

QF: 053/2008

28 May 2008



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❖ NOTICE ❖

TO: ALAEA MEMBERS – QANTAS and FORSTAFF

RE: EBA UPDATE 28 MAY

Venues have now been secured close to airports so members can make the most of the 4 hour stoppages over the coming days. Staff not rostered for duty are more than welcome to attend. Details are follows-

All LAME members based or working in Sydney 0800-1200 on Thursday 29th May

Includes SIT, SDT, Base, Maintenance Watch and members currently on training courses. Members should not leave early and at 0800 move towards the horseshoe area outside the departure level at Sydney Domestic Terminal. At 0830 ACTU President Sharan Burrow, ALAEA President Paul Cousins and myself will address the membership. It would be expected that this meeting will be covered by various forms of press.

After the first meeting concludes we will all move to the St George Rowing Club for a private meeting to discuss the coming weeks.

All LAME members based or working in Brisbane 1800-2200 on Thursday 29th May

All members working at Brisbane should leave work at 1800 and go directly to the Pinkenba Hotel where discussion will take place.

All LAME members based or working in Melbourne 0800-1200 on Friday 30th May

All members working in Melbourne (not Avalon) should leave work at 0800 and head directly to the Tullamarine Country Club where discussion will take place.

I understand that members from other locations would have liked inclusion in the stoppages but unfortunately the ALAEA officials cannot appear in all places at once. We have chosen the biggest ports so that as many members as possible can take part and will make alternative arrangements in the future for those who have missed out.

STEPHEN PURVINAS
Federal Secretary

"To undertake supervise and certify for the safety of all who fly."

Qantas – myths and facts

ACTU Briefing Paper May 2008

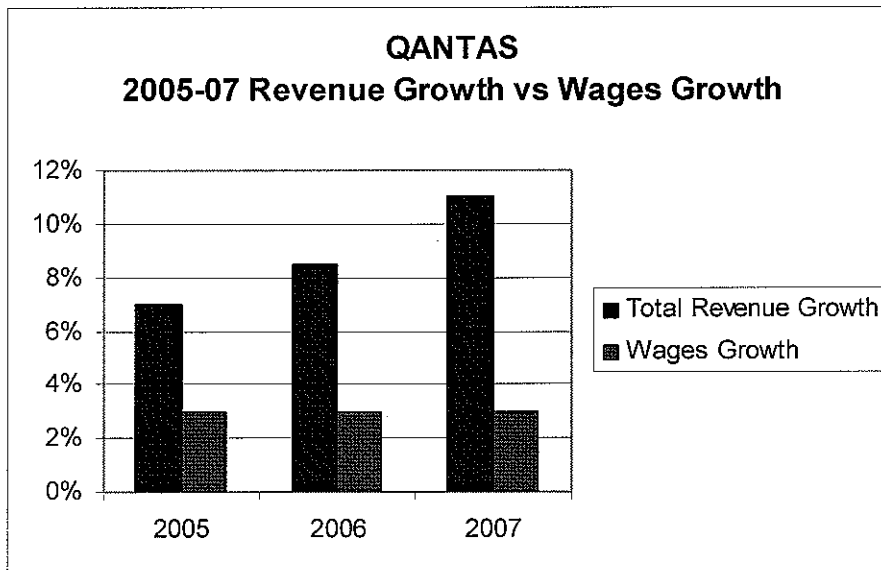
Qantas management have been making inaccurate and misleading arguments to imply the company cannot afford to increase its pay offer to staff. These include:

Myth 1: Employee productivity does not justify wage increases

The first myth is that Qantas employees are costing Qantas more than they are contributing in productivity growth. Recently Qantas CEO Geoff Dixon said:

“Day in and day out, Qantas competes head-on with global airlines that can source lower cost alternatives, including staff. Anyone who believes we can continue to succeed and grow employment outside our current wages policy is not facing up to commercial reality.” Geoff Dixon, Qantas CEO, 21/5/08.

This is misleading, the Qantas' own annual reports show that the company's revenue has been growing at more than twice the rate of wages over the past three years. (see graph below)



Source: Qantas Annual Reports and summary of Qantas EBA wages growth

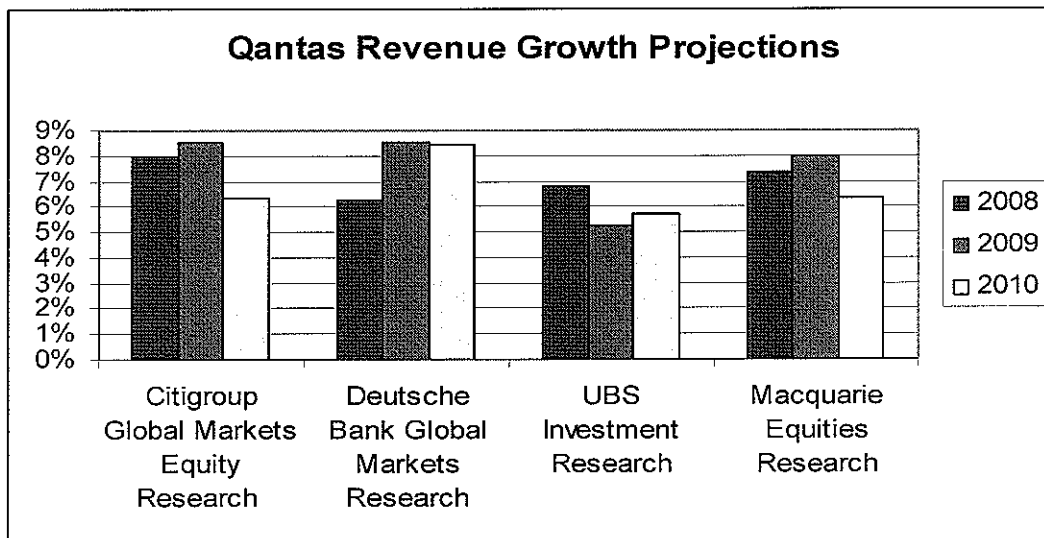
Myth 2: The revenue outlook for Qantas is bleak

It is a myth to suggest that the outlook for Qantas is bleak with the company predicting a 40% rise in profit this year.

Recently, on the 26 of May, the company reiterated its forecast for record earnings, with profit before tax expected to rise at least 40 percent in the 12 months ending June 30 — as reported by *Vesna Poljjak (Australian Financial Review.com)*.

The question of affordability of a wage rise above 3% is also answered by recent estimates of Qantas revenue growth over the next 3 years by leading independent financial analysts.

Independent financial analysts conservatively project that Qantas revenue will continue to grow at an average of approximately 7% per annum over the next 3 years. See below.

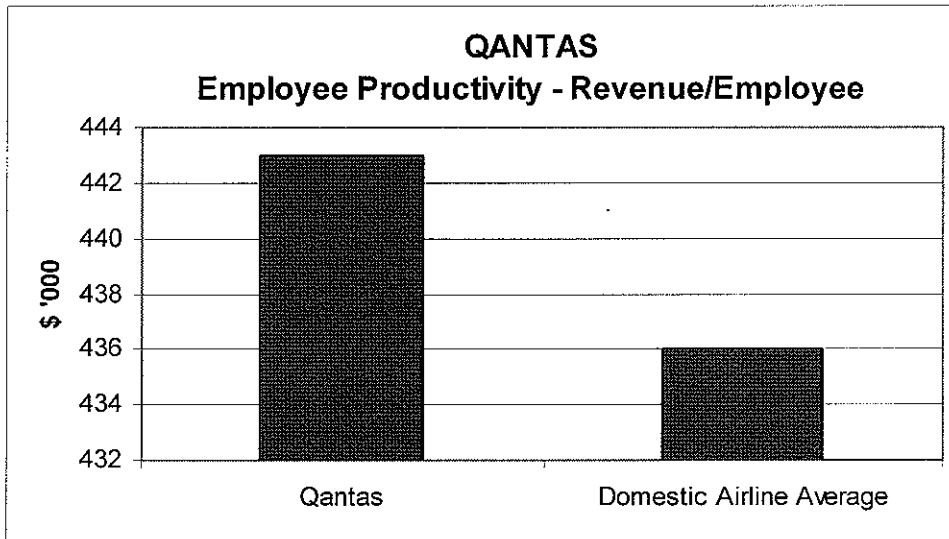


Source: *Estimates of Revenue Growth from Investment Research Reports, Citigroup Global Markets Equity Research, Deutsche Bank Global Markets Research, UBS Investment Research, and Macquarie Equities Research. dated 28 April 14 May (underestimate, not including 22 May price rise announcement)*

Myth 3: Qantas employee productivity is below that of its competitors

It is wrong to suggest that the productivity of Qantas employees is below that of its competitors.

The facts show that in the last financial year Qantas earned more revenue per employee (\$443,000) than the domestic airline sector average (\$436,000).



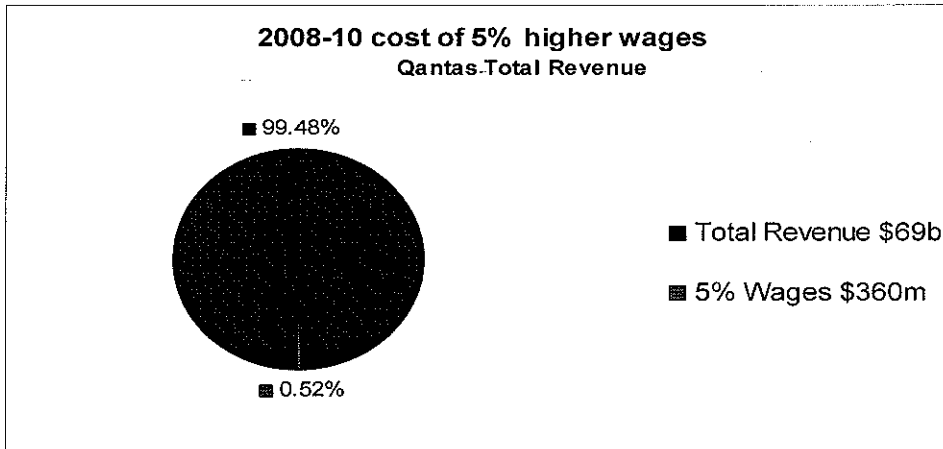
Source: IBISWorld OUTLOOK: Scheduled Domestic Air Transport in Australia, 03 March 2008, p44

Myth 4: Qantas cannot afford the union pay claim

The Qantas CEO has claimed that the aircraft engineers' pay claim of 5% would cost the company an extra \$360 million over the next three years if it flowed on to all Qantas staff.

In fact, the ALAEA pay claim in itself would only cost the company an estimated extra \$2 million a year.

However, even if one accepts Mr Dixon's inflated estimated of a total \$360 million cost to the airline from the wage increase, Qantas' revenue is growing so strongly that the ACTU calculates that this would amount to around one half of one per cent of the airline's total revenue.



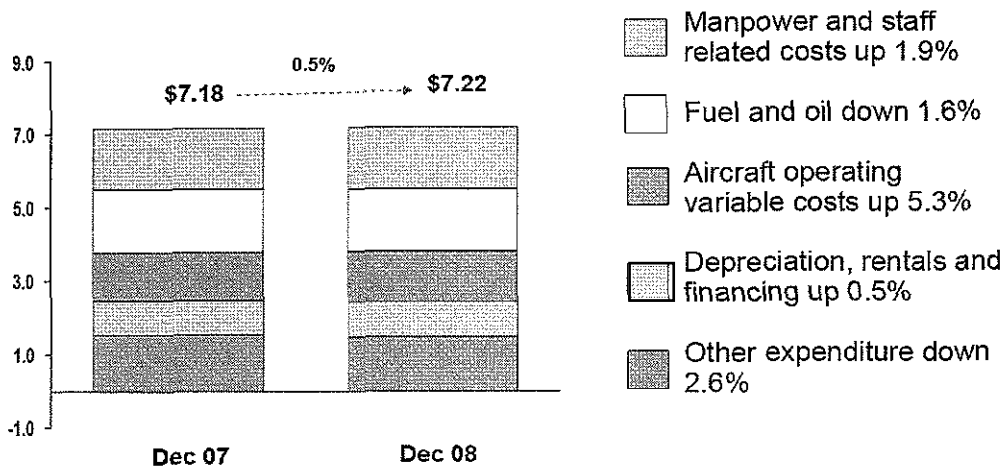
Myth 5: Rising fuel costs prevent Qantas from paying a real wage increase

Mr Dixon is wrong to suggest that fuel costs are impinging on Qantas ability to pay decent wage increases. Recently Mr Dixon said:

"The escalating cost of fuel - an extra \$1.5 billion in the case of Qantas - means that many airlines will lose money in 2008/2009, which will put major pressure on Qantas' operations. This is hardly the time to break with a policy that has worked well for all parties."

In fact, Qantas management has reported to investors that they are successfully managing fuel costs with the benefit of hedging arrangements and the rising Australian dollar.

The following extract from a Qantas investors' briefing lodged with the Stock Exchange also shows that the company predicts fuel and oil costs to fall by 1.6% in the current year to December 2008.



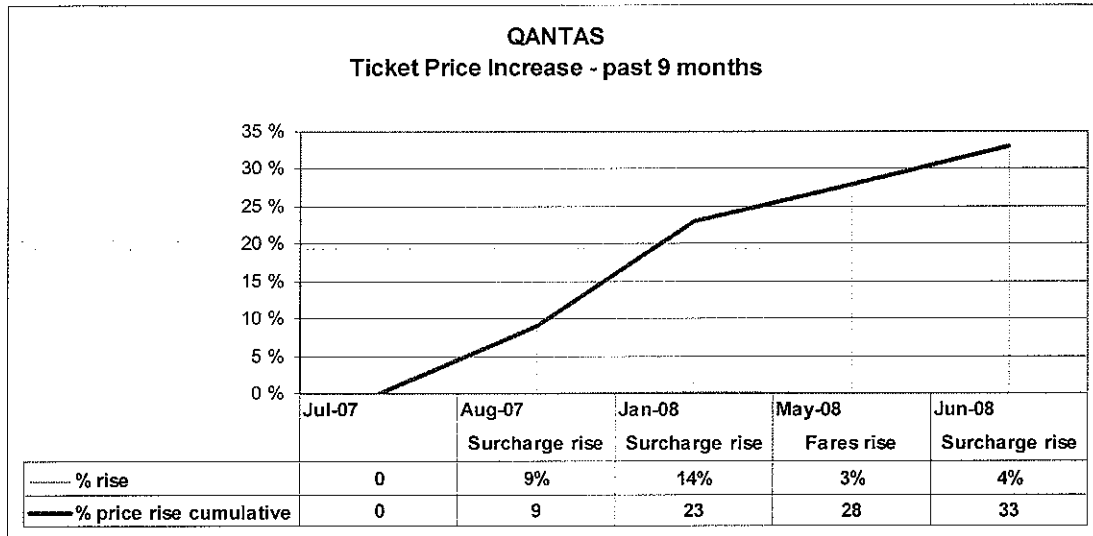
Source: Qantas 2007/08 Half Year Financial Results' Investors Briefing - lodged with the Australian Stock Exchange.

The fact is that all airlines are facing higher fuel costs, but not all airlines are sacrificing their staffing & maintenance operations.

Myth 6: Qantas is 'absorbing' the cost of rising fuel prices

It is also a myth to suggest that Qantas management is 'absorbing' fuel price increases.

In fact, the company is passing on the cost of rising fuel to customers in the form of rising fares and fuel surcharges. Qantas has actually raised international ticket prices 33% in the past 9 months (see table below).



Source: Price rises based on % rise for each international 'sector' as reported by Qantas.

Myth 7: A 3% pay rise for Qantas staff is fair

Qantas is maintaining a policy of providing only a 3% wage increase across the airline. However the company is now ignoring the fact that inflation has risen sharply in recent months and that this wages policy is now out of date.

It is a myth for Qantas CEO Geoff Dixon to say that a 3% wages policy is fair considering the current level of inflation:

*"Qantas offered fair pay and conditions, which were the best in the Australian airline business and, importantly, among the most secure in world aviation."
(Qantas media statement 21/5/08)*

Australian Bureau of Statistics data show that the Consumer Price Index has risen sharply in recent months. Rising petrol, housing, food and the other basic living expenses are putting added pressure on Qantas staff to maintain their standard of living.

In September 2007 CPI was 3.16%. In March 2008 CPI had risen to 4.4%.

In this context it is clearly now time for Qantas to change its 3% wages policy and offer staff a pay increase that properly takes into account rises in the cost of living.