourcing in Australia and overseas.

In most cases, parties to industrial relations claims would prefer to reach settlements by negotiation. This gives them more "ownership" of the settlements than if an arbitrator imposes a settlement, with the risk that an imposed outcome is one that neither party would have wanted.

However, since relationships have sunk to such a low level of trust, we are unlikely to see quick negotiated settlements between Qantas and all these unions.

If Qantas and the unions do not settle these disputes by compromise and negotiation, Fair Work Australia will arbitrate. The tribunal is skilled at evaluating the arguments and making appropriate decisions. Earlier decisions have constrained outsourcing in some circumstances. Nevertheless, arbitrators are generally reluctant to make decisions that prescribe detailed management strategies.

Hence, it is unlikely that Fair Work Australia will prevent Qantas from restructuring. Nonetheless, if it is to thrive as a world-class airline, Qantas has to rebuild relations with its various stakeholders, not least its workforce.

Trust is even more important in a service-sector business like an airline than in, for instance, remote mine sites. Mining companies have deployed aggressive industrial relations tactics with parallels to Qantas's recent approach. (Interestingly, Qantas chairman Leigh Clifford led similarly aggressive industrial tactics when he was chief executive of miner Rio Tinto.)

In contrast to mines, however, airlines are customer-facing enterprises, where staff work close to the immediate customers.

Many Qantas staff feel they are being treated unfairly, for instance, because the CEO was given a big pay increase at the same time he was asking the rest of Qantas to cut costs. If staff think they are being treated unfairly they are unlikely to invest much discretionary effort. They are less likely to give exemplary service to customers. Customers who get poor service are more likely to take their business to an airline that provides better service.

Southwest Airlines is one of the world's most admired airlines in terms of its staff and customer relations. Southwest offers low fares and excellent customer service. Southwest sees its workforce as a source of value, rather than merely as costs to be cut.

Virgin Australia has been trying to learn from Southwest. Qantas, too, could learn much from Southwest, if its aim is indeed to improve its industrial relations. Let's hope that this is its aim.

Perhaps, however, Qantas has another aim: to induce a takeover bid. If so, this would follow the example of the former Qantas chief executive and board. Four years ago they supported an unfortunate attempt by private equity funds to buy Qantas. This could now be easier to achieve than then; Qantas's share price has fallen greatly since then. Its chairman is also an adviser to private equity firm Kohlberg Kravis Roberts.

If private equity funds bought Qantas, the new executive team's industrial relations tactics would make Qantas's recent tactics look mild. The New Qantas would also sell many of its assets, including those that it inherited from Australian taxpayers. This could involve the sale of Jetstar and the Frequent Flyer scheme, resulting in fewer services for rural areas.

Might Virgin Australia then become the national flag carrier? Its rhetoric is about creating more jobs in Australia, rather than offshore!

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