

The Demise of Ansett

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ANSETT'S collapse should send a chill around Australia. Not because of its own demise, but because of what it says about our work culture and its effects on other industries.

The collapse starkly illustrates the fact that the workplace environment has not changed from the bad old days. Management still sees government as their ultimate protector. They see competition as something to be eliminated with the help of government, rather than as an on-going feature of the industry. As Dick Smith, former head of the Civil Aviation Safety Authority said:

Their [Ansett's and Qantas's] philosophy wasn't 'How can we reduce costs?' It was always 'How can we reduce competition?' When they were deregulated they acted as if they were still a regulated and cosy duopoly. When Compass challenged them, they crushed the competition without a moment's thought of getting their own costs down to competitive levels. In a similar vein, when Ansett found that it could not compete with Virgin Blue, rather than lower costs it simply offered Richard Branson an alleged \$250 million for the airline.

The unions are just as culpable as management. The IR System gives the unions joint control over the management of human resources—as such, they are effectively part of management. The unions, however, took the power but rejected the responsibility that went with it.

As a former Ansett executive stated: 'I can recall on many occasions speaking to staff and union leaders saying, "If we don't change some work practices, this company is going to go down the drain." They never, ever accepted that. They believed Ansett

was a cash cow that could just be bled to death'.¹

The unions were fully aware of the arrangements at their competitors—Virgin Blue—which allowed it to operate at costs 40 per cent below Ansett's. But when Mr Toomey, CEO of Air NZ/Ansett, came to the unions six months ago with an agenda to make the company more competitive with Virgin Blue, he was spurned. Even when the firm went bankrupt, the unions continued their bloody-mindedness. They initially blocked Qantas from taking Ansett's planes by demanding that it match Ansett's more generous wages and conditions.

Their solution was the same as the bosses', namely, that the government should pay for their folly. The unions demanded that government take equity in Ansett despite its being bankrupt, with accumulated losses of over \$2 billion and in need of a capital injection of over \$1.5 billion. And they are now organizing a marginal-seat campaign against the Howard Government for refusing to meet in full their absurd request. They also demanded that taxpayers cover their members' entitlements, despite their being a major contributor to the demise of the airline.

The demise of Ansett is not, however, a complete disaster. Although it has caused great harm to many former Ansett employees and shareholders and, in the short run, done harm to the travelling public, to users of air freight, and to tourism, the long-term impact could well be positive. The demand for its services remains unchanged—the same people still want to travel within Australia. Some firm—with luck, not Qantas—will buy its assets, hire some of its employees, and service its routes. The new operator may even reform the

workplace culture in the airline industry.

The real concern lies with other industries more open to foreign markets.

Our cancerous workplace culture is killing off what little remains of the textile and clothing industry. Most clothing manufacturers, even those servicing the high-value, fashion end of the market, have left for overseas. They have turned their local factories into warehouses to store imports for local sale. The few that remain are under attack by unions trying to stave off change. Of course the unions blame the lack of government protection, bosses, sweatshop workers, lack of patriotism and globalization. But in reality—as was the case for Ansett—it is they who are at fault.

The food-processing industry, which should be to Australia what the IT industry is to California, is also suffering from the same malady. Over the last six months, six factories have shut down and moved offshore, and many more are threatening to do the same. Although competition is driving the industry, the movement offshore is caused overwhelmingly by the 'them versus us' workplace culture.

Airlines, textiles and food-processing are not alone. Virtually all formerly protected industries are suffering the same fate. And we are witnessing the hollowing-out of the Australian economy, not by forces of global competition, but from our own stupidity.

NOTE

- 1 Ben Potter, 'Flying on empty', *Australian Financial Review*, 24 September 2001, page 56.

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