



PRIME MINISTER

FOR MEDIA

13 SEPTEMBER 1989

The Australian economy is facing an exceptionally serious challenge - it is a situation of national emergency. The Government, the airlines and the responsible union movement are meeting this in the only way possible.

The challenge arises because the Australian Federation of Air Pilots (AFAP) refuses to negotiate within the wage fixing guidelines. They have repeatedly stated that they seek a resolution of their demands outside the guidelines and the umbrella of the Industrial Relations Commission. Such a stance has frustrated continued attempts by the airlines to negotiate wage increases.

The AFAP has been planning for "battle" since early this year, as revealed in circulars to members urging preparation for a significant "non-income period" or NIP.

The AFAP has adopted the contradictory position of wanting to be treated as business executives, but at the same time using monopoly power to hold a gun at the head of the airlines and the Australian people.

The Federation repeats parrot-fashion a willingness to negotiate. The Opposition Leader, Mr Peacock, suggests government intervention to arrange talks between the airlines and the AFAP.

The truth is that these are completely empty gestures, devoid of sincerity and sense. They fail completely to understand the essence of the challenge faced by the Australian people.

For the airlines to negotiate outside the wage fixing guidelines would, in itself, destroy the wages system and extensively damage the Australian economy. To sit down and talk with a union only wanting wage increases outside the guidelines and the scrutiny of the Industrial Relations Commission would bring grave consequences this Government is determined to avoid.

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Wage increases outside the wage guidelines for AFAP pilots would see a wage explosion, even worse than 1982, with the inevitable consequence of inflation and unemployment out of control, and with all the human suffering and economic damage that involves.

Explosive wage increases would take away all the opportunities for the future which the restraint and responsibility of the Australian workforce and Australian people have made possible over the past six years.

They would push up interest rates, destroy company profits, push up unemployment and so destroy the progress Australia is currently making through record investment and employment growth to rebuild the economy's capacity.

The key to Australia's future represented by the tremendous co-operative achievement of unions, business and Government in restructuring the Australian industrial award system - now at the very threshold of success - would be totally nullified.

A general pay grab by those able to get it would come from the pockets of wage earners not able or willing to adopt standover tactics, and from the pockets of pensioners and other social security beneficiaries not able to protect themselves in an economic free for all.

There can be no doubt that, substantial as they are, the costs of resisting the Federation's demands pale into insignificance beside the absolutely unacceptable costs of giving in to them.

Following AFAP inspired resignations we find ourselves in a situation in which the relationship between the pilots and the airlines has been severed. The airlines need to rebuild their operational capacity. This will take time and so a national effort is required to cope with the immediate consequences of the pilots' resignations.

This is of paramount importance in containing the damage done. The airlines, the Government and the responsible unions are doing everything in their power to have the maximum number of planes flying as soon as possible. Committing substantial resources to achieving this objective is the best way the Government can assist those sectors of the economy suffering as a result of the damage done to the operational capacity of our domestic airline industry. The Government is, of course, particularly concerned about the impact on our

tourist industry and is convinced that the only effective way to alleviate its plight is to provide as great as possible a level of service.

The airlines have taken three broad steps towards this rebuilding exercise.

First, they have sought to rehire those who have resigned. Contracts have been offered with conditions within wage fixing guidelines, containing productivity-related wage increases. Some former pilots, including some who earlier resigned and who were not management pilots, have signed up. They will allow Ansett and Australian increasingly to fly their own aircraft. This process, however, must and will be handled with care. Given the delicacy of the issue, and scheduling needs, a critical mass of pilots is needed before all pilots who have signed contracts can begin active duty.

Second, attempts have been made to hire new pilots. Advertisements have been placed in Australian and overseas newspapers, and recruitment offices have been staffed in London and Los Angeles. The response has so far been good, and can only increase once it is clearly understood that long term career opportunities are being offered.

Third, the airlines are bringing in overseas chartered aircraft and crews so that they can sustain operations in the shorter term. This operation has inevitably begun slowly as CAA processes are faced with unprecedented demands. Because the Government and the airlines do not intend to prejudice safety standards in any way, the process of adapting to these demands is inevitably slow to begin with.

These steps, after a necessarily gradual start, will see an acceleration in the growth of available capacity. They both cater for immediate needs and allow for the complete rebuilding of airline capacity even if no further pilots who resigned wish to return to work.

Of course, the most desirable path is for those who have resigned both to consider those industries severely damaged by the actions of the AFAP and their own futures carefully. In the interests of all Australians I appeal to all pilots to sign on for work. But I must emphasise the rebuilding task will go on: the only question for individual pilots is whether it goes on with them or without them.

The Government is assisting in every way it can.

The airlines are not able to stand down staff because

this would undermine their ability to rebuild operational capacity. It is simply industrial reality that mass standowns will jeopardise the co-operation of other unions in the effort to rebuild flight capacity.

This places an intolerable strain on the financial resources of the airlines, one that would not apply in a usual industrial dispute where mass standowns could be contemplated. In recognition of the importance of providing the highest level of service immediately, of facilitating as smooth a rebuilding of airline operations as possible, and of avoiding the dissipation of a highly skilled workforce, building on the agreement between the ACTU and the airlines and the treatment of staff affected by the dispute, the Government has agreed to forego CAA and FAC charges normally payable by the airlines equal to the cost of retaining staff on their payrolls in accordance with that agreement. Such staff will be required to take appropriate leave and be willing to transfer to other jobs.

I wish to make it absolutely clear that my Government is not compensating the airlines for other losses or for revenues or profits lost as a result of the pilots' actions. The airlines losses are running at around \$20m per week before considering the wages of those normally stood down. They are bearing these costs themselves in the belief that they cannot afford the demands of the greedy AFAP.

My Government regards these arrangements as essential to place the airlines on a similar footing to other affected industries such as the tourism industry which have the freedom to stand down staff not able to be gainfully employed.

I recognise that such an arrangement is unprecedented, in the life of my Government, but so are present circumstances. Here we have a small group challenging the very health of the Australian economy by insisting on using its monopoly power to negotiate outside the wage guidelines. This, plus the mass resignations that require the airlines to rebuild, calls for unique responses.

More directly, the Government has made available RAAF aircraft. The RAAF has deservedly attracted widespread praise for the excellent service it has provided in extremely difficult circumstances. Since the RAAF started carrying domestic passengers on 25 August, it has carried a total of nearly 33,000 passengers. The RAAF has been operating up to 12 planes at a time, including Boeing 707, C130 Hercules and HS748 aircraft.

The RAAF is providing services to cities and towns in many parts of Australia including Hobart and Launceston, Perth, Darwin and Alice Springs, Cairns, Townsville, Brisbane, Sydney and Melbourne. It has also run special flights to pick up people stranded at places like Norfolk Island.

In addition, the VIP fleet is undertaking the carriage of Australians from a wide variety of centres, and in particular has been used in special humanitarian cases.

The Minister for Defence is examining ways of making more aircrews available to increase the level of utilisation of RAAF aircraft.

The Government has lifted restrictions on the operations of foreign airlines and encouraged them to extend their services to domestic travellers. Interlining - carrying international travellers on the domestic portion of their trip - has also been opened to foreign airlines.

Over the last few days, my Government has introduced further measures in redoubled efforts to contain the damage caused by the pilots' actions. We have established a Ministerial committee to supervise the Government response and oversight longer term contingency planning. Mr Willis will chair the committee on which Mr Beazley and Mr Morris will serve. I will participate as necessary.

A committee of officials chaired by the Secretary of my Department, and including the Secretaries of the Departments of the other Ministers on the committee and the Acting Chief Executive of the CAA, has been established to support the Ministerial Committee.

Both these committees will be reporting directly to me.

Under the umbrella of the officials' committee, arrangements have been set in place to fast track responses on problems relating to Government regulation or necessary support.

My Government believes this commitment of our resources is fully justified by the serious, national implications of the present exceptional situation.

The airlines have been providing the public with a skeleton service over the last few weeks, in particular utilising leased space on RAAF aircraft and international services.

From this point on, there will be an increasing utilisation both of aircraft owned by the airlines

themselves and aircraft leased by the airlines from overseas, including crews.

Australian has a 727 operating Melbourne-Sydney-Brisbane today. Ansett has a 737 operating Melbourne-Sydney-Melbourne. With the addition of these aircraft to the airlines' services, 20% of normal Australia-wide demand - some 5,500 seats - were made available today.

From next week, when the American West aircraft become fully operational that figure will rise to 25% of normal demand.

Over the subsequent fortnight, additional aircraft including many leased from overseas will come into operation on domestic routes. These include six new leases arranged in the last 48 hours from the UK and Europe.

As a result, by the end of the month capacity sufficient to meet 50% of normal demand will be available (i.e. some 15,900 seats). The airlines are today releasing details in support of these estimates.

This substantial growth in capacity will allow the airlines to boost training of new pilots, by allowing them to upgrade their qualifications to meet appropriate CAA standards.

This in turn will allow aircraft in Australian's and Ansett's own fleets to return to service progressively.

The airlines have also been offered a substantial number of full crews from overseas.

In summary in this dispute the Government is determined to protect the national interest and the economic welfare of all Australians. We therefore have no choice but to resist the blackmail and the destructive tactics of the AFAP, however long it takes.

We are determined that full domestic airline services will be restored as soon as possible and yesterday's Cabinet decision consolidated a process to ensure this. Australian pilots must now decide whether this will take place with or without them.

The Government would clearly prefer them to rejoin the system and to negotiate new contracts with employers. That way, they can gain reasonable increases in pay based on improved productivity, and Australia can retain their skills and experience.

But, if they continue to follow the greedy and

destructive line of the Federation, they should be under no illusion - Australia's domestic airline industry will in any event be fully restored and there will be no place in it for them.

I repeat - the Government has the absolute resolve and capacity to protect Australia's national interests in this dispute.