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The battle Qantas can't afford to lose

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No wonder Qantas's chairman, Leigh Clifford, was keen to push through a massive pay rise for Alan Joyce - this is danger money.

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On top of bizarre antics like the death-threat publicity blitz, Joyce has presided over a billion-dollar wipe-out of shareholder wealth and been outmanoeuvred on strategy by his opposite number at Virgin, John Borghetti.

His days were numbered anyway. But now he has embarked on the biggest industrial relations fling since Chris Corrigan took on the maritime unions.

Though, unlike the waterfront, Qantas has a customer base and a brand to protect. Its bookings have been slaughtered.

Borghetti is revelling in it.

But Joyce and Clifford are betting that a swift resolution to the union fracas will counter the damage to the tattered Qantas brand. It's a risk, though Clifford knows Joyce is expendable and by putting this bazooka to the head of government he may well inflict terminal damage on the unions.

Their campaign would carry more weight if Joyce and Clifford held some moral authority, apart from an imprimatur from the usual ideologues cheerleading for the demolition of the unions.

Instead, Joyce is picking up a 71 per cent pay rise while calling for 1000 jobs to be axed.

They don't get it. Aside from ethics, it's not a good look to help yourselves to lavish pay rises while sacking your workers and losing \$1 billion for your shareholders.

True, the remuneration report romped home with a 96 per cent vote in favour at the annual meeting last week. But that was carried by institutional investors who had been lobbied by management and who are out of touch with the rest of the nation.

Further, as the funds managers will tell you, either they vote with the board or they risk being frozen out when it comes to information. The one good thing about the belligerent Qantas tactics is that they should expedite a resolution to the crisis.

It has been a union tactic to harry Qantas with the "slow burn" of incessant disputes and negotiation. It is also true, although not quite so dire a predicament as Qantas would have it, that the airline needs a lower cost base. The quantum is the key. Somewhere between management's 25 per cent and the unions' status quo is the true figure. But even if you cut it down the middle you still find an airline is the toughest business to run: the number of stakeholders, the politics, the high fixed costs, ever rising fuel costs and the constant glare of publicity.

The fact is, airlines mostly don't make money. Their cycles of losses are long and profits short.

The question arising from the politically charged escalation of the crisis over the weekend is one of risk and reward. Brinkmanship of this order is a huge risk, probably unacceptable, in light of the human consequences for

some travellers, damage to tourism and the potential for lasting brand damage.

The government is fuming, customers are livid, staff have been irreparably poisoned and shareholders are losing \$20 million a day.

Incidentally, thanks to the lock-out of the pilots - and in view of the fact that all pilots have been locked out but only those in a current dispute don't get paid - Qantas's domestic pilots are sitting at home enjoying the crisis on television ... on full pay.

Will it have all been worthwhile?

In business terms, possibly. If there is a swift resolution. There is a range of potential outcomes but the gun to the head of Fair Work Australia - that is, the fleet remains grounded unless the dispute is terminated - suggests the most likely outcome is termination.

That leaves 21 days of talking and, if no agreement is reached, Fair Work arbitrates the outcome. Like the Family Court, the spoils will be summarily divided. The outcome remains then a significant risk given the no-holds-barred industrial brinkmanship. Unless a quick solution were to be handed down, resoundingly in Qantas's favour, it will come at a cost. Qantas has a big, angry staff. How this would play out with morale and productivity is hard to judge, not to mention the effect on customers.

For his part, Joyce will be hailed as a hero of the right and a villain by the left. His place in history is assured.

This story was found at: <http://www.smh.com.au/business/the-battle-qantas-cant-afford-to-lose-20111030-1mqhm.html>